

Announcement

Circular/Notice to Shareholders

PARAGON UNION BERHAD

Subject	CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:- PART A - PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF PARAGON UNION BERHAD ("PUB" OR THE "COMPANY") AND ITS SUBSIDIARIES TO INCLUDE RECYCLING BUSINESSES ("PROPOSED DIVERSIFICATION") PART B - PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE") PART C - PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE SCHEME ("SCHEME") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME, COMPRISING A SHARE OPTION SCHEME AND A SHARE GRANT SCHEME, FOR ELIGIBLE EMPLOYEES, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS OF PUB AND ITS NON-DORMANT SUBSIDIARIES ("PROPOSED LTIS"); AND PROPOSED ALLOCATIONS OF SHARE OPTIONS AND/ OR AWARD OF PUB SHARES TO THE DIRECTORS OF PUB UNDER THE PROPOSED LTIS ("PROPOSED ALLOCATIONS")
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Please refer attachment below.

Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
Date Announced	20 Dec 2022
Category	Document Submission
Reference Number	DCS-19122022-00031

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, OR OTHER INDEPENDENT PROFESSIONAL ADVISERS IMMEDIATELY.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

You should rely on your own evaluation to assess the merits and risks of the Proposed Diversification, the Proposed New Shareholders' Mandate, the Proposed LTIS and Proposed Allocations (as defined herein).



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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF PARAGON UNION BERHAD ("PUB" OR THE "COMPANY") AND ITS SUBSIDIARIES TO INCLUDE RECYCLING BUSINESSES ("PROPOSED DIVERSIFICATION")

PART B

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED NEW SHAREHOLDERS' MANDATE")

PART C

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE SCHEME ("SCHEME") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME, COMPRISING A SHARE OPTION SCHEME AND A SHARE GRANT SCHEME, FOR ELIGIBLE EMPLOYEES, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS OF PUB AND ITS NON-DORMANT SUBSIDIARIES ("PROPOSED LTIS"); AND

PROPOSED ALLOCATIONS OF SHARE OPTIONS AND/ OR AWARD OF PUB SHARES TO THE DIRECTORS OF PUB UNDER THE PROPOSED LTIS ("PROPOSED ALLOCATIONS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A and Part B



AmInvestment Bank

AmInvestment Bank Berhad

(Registration No.: 197501002220 (23742-V))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Principal Adviser for Part C

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD

(Registration No.: 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Paragon Union Berhad ("**PUB**" or the "**Company**") will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan ("**Broadcast Venue**") entirely through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11:30 a.m., or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed herein.

You are entitled to attend, participate and vote remotely at the EGM using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700). If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to the Share Registrar of PUB at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the EGM should you subsequently wish to do so, but if you do, your proxy or proxies shall be precluded from attending the EGM.

Last date and time for lodging the Proxy Form : Thursday, 5 January 2023 at 11:30 a.m.

Date and time of the EGM : Friday, 6 January 2023 at 11:30 a.m., or at any adjournment thereof

This Circular is dated 20 December 2022

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NOTICE OF EXTRAORDINARY GENERAL MEETING**ENCLOSED****PROXY FORM****ENCLOSED**

PART A

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED DIVERSIFICATION**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout Part A of this Circular:-

Act	: Companies Act, 2016
AmInvestment Bank or Principal Adviser	: AmInvestment Bank Berhad, being the Principal Adviser for the Proposed Diversification
Board	: Board of Directors of our Company
Bursa Securities	: Bursa Malaysia Securities Berhad
Circular	: This circular to shareholders dated 20 December 2022 in relation to the Proposed Diversification, the Proposed New Shareholders' Mandate and the Proposed LTIS and the Proposed Allocations
COVID-19	: Coronavirus disease
Director	: A director of our Company and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon: (i) a director of the listed issuer, its subsidiary or holding company; and (ii) a chief executive of the listed issuer, its subsidiary or holding company.
EGM	: Extraordinary General Meeting
EPS	: Earnings per share
FY	: Financial year ended
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 9 December 2022, being the latest practicable date prior to the printing of this Circular
Major Shareholder	: A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is – (i) 10% or more of the total number of voting shares in the corporation; or (ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, “ interest ” shall have the meaning of “ interest in share ” given in Section 8 of the Act. A Major Shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as per above, or any other corporation which is its subsidiary or holding company
Mr Koon	: Koon Hoi Chun, our Executive Chairman
Mr Wong	: Wong Ee-Coln, our Managing Director
NA	: Net assets
NVH	: Noise, vibration and harshness

DEFINITIONS (CONT'D)

Paragon Metal	:	Paragon Metal Sdn Bhd, our wholly-owned subsidiary
Proposed Diversification	:	Proposed diversification of our Group's existing core business to include Recycling Business
PUB or Company	:	Paragon Union Berhad
PUB Group or Group	:	PUB and its subsidiaries
Recycling Business	:	Recycling business including but not limited to metal recycling, collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services
RM and sen	:	Ringgit Malaysia and sen, respectively

Reference to “we”, “us”, “our” and “ourselves” in Part A of this Circular are to the Company, and where the context otherwise requires, the subsidiaries. All references to “you” in Part A of this Circular are to our shareholders.

Words denoting the singular shall, where applicable, include the plural and vice versa, and 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.

Any reference in Part A of this Circular to any provision of a statute, rule, regulation, enactment or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment or re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in Part A of this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in Part A of this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in Part A of this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information on the Proposed Diversification as set out in Part A of this Circular. You are advised to read and consider carefully the contents of Part A of this Circular and the Appendix contained herein in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Diversification before voting at our forthcoming EGM.

Key information	Summary	Reference to this Circular
Details of the Proposed Diversification	<p>Our Board is cognisant of our Group's loss-making performance and has been seeking opportunities to diversify our Group's income stream and improve our Group's revenue and profitability. To this end, our Board has identified the Recycling Business as an appropriate business to be pursued.</p> <p>Our Group intends to venture into the Recycling Business, focusing on metal initially, via our subsidiary, Paragon Metal. We plan to have Paragon Metal start off by trading metal whereby it will buy metal scrap materials (mainly copper and aluminium) from vendors which focus on trading of metal, after which the metal scrap materials will be outsourced to be sorted and treated. Once treated and sorted, Paragon Metal will sell these semi-finished materials to smelter plants locally. The smelter will then re-melt the materials into copper/aluminium ingot as a finished product for exports. In addition, we may also purchase sorted and treated metal to be sold to smelter plants.</p> <p>Subsequently, our Group plans to venture further into the metal recycling industry by going upstream either through acquisition or joint venture with existing vendors (i.e. the sorting and treatment party) to undertake the sorting and treatment of the metal scrap materials on our own.</p> <p>Once the metal recycling business is on track, our Group intends to venture into other areas of recycling including but not limited to collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services.</p> <p>Our Board expects that the metal trading of the Recycling Business would grow and may result in a diversion of 25% or more of our Group's NA from our Group's existing business/operation by FY 31 December 2023.</p> <p>Accordingly, we would like to seek our shareholders' approval to undertake the Proposed Diversification.</p>	Section 2 of Part A of this Circular
Rationale for the Proposed Diversification	The Proposed Diversification facilitates our Group's plan to expand our core business and provide an avenue for our Group to expand our revenue stream and earnings base and reduce our dependence on the existing core business.	Section 3 of Part A of this Circular
Prospects	Our Board views the recycling industry as being prospective due to the increasing emphasis on environmental, social and governance practices and compliance by companies locally and globally.	Section 4 of Part A of this Circular

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to this Circular
	<p>Our Group will initially focus on metal scrap recycling namely aluminium and copper mainly due to Mr Koon's experience and network within this sector. Our Board is of the view that Mr Koon's knowledge and network within the metal recycling industry will be able to help to establish the Recycling Business whilst our Group works on building our network within the recycling industry.</p>	
Risks factor	<p>The risks relating to the Proposed Diversification include, but not limited to the following:-</p> <p>(i) Business diversification risk</p> <p>Following the completion of the Proposed Diversification, our Group's business will be subject to risks inherent in the metal recycling industry which our Group has not been subject to previously.</p> <p>(ii) Dependence on Mr Koon and Mr Wong</p> <p>Our Group has no prior experience in the recycling industry. In the interim, our Group is reliant on the experience of Mr Koon and Mr Wong to build, grow and manage the Recycling Business.</p> <p>(iii) Increasing regulations within the metal industry</p> <p>Although our Company will generally source our metal scrap and recyclable materials from local vendors, we may source metal scrap and recyclable materials via imports subject to global metal prices. The tightening or imposition of restrictions within the metal industry may lead to an increase in the cost of our imported materials. Generally, we may pass any additional costs arising from import duty to our customers. However, if we are unable to pass on such costs to our customers, our cost of sales will increase, and in turn, affect our Group's financial performance.</p> <p>(iv) Fluctuation in metal prices</p> <p>As our Company intends to initiate the Recycling Business through metal recycling, the Recycling Business' operations and profitability will be highly correlated to prevailing metal prices. Declines in metal price and any economic downturn may adversely affect the operations, revenue and profits of the Recycling Business. There is no assurance that fluctuations in metal prices will not have material adverse effects of our Recycling Business and financial position, and ultimately affect our Group.</p> <p>(v) Dependence on cooperation of external parties</p> <p>Failure to procure timely supplies on acceptable terms from local vendors may affect the Recycling Business, which may materially and adversely affect our Group's financial condition and business operations.</p>	<p>Section 5 of Part A of this Circular</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to this Circular
	<p>(vi) Investment risk</p> <p>Our Group plans to venture further into the metal recycling industry by going upstream either through acquisition or joint venture with existing vendors (i.e. the sorting and treatment party). However, there is no guarantee that the anticipated benefits from the proposed acquisition or joint venture, if any, will be realised or we will be able to generate sufficient returns from the proposed acquisition or joint venture to offset our cost of investment.</p>	
	<p>(vii) Failure to obtain the necessary operating permits, license, certificates and/or regulatory approvals</p> <p>The Recycling Business may require specific permits, license, certificates and/or regulatory approvals from the relevant authorities. If such permits, licence, certificates and/or regulatory approvals is not obtained or is not renewed or is revoked or suspended by the relevant authority, the operations of the Recycling Business will be disrupted and may materially and adversely affect our Group's performance.</p>	
	<p>(viii) Competition</p> <p>Our Group will face competition from both new entrants and established players in the recycling industry, including metal recycling sector. Compared to the existing player in the recycling industry, our Group may also encounter disadvantages as a new entrant in the industry as we lack the relevant track record as compared to the existing players whom enjoy the privilege of their established network and reputation in the industry.</p>	
	<p>(ix) Interest rate risk and covenant in borrowings</p> <p>We may obtain borrowings to finance, our venture upstream. Any fluctuations in interest rates could materially affect the interest charges incurred on our borrowings and hence, affect our profitability in the future. Any failure by our Group to meet the timely repayment of such facilities may result in its default, which could materially affect the operating and financing capabilities of our Group.</p>	

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to this Circular
	<p>(x) Political, economic, market and regulatory considerations</p> <p>The performance of our Group is dependent on the performance and growth of the economy and political conditions in Malaysia as well as countries where we may source for metal scrap materials and market our products. Any adverse developments and uncertainties in political, economic, market, interest rate, taxation, regulatory and social conditions could materially affect our Group's development of the Recycling Business.</p>	
Directors' statement and recommendation	<p>Our Board, having considered all aspects of the Proposed Diversification, including the rationale, prospects and risk factors, is of the opinion that the Proposed Diversification is in the best interest of our Company.</p> <p>Accordingly, our Board recommends that our shareholders vote in favour of the resolution in respect of the Proposed Diversification to be tabled at our forthcoming EGM.</p>	Section 10 of Part A of this Circular

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PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))
(Incorporated in Malaysia)

Registered Office

Level 5, Block B
Dataran PHB, Saujana Resort, Section U2
40150 Shah Alam, Selangor Darul Ehsan

20 December 2022

Board of Directors

Koon Hoi Chun	<i>(Executive Chairman)</i>
Wong Ee-Coln	<i>(Managing Director)</i>
Tan Vei Teck	<i>(Independent Non-Executive Director)</i>
Chan Weng Fui	<i>(Independent Non-Executive Director)</i>
Tong Siut Moi	<i>(Independent Non-Executive Director)</i>

To: Our Shareholders

Dear Sir/Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 7 October 2022, AmInvestment Bank had on behalf of our Board, announced that our Company proposes to undertake the Proposed Diversification.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSED DIVERSIFICATION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS AND APPENDIX OF PART A OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT OUR FORTHCOMING EGM.

2. PROPOSED DIVERSIFICATION

2.1 Overview of our existing business

Currently, our principal activities are investment holding and provision of management services, whilst our subsidiary companies are involved in the manufacturing and sale of car carpets, car components and commercial carpets.

Our Group has 2 business segments, namely:-

- (i) automotive car carpets and NVH components; and
- (ii) commercial carpets.

Under the automotive car carpets and NVH components segment, we supply automotive carpets and components to car manufacturers such as Perodua, Proton, Nissan, BMW, Mitsubishi, Peugeot, KIA and Isuzu. Under the commercial carpets segment, we manufacture and supply carpets to authorised dealers and/or our customers including, amongst others, hotels, mosques, offices and cinemas.

A summary of the key financial information of our Group for the past 3 financial years and the 9 months ended 30 September 2022 are set out as below:-

	Audited			Unaudited
	FY 31 December			9 months ended
	2019	2020	2021	30 September
	RM'000	RM'000	RM'000	2022
				RM'000
Revenue				
- Automotive	42,566	32,312	33,994	38,305
- Commercial	13,816	7,134	6,451	7,774
	56,382	39,446	40,445	46,079
Profit/(Loss) before tax	1,811	(6,516)	(15,589)	(3,302)
Profit/(Loss) after tax	2,809	(5,691)	(15,401)	(3,362)

Our Group recorded a loss after tax of RM5.7 million for the FY 31 December 2020 as compared to a profit after tax of RM2.8 million for the FY 31 December 2019 mainly due to erosion of margin due to lower sales, higher costs and the unprecedented outbreak of COVID-19 pandemic which had adversely affected the operation performance of our Group. The loss after tax increased by RM9.7 million to RM15.4 million for the FY 31 December 2021 mainly due to higher operating costs resulting from raw materials price hike, substantial increase in shipping and freight costs and the impairment of inventory losses due to the flood that occurred on 18 and 19 December 2021. We recorded a loss after tax of RM3.4 million for the 9 months ended 30 September 2022 as compared to the corresponding period in 2021 of RM5.7 million. The losses incurred for the period were attributed to the rise in raw material prices and shipping costs and were further affected by a less favourable currency that increased import cost. The lower losses for the period were mainly attributable to higher revenue in the 9 months to cover operation costs.

Our Board is cognisant of our Group's loss-making performance and has been seeking opportunities to diversify our Group's income stream and improve our Group's revenue and profitability. To this end, our Board has identified Recycling Business as an appropriate business to be pursued.

2.2 Details of the Proposed Diversification

Immediate plans pursuant to the Proposed Diversification

Our Group intends to venture into the Recycling Business, focusing on metal initially, via our subsidiary, Paragon Metal. Paragon Metal was incorporated on 10 May 2021 for amongst others, the manufacturing of any fabricated metal products, wholesale and retail sale of all kinds of parts components, supplies, tools and accessories for motor vehicles. It has yet to commence operations as at the LPD.

We plan to have Paragon Metal start off by trading metal whereby it will buy metal scrap materials (mainly copper and aluminium) from vendors which focus on trading of metal, after which the metal scrap materials will be outsourced to be sorted and treated. Once treated and sorted, Paragon Metal will sell these semi-finished materials to smelter plants locally. The smelter will then re-melt the materials into copper/aluminium ingot as a finished product for exports. In addition, we may also purchase sorted and treated metal to be sold to smelter plants. Our involvement in this initial stage is solely trading of metal whereby we source for materials, deliver the materials to third parties for sorting and treatment where required and subsequently sell the semi-finished materials to smelter plants. We intend to outsource the metal scrap materials to be sorted and treated at this juncture as it requires more capital investment.

At this initial stage, the cost to commence the operations of the Proposed Diversification would be mainly administrative expenses estimated to be less than RM3,000 a month to be funded via our internal working capital and metal to be purchased for trading. We estimate to purchase up to approximately RM8.0 million of metal on a monthly basis at this current juncture however such figure may differ from the actual.

We expect to commence the metal trading business by the first quarter of 2023 subject to obtaining our shareholders' approval for the Proposed Diversification. We believe we would have the financial resources to undertake the metal trading business in 2023 as barring any unforeseen circumstances, we should be receiving a substantial amount of insurance claims for the losses that we suffered during the flood in December 2021. As at the LPD, we have not secured any contracts or entered into any business arrangement in relation to the Recycling Business.

Medium to long term plans pursuant to the Proposed Diversification

Subsequently, our Group plans to venture further into the metal recycling industry by going upstream either through acquisition or joint venture with existing vendors (i.e. the sorting and treatment party) to undertake the sorting and treatment of the metal scrap materials on our own. Doing this will allow us to enjoy higher margins as we do not need to pay external parties for such service. In addition, we may also be able to undertake sorting and treatment of materials for other parties and earn additional revenue pursuant thereto.

The cost of investment of venturing upstream cannot be determined as at this juncture as it depends on the mode of our venture (i.e. acquisition or joint venture) and the availability of assets or partners then. Accordingly, we are unable to identify the location, size and capacity of the factory for the sorting and treatment of metal scrap materials as at this juncture. We will commence the metal recycling business when the metal trading business is stable, our financial position has strengthened, and we have the financial resources available for such investment. Nonetheless, we envisage to commence the metal recycling business within the next 3 years to be funded via internal working capital and/or bank borrowings.

Once the metal recycling business is on track, our Group intends to venture into other areas of recycling including but not limited to collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services.

Contribution to our Group

Our Board expects that the metal trading of the Recycling Business would grow and may result in a diversion of 25% or more of our Group's NA from our Group's existing business/operation by FY 31 December 2023. Taking into consideration of our Group's loss of approximately RM15.40 million for our existing business for FY 31 December 2021, barring unforeseen circumstances, the Recycling Business' profit could contribute 25% or more to our Group's net profit going forward.

Accordingly, we would like to seek our shareholders' approval to undertake the Proposed Diversification pursuant to the Paragraph 10.13(1) of the Listing Requirements.

Notwithstanding the Proposed Diversification, our Company remains committed to our existing core business.

2.3 Executive Director with experience and similar business in the metal recycling industry

Our Group intends to leverage on the experience and network of Mr Koon, our Executive Chairman and our major shareholder, in this industry, further details of which are set out in Section 2.4 of Part A of this Circular. Mr Koon is currently an indirect shareholder of several companies that are involved in the management of industrial waste, which includes recycling and processing of industrial waste and metal scraps into ingots, as well as sales and marketing of processed products and related products.

To kick-start the Recycling Business, we propose to trade with companies related to Mr Koon as well as other scrap metal providers. We will buy and/or sell metal materials (mainly copper and aluminium) from companies related to Mr Koon at arm's length basis which represents normal business dealings for companies related to Mr Koon. We also intend to leverage on the experience of Mr Wong, our Managing Director to develop the Recycling Business in view of his diverse experiences in managing companies from various industries, amongst others, property development, investment, business development. Mr Wong will be involved in the strategic planning, direction and development of the Recycling Business.

Taking into consideration the current financial performance of our Group, Mr Koon is sharing his knowledge and network within the metal industry to help improve the revenue and income stream for our Group. Trading with companies related to Mr Koon provides immediate business opportunity and we believe that our venture into metal trading will be beneficial to our Group as compared to venturing into a business which our Directors have no prior experience or knowledge in. Although Mr Koon has interest in similar business outside of our Group, we believe that there will be minimal competition as Mr Koon will be resigning from his position as Director in Technovate Holdings Sdn Bhd, the holding company of the related companies and he will just be an investor in Technovate Holdings Sdn Bhd by the first quarter of 2023. He will not be involved in the day-to-day operations of the related companies.

Any transactions with companies related to Mr Koon will be undertaken at arm's length basis and on normal commercial terms and transaction prices consistent with our Group's usual business practices and policies, which are not more favourable to related parties than those extended to the public and are not to the detriment of our minority shareholders. In addition, Mr Koon will not vote on any resolution relating to transactions with companies related to him and also ensure that persons connected with him abstain from voting on the said resolutions.

2.4 Key management personnel

Our Board believes that our Group has the capability and resources to diversify into the Recycling Business by leveraging on the experience of our Executive Chairman, Mr Koon, who was appointed to our Board on 9 March 2021 and our Managing Director, Mr Wong, who was appointed to our Board on 14 March 2022.

Our Group will also be recruiting a team of approximately 5 personnel to operate the Recycling Business.

(i) Background of Mr Koon

Mr Koon, our Executive Chairman has more than 5 years of experience within the recycling industry. In 2015, he co-founded and oversaw the operations of KYH Trading Sdn Bhd, which is principally involved in collecting, sorting and cleaning industrial waste and metal scraps such as aluminium and copper and selling them to international markets in most ASEAN countries, Bangladesh and Africa region. On 1 January 2020, he ventured into the processing of industrial waste and metal scraps into ingots, through Technovate Holdings Sdn Bhd. Technovate Holdings Sdn Bhd wholly-owns Technovate Trading Sdn Bhd which is principally involved in trading of precious metal materials and precious metal scraps.

(ii) Background of Mr Wong

Mr Wong, our Managing Director has over 20 years of working experience in property development, investment, business development and senior management in Malaysia and Philippines. He joined Berjaya Land Berhad as General Manager in 2013 and was promoted to be Executive Director of Berjaya Group Berhad from 2018 until 2021. He was also appointed as the President of Berjaya Philippines Inc. from 2016 until 2021. Throughout his career, Mr Wong has gained extensive experience in managing businesses, from operations to finance, and is expected to contribute to the development of the Recycling Business.

3. RATIONALE FOR THE PROPOSED DIVERSIFICATION

Our Group believes the outlook and market competitiveness for our existing business would remain challenging for the year ahead and are subject to factors such as fluctuating materials prices, and freight costs in the supply chain and exchange rate which may affect our Group's price competitiveness and profitability. The Proposed Diversification facilitates our Group's plan to expand our core business and provide an avenue for our Group to expand our revenue stream and earnings base and reduce our dependence on the existing core business.

Considering the outlook and prospects of the Recycling Business as set out in Section 4 of Part A of this Circular and coupled with the experience of Mr Koon and Mr Wong, our Board believes that barring unforeseen circumstances, the Recycling Business should contribute positively to our Group's earnings potential over time and at the same time diversify our Group's existing portfolios.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and Outlook of our existing core business

As at LPD, our Group's existing core business is manufacturing and sale of car carpets, NVH components and commercial carpets business.

Under the automotive car carpets and NVH components segment, we supply automotive carpets and components to car manufacturers such as Perodua, Proton, Nissan, BMW, Mitsubishi, Peugeot, KIA and Isuzu. Under the commercial carpets segment, we manufacture and supply carpets to authorised dealers and/or our customers including, amongst others, hotels, mosques, offices and cinemas.

For our automotive division, the prospects would depend on continuously fulfilling the industry demand for products for clients in the automotive industry, where the automotive industry has improved significantly for the first half of 2022 as there was an increase of 33% in the number vehicles purchased due to the sales tax exemption for the passenger's vehicles in the first half of 2022. On the other hand, the prospect of our commercial division would always depend on the market competition among the industry players and the ability to secure and successfully secure projects especially from construction sector. The gradual recovery and growth in the construction sector would benefit our commercial division.

The overall business remains challenging and could be subjected to unforeseen factors which may affect our competitiveness. The fluctuating price of material in the supply chain and the exchange rate hike in recent months has impacted the cost of production, which affected our margin and price competitiveness.

4.2 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

All economic sectors expanded in the third quarter of 2022. The services sector strengthened further by 16.7% (2Q 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending.

The manufacturing sector grew by 13.2% (2Q 2022: 9.2%). The electrical and electronics cluster continued to record strong growth (17.3%; 2Q 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; 2Q 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders. The construction sector recorded a higher growth of 15.3% (2Q 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed-development and small-scale projects continued to support activities in the non-residential and special trade subsectors.

During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure.

Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending.

Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services.

(Source: Bank Negara Malaysia's Quarterly Bulletin for 3rd Quarter 2022)

4.3 Overview and prospect of the recycling market

In 2021, a total of 13.95 million tonnes of municipal solid waste was generated per annum in Malaysia, equivalent to 38,207 tonnes generated per day by household, institutional, commercial, industrial (excluding scheduled waste) and construction establishments. This showed an increase from previous years as municipal solid waste amounted to 13.91 million tonnes and 13.88 million tonnes in 2020 and 2019 respectively. This waste typically ends up at a landfill site if it is not recycled or reused, thereby requiring more landfill usage and expansions. The limited land and high cost of landfill facilitation operations have intensified environmental and financial concerns for the Government.

As Malaysia moves towards zero-waste, the Government is actively playing a pivotal role in strengthening waste management and transforming environmental governance to enable better management of the environment and natural resources, including reducing its economic impacts. These initiatives have been highlighted in the Twelfth Malaysia Plan, 2021 – 2025 (“**12MP**”) as part of Malaysia’s commitment to achieving a net-zero carbon emission country by 2050. Under 12MP, the Government has set out to achieve a national recycling rate (“**NRR**”) of 40 per cent by 2025. The NRR reached 31.52 per cent in 2021, a promising increase as compared to 30.67 per cent in 2020.

The 12MP also highlights the importance of establishing a circular economy where businesses are encouraged to adopt this concept in the design, production, logistics, consumption and waste management of their products and services.

To accelerate the transition of solid waste management from a linear economy to a circular economy, Malaysia is banking on Waste to Energy (“**WTE**”) solutions. The Ministry of Housing and Local Government is planning to establish six WTE plants across Malaysia by 2025.

WTE solutions are now recognised as a preferred waste treatment option for residual waste and a sustainable waste management approach in the country. Additionally, the establishment of waste eco-parks, development of waste management technologies and closure of all open landfills are encouraged to achieve Malaysia’s commitment to become a net-zero carbon emission country by 2050.

MIDA has been promoting environmental management through recycling since the 1980s as well as green technology projects and services since 2014. The facilitation offered by the Government include Investment Tax Allowance for companies that intend to undertake WTE projects and integrated waste management projects.

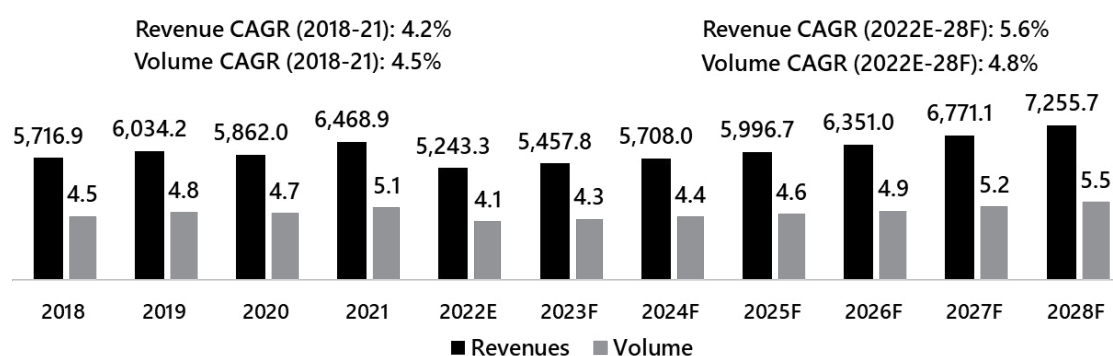
MIDA also continues to intensify its efforts to assist both local and foreign investors by formulating policies, incentives and providing facilities as well as support services for the green technology industry towards further strengthening Malaysia’s green ecosystem, building climate resilience and achieving global sustainable development goals.

(Source: MIDA Newsletter July 2022, Waste to Energy (WTE): The Preferred Approach for Waste Management in Malaysia, MIDA)

4.4 Overview of the metal recycling market in Malaysia

Malaysia's metal scrap recycling market posted significant growth during the 2018 to 2019 period owing to a growing demand for waste management and initiatives taken by regional government bodies to minimize waste. However, the market faced a decline in 2020, due to the pandemic-induced lockdown across the globe which resulted in supply chain disruptions affecting the imports of raw materials and reduced overall demand for the product in the market. Furthermore, the Malaysian Ministry of International Trade and Industry's (MITI) stricter rules for the importation of ferrous scrap, copper scrap and aluminium scrap resulted in a severe decline in the Malaysia metal scrap recycling market in 2022, yet the market is expected to bounce back in the coming year on account of development in the construction sector and industrial sector across the nation. The scrap metal recycling market showed a positive trend in the early 2021 and is projected to grow exponentially in the upcoming years owing to rapid infrastructural development plans.

Malaysia Metal Scrap Recycling Market Revenues and Volume, 2018-2028F (USD Million, Million Tonnes)



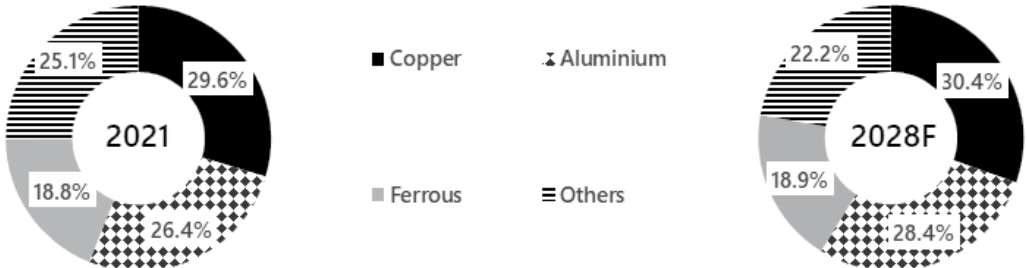
According to 6Wresearch, Malaysia's metal scrap recycling market is projected to grow at a CAGR of 5.6% during 2022-2028. The government's focus on the expansion of the rail systems in Malaysia in line with government projects such as the Mass Rapid Transit 3 (MRT3) Circle Line project with an approximate investment of USD7.4 billion would increase the generation rate of metal scraps in the country. In addition to that, the rapid development of the manufacturing sector accounting for 70.9 per cent of foreign direct investments amounting to USD87.4 billion in the first half of 2022 would have a significant contribution to the market expansion anticipated for the coming years.

With growing scrap generation and increasing demand for ferrous and non-ferrous metals in the automotive and construction sector, the metal scrap recycling industry in Malaysia is expected to flourish in the coming years. Furthermore, Malaysia established its first-ever non-ferrous metals organisation in 2019 with the goal of bridging the gap between many diverse stakeholders of the industries, such as the government, traders, and manufacturers, which significantly contributed to the market expansion during the last few years. Following China's crackdown on scrap imports, several investors have started to set up recycling facilities in Southeast Asian countries including Malaysia. These newly set-up yards will process the non-ferrous scrap to filter out the impurities in order to meet the stricter import scrap criteria to China thus, driving the metal scrap recycling market in Malaysia.

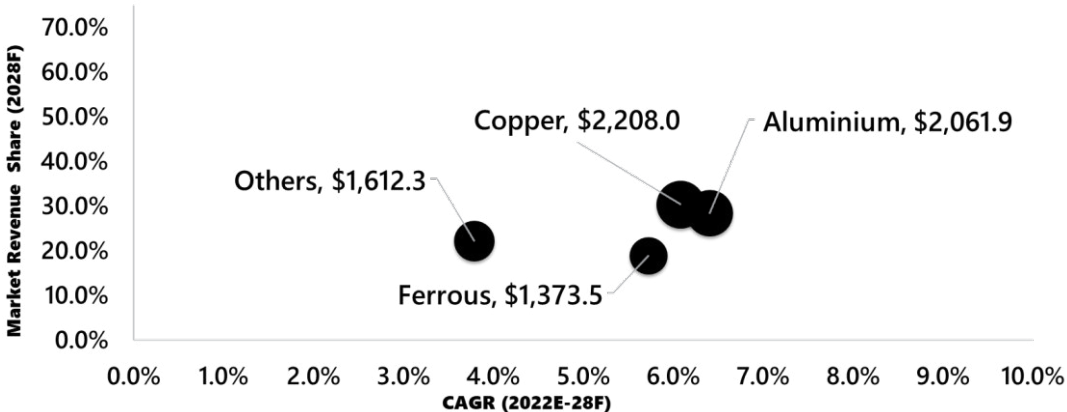
Malaysia metal scrap recycling market is currently in the growth stage of the industry life cycle owing to the country's robust automotive sector. The country recorded 32.3 million motor vehicles in 2021 along with a 1.2 million increase in new vehicles compared to 2019. Malaysia's automobile fleet has been expanding, and the transportation infrastructure in the country is developing with extensive construction projects. A total of 3,868 government construction projects valued at RM30.1 billion have been awarded as of October 2021 compared to 3,653 projects valued at RM25.9 billion awarded in the same period last year. A growing amount of construction projects is expected to contribute towards the growth of the recycling industry in the country.

In 2021, the copper segment garnered the maximum revenue in Malaysia’s metal scrap recycling market owing to the metal’s significant role in manufacturing electric vehicles and consumer electronics. Moreover, the allocation of 94 projects totalling USD33.03 billion and the USD4.33 billion secured for basic metal products make Malaysia’s electronics and metals industry very attractive for scrap collection in the years to come. Additionally, copper demand is projected to rise by 16%, reaching 25.5 million tonnes per annum (TPA) by 2030 across the nation and higher copper prices would encourage the demand for recycled copper metal scrap in the coming years. Furthermore, aluminium, due to its excellent scrap value and lower energy needs, is expected to grow significantly during the forecast period.

Malaysia Metal Scrap Recycling Market Revenue Share, By Metal Types, 2021 & 2028F

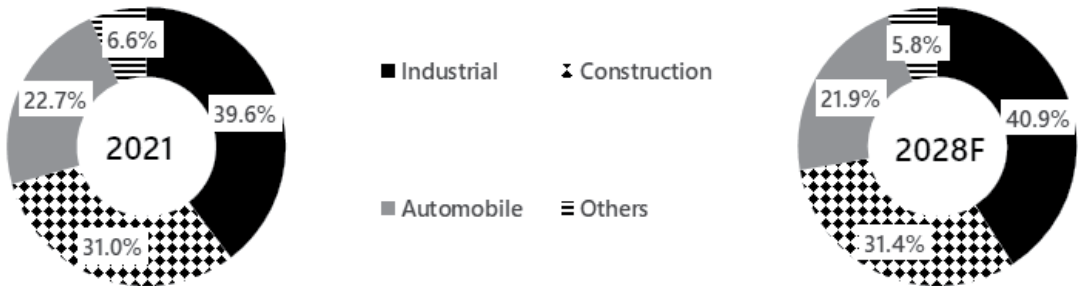


Malaysia Metal Scrap Recycling Opportunity Assessment, By Metal Types, 2028F (USD Million)

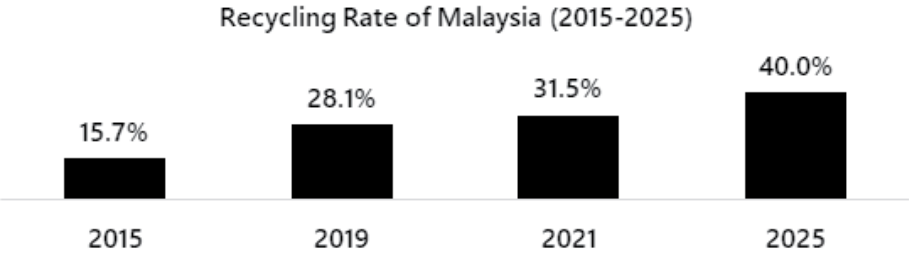
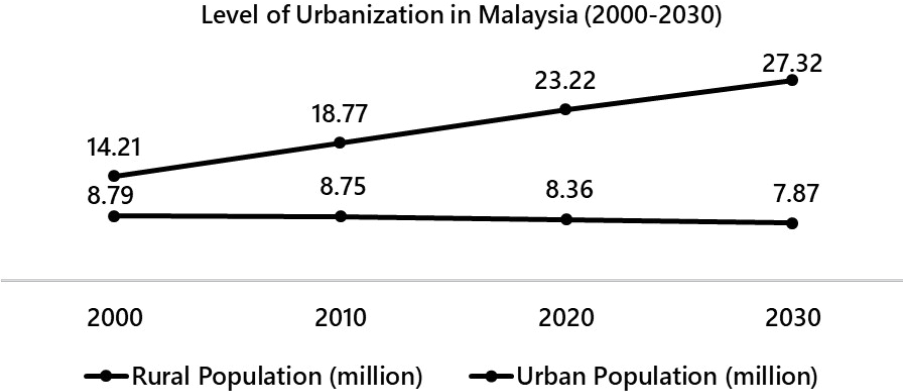


In 2021, by applications, industrial segment, had acquired the highest revenue share in Malaysia’s metal scrap recycling market, and it is expected to follow the same drift in the forecast period owing to growth in industrial scrap generated by a flourishing manufacturing sector which recorded a growth of 14.2 per cent in Q3 2022. Furthermore, scrap metal generated from industries can be repeatedly transformed into new materials suitable for manufacturing and construction fuelling the consumption of recycled metal scraps.

Malaysia Metal Scrap Recycling Market Revenue Share, By Application, 2021 & 2028F



The urbanization rate in Malaysia grew drastically over the last few years where around 73.5% of the country’s population residing in urban areas. This number is expected to increase to 77.6% by 2030 comprising approximately 27 million urban population. Urbanization has a crucial impact on the future of the metal industry as metal is the base for all infrastructural operations. A huge flow of population from rural to urban areas creates substantial demand for steel to be used in the infrastructure developments such as water, energy, and mass transit systems as well as major construction and housing programmes eventually resulting in the generation of metal scrap in the country. The recycling rates have significantly increased from 15.7% in 2015 to 31.5% in 2021, thereby increasing the amount of metal scrap being utilized in the construction projects carried out in the country. This generates lucrative prospects of high growth in the aggregate demand for metal scrap in the upcoming years.



Malaysia’s exponential growth in attracting investments in the manufacturing sector in 2021 and the country’s growing foreign direct investments would facilitate expansion in manufacturing capacities, thereby, enabling the country to produce massive amounts of metal scrap in coming years. Hence, this drastic shift in supply would incentivize the government and regional players in capitalizing on the opportunity of purchasing and recycling scrap materials and contributing to the metal scrap market.

Within the manufacturing sector, the electrical and electronics industry outnumbered every other manufacturing sector in the country in terms of approved projects and investments. It has been allotted 94 projects valued at USD33.03 billion and basic metal products secured USD4.33 billion, which makes the electronics and metals industry of Malaysia extremely promising for scrap collection in coming years.

(Source: Malaysia Metal Scrap Recycling Market (2022-2028), December 2022 report by 6Wresearch)

4.5 Future plans and prospects of our Group

Our Group recorded a loss after tax of RM15.40 million for the latest FY 31 December 2021. This was attributable to, amongst others, the negative impact and uncertainties generated by the COVID-19 pandemic and the associated movement control orders during the year. The performance of our Group had also been adversely impacted by a natural flood disaster in FY 31 December 2021, which damaged some of our Group's finished goods raw materials and production machineries. The re-opening of the economy subsequent to the various movement control orders is expected to have a positive impact on our Group's performance and our Group anticipates that the revenue for both the automotive and commercial sectors to recover at an incremental pace. Nonetheless, our Group remains cautious on the outlook due to the increase in raw material prices, shipping costs, energy prices such as oil and natural gas, the gazetted minimum wages and the amendments to the Employment Act 1955 which were gazetted in 2022 and proposed to take effect on 1 January 2023, will collectively have an impact on the production and transportation cost.

In an effort to diversify our Group's income stream and improve revenue and profitability, our Board intends to undertake the Proposed Diversification. Our Board views the recycling industry as being prospective due to the increasing emphasis on environmental, social and governance practices and compliance by companies locally and globally. Countries around the world are focusing on various environmental issues, to reduce global warming through amongst others controlling carbon dioxide emissions, treatment of wastewater, regulating the way of handling trash and industrial waste.

Although many sectors or materials fall under the recyclable category, our Group will initially focus on metal scrap recycling namely aluminium and copper mainly due to Mr Koon's experience and network within this sector. We will start off by trading metal scrap materials which is expected to commence by first half of 2023 subject to obtaining our shareholders' approval for the Proposed Diversification. Our Board is of the view that Mr Koon's knowledge and network within the metal recycling industry will be able to help to establish the Recycling Business whilst our Group works on building our network within the recycling industry. Our Group envisions to eventually enter into joint venture arrangements with other players within the industry to venture upstream as stated in Section 2 of Part A of this Circular.

Our Board believes that barring any unforeseen circumstances, the Recycling Business would provide our Group with a new source of revenue which in turn should contribute positively towards our Group's earnings in the long run.

(Source: Our Management)

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5. RISKS FACTOR

Pursuant to the Proposed Diversification, our Group will be exposed to the challenges and risks inherent in the recycling industry of which our Group has no prior experience in.

The risks relating to the Proposed Diversification include, but is not limited to the following:-

(i) Business diversification risk

Following the completion of the Proposed Diversification, our Group's business will be subject to risks inherent in the metal recycling industry which our Group has not been subject to previously. These include but are not limited to, availability and cost of metal materials and regulations within the metal industry. There can be no assurance that our Group will be able to successfully mitigate the various risks inherent in the recycling industry, and if unable to do so, the business operations and financial performance of our Group may be adversely affected. Nevertheless, our Group seeks to limit these risks, through, inter alia, conducting a periodic review of our business operations as well as implement prudent financial management to improve efficiency.

(ii) Dependence on Mr Koon and Mr Wong

Our Group has no prior experience in the recycling industry. In the interim, our Group is reliant on the experience of Mr Koon and Mr Wong to build, grow and manage the Recycling Business. Our Group intends to, over time, recruit 5 personnel to assist both Mr Koon and Mr Wong in this business.

Whilst our Group will offer competitive incentives/remuneration packages to retain Mr Koon and Mr Wong as well as to attract and retain qualified experienced personnel who are essential towards the development of the Recycling Business, there can be no assurance that our Group will be able to find a suitable replacement on a timely basis for any loss of such key personnel. In such event, the operations of the Recycling Business may be adversely affected which in turn, have an adverse effect on our Group's earnings.

(iii) Increasing regulations within the metal industry

In January 2022, the Government of Malaysia imposed a new regulation for metal scrap importing which requires shipments to comprise of at least 94.75% iron and steel. This new regulation also disallows the traders to import metal scrap without an end-user certificate and certificate of origin which, could lead to a supply gap in the ferrous scrap recycling market of the country, hence, would restrict the ferrous market growth of metal scrap revenues due to the shortage and sudden spike in prices.

Malaysia has also issued a guideline that would restrict the entry of copper and aluminium metal scrap in the country as it proposes minimum copper content of 94.75% to be eligible for entering Malaysia. Hence, it could lead to a copper scrap shortage in the recycling industry.

Although our Company will generally source our metal scrap and recyclable materials from local vendors, we may source metal scrap and recyclable materials via imports subject to global metal prices. The tightening or imposition of the restrictions described above may lead to an increase in the cost of our imported materials. Generally, we may pass any additional costs arising from import duty to our customers. However, if we are unable to pass on such costs to our customers, our cost of sales will increase, and in turn, affect our Group's financial performance. Nevertheless, our Group will seek to limit this through close monitoring of the supply of metal scrap, building a wide network of local vendors and maintaining a close relationship with them to ensure the supply of metal scrap for our Group.

(iv) Fluctuation in metal prices

As our Company intends to initiate the Recycling Business through metal recycling, the Recycling Business' operations and profitability will be highly correlated to prevailing metal prices. Overall, global metal prices, especially aluminium and copper have increased between 2018 and 2021, with prices of aluminium increasing by 17.0%, from USD2,112.40 per MT in 2018 to USD2,472.30 per MT in 2021 while prices of copper have increased by 42.7% from USD6,530.00 per MT in 2018 to USD9,317.20 per MT in 2021. Prices for aluminium and copper are projected to further increase to USD3,478.20 per MT and USD10,109.20 per MT, respectively in 2022. The increase in global metal prices is mainly attributable to the global economic recovery and rising raw material prices. Additionally, the metal steel supply chain was disrupted arising from lockdown restrictions due to the COVID-19 pandemic. From 2023 onwards, based on the research done by 6Wresearch, global metal prices are expected to decline with aluminium prices to decrease to USD3,359.90 per MT and copper prices to decrease to USD10,048.50 per MT. The growth of metal industry may slow down as a result of decline in metal prices. Declines in metal price and any economic downturn may adversely affect the operations, revenue and profits of the Recycling Business. There is no assurance that fluctuations in metal prices will not have material adverse effects of our Recycling Business and financial position, and ultimately affect our Group. In this regard, we will be carefully monitoring the metal prices and aim to lower the average cost of our materials by increasing our purchases of materials during periods where the cost is low. This is expected to enable us to remain competitive.

(v) Dependence on cooperation of external parties

The metal scrap and recyclable materials will be generally sourced from local vendors. Failure to procure timely supplies on acceptable terms from such local vendors may affect the Recycling Business, which may materially and adversely affect our Group's financial condition and business operations. Nevertheless, our Group will seek to limit such risk by securing contracts with various vendors, obtaining metal scrap and recyclable materials via imports, establish and maintain cordial business relationships with them through leveraging on the network of Mr Koon in the recycling industry.

(vi) Investment risk

Our Group plans to venture further into the metal recycling industry by going upstream either through acquisition or joint venture with existing vendors (i.e. the sorting and treatment party). The proposed acquisition or joint venture, if any, is expected to be beneficial to our Group. However, there is no guarantee that the anticipated benefits from the proposed acquisition or joint venture, if any, will be realised or we will be able to generate sufficient returns from the proposed acquisition or joint venture to offset our cost of investment. Nevertheless, our Board endeavours to mitigate such risk by adopting prudent investment strategies and conducting the relevant assessment and review prior to making its investment decision.

(vii) Failure to obtain the necessary operating permits, license, certificates and/or regulatory approvals

The Recycling Business may require specific permits, license, certificates and/or regulatory approvals from the relevant authorities. If such permits, licence, certificates and/or regulatory approvals is not obtained or is not renewed or is revoked or suspended by the relevant authority, the operations of the Recycling Business will be disrupted and may materially and adversely affect our Group's performance. In mitigating such risks, our Group will actively work to obtain the relevant permits, license, certificates and/or regulatory approvals and upon procuring such permits, license, certificates and/or regulatory approvals, comply with and periodically review our compliance with the relevant regulatory requirements relating to the Recycling Business.

(viii) Competition

Our Group will face competition from both new entrants and established players in the recycling industry, including in the metal recycling sector. Compared to the existing player in the recycling industry, our Group may also encounter disadvantages as a new entrant in the industry as we lack the relevant track record as compared to the existing players whom enjoy the privilege of their established network and reputation in the industry. To mitigate this risk, our Group will constantly review our products offering, pricing and marketing strategies to ensure our products remain competitive within the recycling industry.

(ix) Interest rate risk and covenant in borrowings

Our Group plans to venture further into the metal recycling industry by going upstream either through acquisition or joint venture with existing vendors (i.e. the sorting and treatment party). We may obtain borrowings to finance, our venture upstream. Any fluctuations in interest rates could materially affect the interest charges incurred on our borrowings and hence, affect our profitability in the future. As with many agreements relating to loan facilities by financial institutions, there may be certain positive and negative covenants, fixed assets charges, pledge and/or liens imposed. Any failure by our Group to meet the timely repayment of such facilities may result in its default, which could materially affect the operating and financing capabilities of our Group. In this respect, we will constantly monitor our financial resources and liquidity closely, taking necessary precautions to prevent any breach of covenants set out in our loan arrangements, if any.

(x) Political, economic, market and regulatory considerations

The performance of our Group is dependent on the performance and growth of the economy and political conditions in Malaysia as well as countries where we may source for metal scrap materials and market our products. Any adverse development and uncertainties in political, economic, market, interest rate, taxation, regulatory and social conditions could materially affect our Group's development of the Recycling Business. These include but is not limited to, amongst others, political instability, economic downturn and unfavourable changes in governmental policies such as changes in the methods of taxation, interest rates or introduction of new regulations, which are generally beyond the management's control and affect all the players in the industry.

Our Group seeks to manage such risks by monitoring the operating environment and reviewing business strategies in response to any major changes. There is no assurance that adverse changes to the political, regulatory and economics conditions will not materially and adversely affect our Group's business operations and financial performance.

6. EFFECTS OF THE PROPOSED DIVERSIFICATION

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on our Company's issued share capital or our substantial shareholders' shareholdings as the Proposed Diversification does not involve any issuance of PUB shares.

6.2 NA, NA per share and gearing

The Proposed Diversification is not expected to have any material effect on our Group's NA, NA per share and gearing for the financial year ending 31 December 2022. Future contribution from the Recycling Business may have a positive impact on our Group's NA. Our Group's gearing will depend on, amongst others, the manner of funding for the Recycling Business.

6.3 EPS

The Proposed Diversification is not expected to have any material effect on our Group's earnings and EPS for the financial year ending 31 December 2022 but is expected to contribute positively to our Group's future earnings and EPS.

7. APPROVALS REQUIRED

The Proposed Diversification is subject to the following approvals being obtained:-

- (i) our shareholders at our forthcoming EGM; and
- (ii) any other relevant parties/authorities (if applicable).

8. INTER-CONDITIONALITY AND OUTSTANDING CORPORATE PROPOSALS

The Proposed Diversification is not conditional upon any other corporate exercises/schemes or proposals undertaken or to be undertaken by our Company.

Save for the Proposed Diversification, the Proposed New Shareholders' Mandate (as detailed in Part B of this Circular) and the Proposed LTIS and the Proposed Allocations (as detailed in Part C of this Circular), there are no outstanding corporate exercises/schemes or proposals pending completion prior to the printing of this Circular.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the directors and/or major shareholders of our Company and/or persons connected to them have any interest, either direct or indirect, in the Proposed Diversification.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board having considered all aspects of the Proposed Diversification, including the rationale, prospects and risk factors, is of the opinion that the Proposed Diversification is in the best interest of our Company.

Accordingly, our Board recommends that our shareholders vote in favour of the resolution in respect of the Proposed Diversification to be tabled at our forthcoming EGM.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining our shareholders' approval at our forthcoming EGM.

12. EGM

The EGM, the notice of which is enclosed with in this Circular, will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan, through live streaming and online remote voting using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11:30 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Diversification.

You are entitled to attend, participate and vote remotely at the EGM using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700). If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to our Share Registrar at Level 5, Block B, Dataran PHB, Saujana Resort, 40150 Shah Alam, Selangor Darul Ehsan or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the EGM should you subsequently wish to do so, but if you do, your proxy or proxies shall be precluded from attending the EGM. Please refer to the Administrative Guide for Shareholders for further information on electronic submission.

13. FURTHER INFORMATION

You are requested to refer to Appendix I of Part A of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors of
PARAGON UNION BERHAD

KOON HOI CHUN
Executive Chairman

1. RESPONSIBILITY STATEMENT

Part A of this Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any information herein false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in Part A of this Circular of its names and all references thereto in the form and context in which it appears in Part A of this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, “**AmBank Group**”) forms a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group’s securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of the AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of PUB Group.

As at LPD, AmBank Group has not extended any credit facilities to PUB Group.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposed Diversification is not likely to result in a conflict of interest or potential conflict of interest situation in view that:-

- (i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Proposed Diversification is in the ordinary course of business; and
- (ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entity within AmBank Group have separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

Premised on the above, AmInvestment Bank confirms that it is not aware of any conflict of interest which exist or is likely to exist in its capacity as the Principal Adviser for the Proposed Diversification.

APPENDIX I – FURTHER INFORMATION (CONT'D)

3. CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS**3.1 Contingent Liabilities**

Save as disclosed below, there are no contingent liabilities incurred or known to be incurred by our Group as at LPD, which upon becoming enforceable, may have a material impact on the results of the financial position of our Group:

	Group level as at LPD (RM'000)
Guarantees granted to third parties ⁽¹⁾	458

Note:

(1) *The bank guarantees were issued by licensed financial institutions on behalf of our subsidiaries in respect of performance guarantees/ bonds for business contracts.*

3.2 Material Commitments

Save as disclosed below, there are no other material commitments incurred or known to be incurred by our Group as at LPD, which upon becoming due or enforceable, may have a material impact on the financial position or business of our Group.

	Group level as at LPD (RM'000)
Approved and contracted for:-	
Purchase of machinery	450
Total	450

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office during office hours from Monday to Friday (except public holidays) at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan from the date of this Circular up to the date of the EGM:-

- (i) our Constitution;
- (ii) our audited consolidated financial statements for the FY 31 December 2020 and 31 December 2021 and the latest unaudited consolidated financial statements for the 9-months period ended 30 September 2022; and
- (iii) the letter of consent and conflict of interest referred to in Section 2 above.

PART B

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED NEW SHAREHOLDERS' MANDATE**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout Part B of this Circular:-

Act	:	Companies Act, 2016
AGM	:	Annual General Meeting
AKK Capital	:	AKK Capital Sdn Bhd
Board	:	Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular to the shareholders dated 20 December 2022 in relation to the Proposed Diversification, the Proposed New Shareholders' Mandate and the Proposed LTIS and the Proposed Allocations
Director	:	A director of our Company and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon: (i) a director of the listed issuer, its subsidiary or holding company; and (ii) a chief executive of the listed issuer, its subsidiary or holding company.
EGM	:	Extraordinary General Meeting
FY	:	Financial year ended
Interested Director	:	Mr Koon
Interested Major Shareholders	:	Collectively, Mr Koon and AKK Capital
KYH Recycle	:	KYH Recycle Industries Sdn Bhd, a 90.00% owned subsidiary of Technovate Holdings
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	9 December 2022, being the latest practicable date prior to the printing of this Circular
Major Shareholder	:	A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is – (i) 10% or more of the total number of voting shares in the corporation; or (ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

For the purpose of this definition, “**interest**” shall have the meaning of “**interest in share**” given in Section 8 of the Act.

A Major Shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as per above, or any other corporation which is its subsidiary or holding company

DEFINITIONS (CONT'D)

NA	:	Net assets
NVH	:	Noise, vibration and harshness
Paragon Metal	:	Paragon Metal Sdn Bhd, our wholly-owned subsidiary
Proposed New Shareholders' Mandate	:	Proposed new shareholders' mandate for RRPTs to be entered into by PUB Group with related parties pursuant to the Proposed Diversification
PUB or Company	:	Paragon Union Berhad
PUB Group or Group	:	PUB and its subsidiaries (include all future subsidiaries)
Related Party(ies)	:	A Director, a Major Shareholder or a person connected with such Director or Major Shareholder
RM and sen	:	Ringgit Malaysia and sen, respectively
RRPTs	:	Recurrent related party transactions of revenue or trading nature, which are necessary for day to day operations and are in the ordinary course of business of our Group
Technovate Holdings	:	Technovate Holdings Sdn Bhd, a company in which Mr Koon is a director and has 45.00% equity interest
Technovate Trading	:	Technovate Trading Sdn Bhd, a wholly-owned subsidiary of Technovate Holdings

Reference to "we", "us", "our" and "ourselves" in Part B of this Circular are to the Company, and where the context otherwise requires, the subsidiaries. All references to "you" in Part B of this Circular are to our shareholders.

Words denoting the singular shall, where applicable, include the plural and vice versa, and 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.

Any reference in Part B of this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment or re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in Part B of this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in Part B of this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in Part B of this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.



PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))
(Incorporated in Malaysia)

Registered Office

Level 5, Block B
Dataran PHB, Saujana Resort, Section U2
40150, Shah Alam, Selangor Darul Ehsan

20 December 2022

Board of Directors

Koon Hoi Chun	<i>(Executive Chairman)</i>
Wong Ee-Coln	<i>(Managing Director)</i>
Tan Vei Teck	<i>(Independent Non-Executive Director)</i>
Chan Weng Fui	<i>(Independent Non-Executive Director)</i>
Tong Siut Moi	<i>(Independent Non-Executive Director)</i>

To: Our Shareholders

Dear Sir/Madam,

PROPOSED NEW SHAREHOLDERS' MANDATE

1. INTRODUCTION

On 7 October 2022, AmlInvestment Bank had on behalf of our Board announced that our Company proposes to undertake the Proposed New Shareholders' Mandate.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSED NEW SHAREHOLDERS' MANDATE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS AND APPENDIX OF PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED NEW SHAREHOLDERS' MANDATE TO BE TABLED AT OUR FORTHCOMING EGM.

2. PROPOSED NEW SHAREHOLDERS' MANDATE

Pursuant to Paragraph 10.09(2) of the Listing Requirements, our Company may seek a mandate from our shareholders for RRPTs, subject to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (iii) a circular to our shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (iv) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (v) our Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by our Group, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in our announcement.

Pursuant to the Proposed Diversification, our Group will, in the ordinary course of the Recycling Business, enter into certain RRPTs with Related Parties, the details of which as set out in Section 2.2 of Part B of this Circular. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

Accordingly, our Board proposes to seek shareholders' mandate for the RRPTs to be entered into by our Group from the date of our forthcoming EGM until the next AGM.

Such transactions will be made on terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders.

The Proposed New Shareholders' Mandate, if approved by our shareholders at our forthcoming EGM, is subject to annual renewal. In this respect, any authority conferred by the Proposed New Shareholders' Mandate will take effect from the date of the said EGM until:-

- (i) the conclusion of the next AGM of our Company following this EGM at which the Proposed New Shareholders' Mandate is passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next general meeting;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by our shareholders in a general meeting;

whichever is earlier.

As at LPD, there was no transactions entered into between our Company and the Related Parties for the preceding 12 months from the date of this Circular.

2.1 Principal activities of our Group

Our principal activities are investment holding and provision of management services whilst the principal activities of our subsidiaries are as follows:-

Name of Company	Date/Country of incorporation	Effective equity interest (%)	Principal activities
Paragon Car Carpets & Components Sdn Bhd	31 October 1983/ Malaysia	100	Manufacturing and trading in car carpets and automotive components
Paragon Expression Sdn Bhd	1 July 1997/ Malaysia	100	Investment holding and property development related activities
Paragon Precision Industries Sdn Bhd	24 September 1993/ Malaysia	78	Dormant
Paragon Metal Components Sdn Bhd	22 June 1993/ Malaysia	77	Dormant
Paragon Metal	10 May 2021/ Malaysia	100	Dormant
Subsidiary of Paragon Car Carpets & Components Sdn Bhd			
Paragon Carpetmaker Sdn Bhd	4 August 1992/ Malaysia	100	Manufacturing of car carpets and commercial carpets
Subsidiary of Paragon Carpetmaker Sdn Bhd			
Paragon Carpet Distributor Sdn Bhd	21 July 1987/ Malaysia	100	Distribution and trading of commercial carpets
Subsidiary of Paragon Expression Sdn Bhd			
Paragon Property Development Sdn Bhd	7 January 2000/ Malaysia	100	Dormant

For the purpose of Part B of this Circular, PUB Group shall also include all future subsidiaries of our Company.

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2.2 Classes of Related Parties

The Related Parties to which the Proposed New Shareholders' Mandate is applicable are as follows:-

<u>Related Parties</u>	<u>Principal Activities</u>	<u>Interested Major Shareholder</u>	<u>Relationship with the Related Parties</u>
Technovate Trading	Wholesale of metal and non-metal waste and scrap and materials for recycling	Mr Koon	Mr. Koon is our Executive Chairman and major shareholder. He is also a director and shareholder holding 45.00% equity interest in Technovate Holdings which wholly-owns Technovate Trading.
KYH Recycle	Wholesale of metal and non-metal waste and scrap and materials for recycling	Mr Koon	Mr. Koon is our Executive Chairman and major shareholder. He is also a director and shareholder holding 45.00% equity interest in Technovate Holdings which owns 90.00% equity interest in KYH Recycle.

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2.3 Details of the RRPTs under the Proposed New Shareholders' Mandate

The RRPTs contemplated for which the Proposed New Shareholders' Mandate is sought are set out below:-

No.	Related Parties	Transacting party within our Group	Nature of RRPTs	*Estimated aggregate value to be incurred from the EGM to the next AGM (RM'000)
1	Technovate Trading	Paragon Metal	<ul style="list-style-type: none"> Purchase of metal materials (mainly copper and aluminium) by Paragon Metal from Technovate Trading Sale of metal materials (mainly copper and aluminium) by Paragon Metal to Technovate Trading 	25,000
2	KYH Recycle	Paragon Metal	<ul style="list-style-type: none"> Purchase of metal materials (mainly copper and aluminium) by Paragon Metal from KYH Recycle Sale of metal materials (mainly copper and aluminium) by Paragon Metal to KYH Recycle 	17,000

Note:-

* *The estimated values stated are determined by our management. Actual transaction values may differ from the values stated.*

Technovate Trading is principally involved in trading of metal whilst KYH Recycle is more involved in processing of metal. We are seeking the Proposed New Shareholders' Mandate to enter into transactions with companies related to Mr Koon as readily available avenues and alternatives to purchase and/or sell metal materials for the Proposed Diversification.

2.4 Guidelines and Review of Procedures on the RRPTs

Our Group has established various procedures to ensure that the RRPTs are undertaken on an arm's length basis and on normal commercial terms and transactions prices consistent with our Group's usual business practices and policies, which are not more favourable to the Related Parties than those extended to the public and are not to the detriment of our minority shareholders.

The review and approval procedures established by our Group for the RRPTs are as follows:-

- (i) The originator of the RRPT will notify and furnish the details of the contract/agreement/transaction to our finance department for verification of whether it is an RRPT;
- (ii) Our finance department will:
 - (a) maintain and update the register of RRPTs;
 - (b) monitor the threshold of the RRPT and ensure that an immediate announcement is made if:-
 - 1. the consideration, value of the assets, capital outlay or costs of RRPT is RM1 million or more; or
 - 2. the percentage ratio of the RRPT is 1% or more;whichever is the higher,
 - (c) monitor the threshold of the RRPT and ensure that an immediate announcement is made when the actual value of RRPT exceeds the estimated value of the RRPT disclosed in our circular (shareholders' mandate for RRPT, if any) by 10% or more.
- (iii) The register of RRPTs will be reviewed by our internal auditors and external auditors on an annual basis;
- (iv) The pricing for services and products to be provided/supplied and/or received will be determined based on our Group's business practices and policies to ensure that prices and terms and conditions are based on competitive prices of similar products and services in the open market;
- (v) At least two other contemporaneous transactions with unrelated third parties for similar products/ services and/or quantities will be used as a comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/ services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transactions price will be based on prevailing market rates/prices that are agreed upon based on usual business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RRPT is not detrimental to our Group;
- (vi) The RRPT which is below RM1.0 million in value for each transaction is subject to the approval of any one of our Executive Directors;
- (vii) The RRPT which is RM1.0 million and above or 1% of any percentage ratios shall be reviewed and approved by our Audit Committee and our Board before the transaction is entered into;
- (viii) Our Audit Committee shall review the internal audit reports relating to the RRPT, if any;
- (ix) All RRPTs to be entered into will be reviewed by our Audit Committee on a quarterly basis and subsequently reported to our Board to ensure that the transactions are not more favourable to the Related Party and will not be detrimental to our minority shareholders. Any member of our Audit Committee may, as he deems fit, request for additional information pertaining to the transaction from independent sources or advisers, including valuation from professional valuers or advisers;

- (x) If a member of our Audit Committee or our Board or our subsidiaries' board of directors having interest (direct or indirect) in the RRPT, he shall declare his interest in the RRPT and abstain from any deliberation and decision making by our Board in respect of such RRPT and continue to abstain from voting on the resolution approving the transactions as well as undertake that he will ensure that the persons connected with him abstain from voting on the resolution deliberating or approving the transactions at the general meeting;
- (xi) Our finance department shall report to our Audit Committee and our Board on the RRPT on a quarterly basis and disclose the RRPT in our quarterly report;
- (xii) Our Group may seek our shareholders' mandate for the RRPTs subject to the following:-
 - (a) the transactions are entered into in the ordinary course of business and are on terms not favourable to the Related Parties than those generally available to the public;
 - (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than a prescribed threshold;
 - (c) our circular to shareholders for the shareholders' mandate includes such information as may be prescribed by Bursa Securities. The draft Circular must be submitted to Bursa Securities together with a compliance checklist;
 - (d) at the general meeting to obtain our shareholders' mandate, the interested related party must abstain from voting on the resolution approving the RRPT. An interested related party must ensure that the persons connected with him abstain from voting on the resolution in respect of the RRPT;
 - (e) we must immediately announce to Bursa Securities when the actual value of a RRPT, exceeds the estimated value of the RRPT as disclosed in the circular by 10% or more and must include such information as may be prescribed by Bursa Securities in our announcement; and
 - (f) where we have procured our shareholders' mandate, the provisions of Paragraph 10.08 of the Listing Requirements on the RRPT shall not apply.
- (xiii) Records will be maintained by our Group to capture all RRPTs entered into pursuant to any Proposed New Shareholders' Mandate.

2.5 Statement by Audit Committee

Our Audit Committee, comprises the following members:-

Name	Designation	Directorship
Chan Weng Fui	Chairman	Independent Non-Executive Director
Tan Vei Teck	Member	Independent Non-Executive Director
Tong Siut Moi	Member	Independent Non-Executive Director

Our Audit Committee is satisfied that the review procedures for RRPTs as set out in Section 2.4 of Part B of this Circular are sufficient and appropriate to ensure that such RRPTs will be undertaken at arm's length and are on normal commercial terms consistent with the industry norms, not more favourable to the Related Parties than those generally available to the public and that such terms will not be detrimental to the interests of the minority shareholders or disadvantageous to our Group.

Our Group has in place adequate procedures and processes to monitor, track and identify the RRPTs on a quarterly basis. Our Audit Committee reserves the right to modify or amend these procedures and processes at any time as it may deem necessary in order to align with the Listing Requirements, the Act, the latest Malaysian Code on Corporate Governance and any other applicable laws enforced at the time being.

3. RATIONALE FOR THE PROPOSED NEW SHAREHOLDERS' MANDATE

The Proposed New Shareholders' Mandate will allow our Group to enter into transactions within the ordinary course of our proposed diversified business with Technovate Trading and KYH Recycle, the related parties.

The Proposed New Shareholders' Mandate will enhance our Group's ability to pursue business opportunities which are time-sensitive in nature and allow our Group to enter into transactions within the ordinary course of the proposed diversified business with companies related to Mr Koon. The Proposed New Shareholders' Mandate will enable our Group to undertake RRPTs necessary for day-to-day operations of the diversified business in a more expeditious manner, without the need to announce and convene separate general meetings on each occasion to seek our shareholders' prior approval for the relevant company in our Group to enter into such transactions.

This will substantially reduce the expenses associated with the convening of general meetings on an ad-hoc basis, improve administrative efficiency considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

Premised on the above, the Proposed New Shareholders' Mandate is expected to contribute positively to our Group's overall earnings moving forward.

4. EFFECTS OF THE PROPOSED NEW SHAREHOLDERS' MANDATE

4.1 Share capital and substantial shareholders' shareholdings

The Proposed New Shareholders' Mandate will not have any effect on our Company's issued share capital or our substantial shareholders' shareholdings of PUB.

4.2 NA, NA per share and gearing

The Proposed New Shareholders' Mandate is not expected to have any material effect on our Group's NA, NA per share and gearing for the financial year ending 31 December 2022.

4.3 EPS

The Proposed New Shareholders' Mandate is not expected to have any material effect on our Group's earnings and EPS for the financial year ending 31 December 2022 but is expected to contribute positively to our Group's future earnings and EPS.

5. APPROVAL REQUIRED

The Proposed New Shareholders' Mandate is subject to our shareholders' approval at our forthcoming EGM.

6. INTER-CONDITIONALITY AND OUTSTANDING CORPORATE PROPOSALS

The Proposed New Shareholders' Mandate is conditional upon the Proposed Diversification (details of which are set out in Part A of this Circular) but not vice versa. Save as disclosed in this Circular, the Proposed New Shareholders' Mandate is not conditional upon any other corporate exercises/schemes or proposals undertaken by our Group.

Save for the Proposed New Shareholders' Mandate, the Proposed Diversification (as detailed in Part A of this Circular) and the Proposed LTIS and the Proposed Allocations (as detailed in Part C of this Circular), there are no outstanding corporate exercises/schemes or proposals pending completion prior to the printing of this Circular.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save as disclosed below, none of the other directors and/or major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed New Shareholders' Mandate:-

- (i) Mr Koon, our Executive Chairman is an indirect shareholder of Technovate Trading and KYH Recycle via his 45.00% equity interest in Technovate Holding. He is also our major shareholder via his direct 0.99% equity interest in our Company and his indirect interest via his 100% equity interest in AKK Capital. As at LPD, AKK Capital holds 47.69% equity interest in PUB

(Mr Koon and AKK Capital are collectively referred to as "**Interested Major Shareholders**").

(Mr Koon is referred to as "**Interested Director**").

As at LPD, the direct and/or indirect shareholdings of the Interested Major Shareholders in our Company are as follows:-

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Mr Koon	832,000	0.99	39,979,794	47.69 ⁽¹⁾
AKK Capital	39,979,794	47.69	-	-

Note:-

- (1) *Deemed interested by virtue of his substantial shareholdings in AKK Capital.*

Accordingly, Mr Koon has abstained and will continue to abstain from deliberating and voting on the Proposed New Shareholders' Mandate at the relevant board meetings. Further, Mr Koon and AKK Capital will abstain from voting in respect of their shareholdings in our Company on the resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at our forthcoming EGM. They will also undertake that they will ensure that the persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company, deliberating or approving the ordinary resolution pertaining to the Proposed New Shareholders' Mandate to be tabled at our EGM to be convened.

8. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, save for Mr Koon, having considered all aspects of the Proposed New Shareholders' Mandate, including the rationale and review procedures, is of the opinion that the Proposed New Shareholders' Mandate is in the best interest of our Company.

Our Board, save for Mr Koon, recommends that shareholders vote in favour of the resolution for the Proposed New Shareholders' Mandate to be tabled at our forthcoming EGM.

9. AUDIT COMMITTEE'S STATEMENT

Our Audit Committee, after having considered all relevant aspects of the Proposed New Shareholders' Mandate (including but not limited to the terms, rationale and financial effects of the Proposed New Shareholders' Mandate) is of the opinion that the Proposed New Shareholders' Mandate is in the best interest of our Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders of our Company.

10. EGM

The EGM, the notice of which is enclosed with in this Circular, will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan, entirely through live streaming and online remote voting using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11:30 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed New Shareholders' Mandate.

You are entitled to attend, participate and vote remotely at the EGM using RPV facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700). If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to our Share Registrar at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the EGM should you subsequently wish to do so, but if you do, your proxy or proxies shall be precluded from attending the EGM. Please refer to the Administrative Guide for Shareholders for further information on electronic submission.

11. FURTHER INFORMATION

You are requested to refer to Appendix I of Part B this Circular for further information.

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

WONG EE-COLN
Managing Director

APPENDIX I – FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

Part B of this Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any information herein false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in Part B of this Circular of its names and all references thereto in the form and context in which it appears in Part B of this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, “**AmBank Group**”) forms a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group’s securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of the AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of PUB Group.

As at LPD, AmBank Group has not extended any credit facilities to PUB Group.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposed New Shareholders’ Mandate is not likely to result in a conflict of interest or potential conflict of interest situation in view that:-

- (i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Proposed New Shareholders’ Mandate is in the ordinary course of business; and
- (ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entity within AmBank Group have separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

Premised on the above, AmInvestment Bank confirms that it is not aware of any conflict of interest which exist or is likely to exist in its capacity as the Principal Adviser for the Proposed New Shareholders’ Mandate.

APPENDIX I – FURTHER INFORMATION (CONT'D)

3. MATERIAL CONTRACTS

As at LPD, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by our Group within two years preceding the date of this Circular.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, our Group is not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Board is not aware of any proceedings pending or threatened against our Group, or any fact likely to give rise to any proceeding which might materially and adversely affect our Group's financial position or business.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office during office hours from Monday to Friday (except public holidays) at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan from the date of this Circular up to the date of the EGM:-

- (i) our Constitution;
- (ii) our audited consolidated financial statements for the FY 31 December 2020 and 31 December 2021 and the latest unaudited consolidated financial statements for the 9-months period ended 30 September 2022; and
- (iii) the letter of consent and conflict of interest referred to in Section 2 above.

PART C

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSED LTIS AND THE PROPOSED ALLOCATIONS**

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout Part C of this Circular and the accompanying appendices:

Act	:	Companies Act 2016 of Malaysia
Board	:	Board of Directors of PUB
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	By-Laws governing the Proposed LTIS, as amended, modified and supplemented from time to time in accordance with the provisions of the By-Laws
Circular	:	This circular to the shareholders of PUB in relation to the Proposed Diversification, the Proposed New Shareholders' Mandate, the Proposed LTIS and the Proposed Allocations dated 20 December 2022
CMSA	:	Capital Markets and Services Act 2007
Director(s)	:	A director of our Company and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and being a natural person that: (i) occupies or acts in the position of director; (ii) is in accordance with whose directions or instructions the directors of a corporation are accustomed to act; or (iii) is an alternate or substitute director, in our Company
EGM	:	Extraordinary general meeting
Eligible Person(s)	:	Employee(s), executive director(s) and non-executive director(s) of PUB Group (excluding dormant subsidiaries of our Company) who fulfil the eligibility criteria for participation in the Proposed LTIS as set out in the By-Laws
EPS	:	Earnings per share
FYE	:	Financial year ended/ ending 31 December, as the case may be
Grantee(s)	:	An Eligible Person who has accepted an offer of the Share Options and/ or Share Awards in the manner provided in the By-Laws
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	9 December 2022, being the latest practicable date prior to the printing of this Circular
LTIS Awards	:	Share Options and Share Awards, collectively and any one of them is referred to as the " LTIS Award "
LTIS Committee	:	A committee to be duly appointed and authorised by our Board from time to time to implement and administer the Proposed LTIS in accordance with the By-Laws
NA	:	Net assets

DEFINITIONS (CONT'D)

Offer	:	Offer of Share Options and/ or Share Awards made under the Proposed LTIS (i.e., Proposed Share Option Scheme and Proposed Share Grant Scheme) at the discretion of the LTIS Committee, to an Eligible Person from time to time within the duration of the Scheme to participate in the Proposed Share Option Scheme and/ or Proposed Share Grant Scheme in the manner provided in the By-Laws
Option Price	:	The price at which a Grantee shall be entitled to subscribe for each new Share from our Company upon the exercise of the Share Options, as specified in the Offer and as may be adjusted in accordance with the provisions of the By-Laws
Proposed Allocations	:	Proposed allocations of Share Options and/ or award of PUB Shares to the Directors of PUB under the Proposed LTIS
Proposed Diversification	:	Proposed diversification of our Group's existing core business to include Recycling Business
Proposed LTIS or Scheme	:	Proposed long-term incentive scheme of up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point in time during the duration of the scheme, comprising the Proposed Share Option Scheme and Proposed Share Grant Scheme
Proposed New Shareholders' Mandate	:	Proposed new shareholders' mandate for RRPTs to be entered into by PUB Group with related parties pursuant to the Proposed Diversification
Proposed Share Option Scheme	:	The share option scheme for the granting of Share Options to Eligible Persons to subscribe for new Shares in accordance with the By-Laws
Proposed Share Grant Scheme	:	The share grant scheme for the granting of Share Awards to the Eligible Persons in accordance with the By-Laws
PUB or Company	:	Paragon Union Berhad
PUB Group or Group	:	PUB and its subsidiaries, collectively
PUB Share(s) or Share(s)	:	Ordinary share(s) in PUB
Record of Depositors	:	A record consisting of names of depositors established by Bursa Malaysia Depository Sdn Bhd
Recycling Business	:	Recycling business including but not limited to metal recycling, collection, recycling and recovery of liquid and solid industrial waste, treatment of industrial chemicals and chemical related products and provision of recycling management services
RRPTs	:	Recurrent related party transactions of revenue or trading nature, which are necessary for day to day operations and are in the ordinary course of business of our Group
RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia

DEFINITIONS (CONT'D)

Share Option(s)	:	The right of a Grantee to subscribe for such number of new Shares pursuant to an offer made by the LTIS Committee constituted by the acceptance of an Offer by an Eligible Person in the manner provided in the By-Laws
Share Award(s)	:	The right of a Grantee to have a number of fully paid Share(s) specified in the Offer, vest in him/ her on the specified vesting date, subject to the terms and conditions of the By-Laws and the Offer
Share Grant Price	:	The reference price which is used to determine the number of Shares to be granted under the Share Award
TA Securities or Principal Adviser	:	TA Securities Holdings Berhad
VWAP	:	Volume weighted average market price

Reference to “we”, “us”, “our” and “ourselves” in Part C of this Circular are to the Company, and where the context otherwise requires, the subsidiaries.

All references to “**you**” in Part C of this Circular are references to shareholders of PUB.

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/ or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in Part C of this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment of re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in Part C of this Circular is a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the figures included in Part C of this Circular between the amount stated, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

This Executive Summary represents only a summary of the pertinent information on the Proposed LTIS and Proposed Allocations as set out in Part C of this Circular. You are advised to read and carefully consider the contents of Part C of this Circular and the Appendices contained herein in its entirety for further details before voting on the resolutions pertaining to the Proposed LTIS and Proposed Allocations to be tabled at the forthcoming EGM.

Key information	Description	Reference to the Circular
<p>Brief details of the Proposed LTIS and Proposed Allocations</p>	<ul style="list-style-type: none"> • The Proposed LTIS involves the establishment of a long-term incentive scheme of up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point in time during the duration of the Scheme for the eligible employees, executive directors and non-executive directors of PUB and its subsidiaries (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed LTIS as set out in the By-Laws. • The Proposed LTIS comprises a Proposed Share Option Scheme and a Proposed Share Grant Scheme. • The Scheme shall be in force for a period of 5 years from its effective date and may be extended for a further period of 5 years pursuant to the By-Laws. • The maximum number of PUB Shares that may be issued under the Scheme shall not exceed 15% of the total number of PUB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme. • The Proposed LTIS and Proposed Allocations will be implemented and administered by the LTIS Committee. The members of the LTIS Committee may comprise of Directors, senior management personnel of our Group and/ or other persons identified and appointed from time to time by our Board. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the LTIS Committee pursuant to the By-Laws may be exercised at the LTIS Committee's sole and absolute discretion having regard to the terms of reference which our Board may establish to regulate and govern the LTIS Committee's functions and responsibilities. 	<p>Section 2 of Part C of this Circular</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to the Circular
<p>Rationale for the Proposed LTIS</p>	<p>The Proposed LTIS is to provide our Company with the flexibility in determining the mode/ manner of rewarding its employees at the relevant point in time which will take into consideration various factors, amongst others, impact to the earnings and funding requirements of our Group.</p> <p>The Proposed LTIS is established to achieve the following objectives:</p> <ul style="list-style-type: none"> (i) to drive and motivate the Eligible Persons to work towards achieving our Group's goals and objectives; (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of our Group; (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to our Group by enabling them to participate directly in the equity of our Company; (iv) to align the interests of the Eligible Persons with the interests of the shareholders by providing an incentive for the Eligible Persons to participate in the future growth of our Group and motivating them towards achieving better performance; and (v) to attract and retain high-calibre Eligible Persons. <p>The non-executive Directors are also eligible to participate in the Scheme. This is to recognise their contribution to our Company, their independent views in the decision-making process and maintaining good corporate practices. The LTIS Awards under the Proposed LTIS will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as non-executive directors who will assist in providing inputs in the overall strategic decisions and direction of our Group.</p>	<p>Section 4 of Part C of this Circular</p>
<p>Approvals required</p>	<p>The Proposed LTIS is subject to the following approvals being obtained:</p> <ul style="list-style-type: none"> (i) the approval of Bursa Securities for the listing and quotation of such number of new PUB Shares, representing up to 15% of the total number of issued shares of PUB (excluding treasury shares, if any) at any point in time during the duration of the Scheme to be issued pursuant to the Proposed LTIS on the Main Market of Bursa Securities; (ii) the approval of shareholders for the Proposed LTIS as well as the Proposed Allocations at an EGM to be convened; and (iii) the approvals/ consents of any other relevant authorities and/ or parties, if required. 	<p>Section 6 of Part C of this Circular</p>

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to the Circular
Interests of directors, major shareholders, chief executive of our Company and/ or persons connected with them	<p>All the Directors of our Company are deemed interested in the Proposed LTIS by virtue of their eligibility for the LTIS Awards and in respect of their allocations as well as allocations to persons connected with them under the Proposed LTIS.</p> <p>AKK Capital Sdn Bhd is the major shareholder of our Company. Koon Hoi Chun, our Executive Chairman who is also the sole shareholder and sole director of AKK Capital Sdn Bhd, is an Eligible Person under the Proposed LTIS. As such, AKK Capital Sdn Bhd is a person connected with Koon Hoi Chun.</p>	Section 8 of Part C of this Circular
Board's recommendation	<p>Our Board, after having considered all aspects of the Proposed LTIS including, the rationale and effects of the Proposed LTIS, is of the opinion that the Proposed LTIS is in the best interests of our Company.</p> <p>Accordingly, our Board recommends that you vote IN FAVOUR of the resolution pertaining to the Proposed LTIS to be tabled at the forthcoming EGM.</p> <p>In view that individual Directors on our Board are deemed interested in the Proposed LTIS to the extent of their respective allocations as well as allocations to persons connected with them (if any) under the Proposed LTIS, they abstain from forming an opinion and making any recommendation on the resolutions to be tabled at the forthcoming EGM on their respective allocations as well as allocations to persons connected to them (if any) under the Proposed LTIS.</p> <p>Where the resolutions are not related to their respective allocations or to persons connected with them (if any) under the Proposed LTIS, our Board, after having considered all aspects of the Proposed Allocations, is of the view that the Proposed Allocations is in the best interest of our Company and recommends that you vote IN FAVOUR of the resolutions pertaining to the Proposed Allocations to be tabled at the forthcoming EGM.</p>	Section 9 of Part C of this Circular

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PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))
(Incorporated in Malaysia)

Registered Office:
Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam, Selangor

20 December 2022

Board of Directors

Koon Hoi Chun (*Executive Chairman*)
Wong Ee-Coln (*Managing Director*)
Chan Weng Fui (*Independent Non-Executive Director*)
Tan Vei Teck (*Independent Non-Executive Director*)
Tong Siut Moi (*Independent Non-Executive Director*)

To: Shareholders of Paragon Union Berhad

Dear Sir/ Madam,

- (I) **PROPOSED LTIS; AND**
 - (II) **PROPOSED ALLOCATIONS**
-

1. INTRODUCTION

On 7 October 2022, TA Securities had, on behalf of our Board announced that our Company proposes to undertake the Proposed LTIS.

On 27 October 2022, TA Securities had, on behalf of our Board announced that Bursa Securities had, vide its letter dated 26 October 2022, resolved to approve the listing and quotation of such number of new PUB Shares, representing up to 15% of the total number of issued shares of PUB (excluding treasury shares, if any) to be issued pursuant to the Proposed LTIS. The approval of Bursa Securities is subject to the conditions as set out in Section 6 of Part C of this Circular.

On 11 November 2022, TA Securities had, on behalf of our Board announced that an application for an extension of time of up to 30 December 2022 to issue the circular in relation to the Proposed LTIS ("**Extension of Time**") was submitted to Bursa Securities. On 15 December 2022, TA Securities had, on behalf of our Board announced that Bursa Securities had, vide its letter dated 15 December 2022, resolved to approve the Extension of Time of up to 20 December 2022 for the Company to issue the circular in relation to the Proposed LTIS.

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED LTIS AND PROPOSED ALLOCATIONS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED LTIS AND PROPOSED ALLOCATIONS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART C OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED LTIS AND PROPOSED ALLOCATIONS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED LTIS AND THE PROPOSED ALLOCATIONS

The Proposed LTIS involves the establishment of a long-term incentive scheme of up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any) at any point in time during the duration of the Scheme for the eligible employees, executive directors and non-executive directors of our Group (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed LTIS as set out in the By-Laws.

(i) Proposed Share Option Scheme

Our Company is proposing to grant Share Options to Eligible Persons with the right to subscribe for new Shares at the Option Price, subject to the fulfilment by the Eligible Persons of certain performance targets to be prescribed by the LTIS Committee. Nevertheless, no performance target has been set for the vesting of Share Options at this juncture.

Upon acceptance of the Share Options by the Eligible Persons (i.e., Grantee), the Share Options will be vested to the Grantee over the duration of the Scheme, subject to the Grantee fulfilling certain vesting conditions as determined by the LTIS Committee at a later date after the establishment of the Proposed LTIS. The Share Options when vested and exercised under the Proposed Share Option Scheme will be satisfied by the allotment and issuance of new PUB Shares.

The Option Price shall be based on the 5-day VWAP of PUB Shares, as quoted on Bursa Securities, immediately preceding the date of offer with a discount of not more than 10% (or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time).

(ii) Proposed Share Grant Scheme

The Proposed Share Grant Scheme is intended to allow our Company to award Share Award(s) to the Eligible Persons, subject to the fulfilment of certain performance targets to be prescribed by the LTIS Committee. Nevertheless, no performance target has been set for the vesting of Share Awards at this juncture.

A Share Award, once accepted by the Eligible Person (i.e., Grantee), will vest in the Grantee at no cost to the Grantee subject to the Grantee fulfilling certain vesting conditions as determined by the LTIS Committee at a later date after the establishment of the Proposed LTIS.

The vesting of PUB Shares under the Proposed Share Grant Scheme will be satisfied by the allotment and issuance of new PUB Shares (without any cash consideration payable by the Grantee).

(iii) Proposed Allocations

In accordance to the By-Laws, where a specific allotment is to be made to any Eligible Person who is a Director, major shareholder or chief executive of our Company or holding company of our Company (“**Interested Party(ies)**”) or a person connected with any of the Interested Parties, the specific allocation of Share Options and/ or Share Awards granted by our Company to him/ her under the Scheme must be approved by the shareholders of our Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and persons connected with them shall not have voted on the resolution approving their respective allocation.

Accordingly, our Board proposes to seek shareholders’ approval at the forthcoming EGM for the proposed allocation of Share Options and/ or Share Awards to the Directors of PUB as follows:

No.	Name	Designation
(i)	Koon Hoi Chun	Executive Chairman
(ii)	Wong Ee-Coln	Managing Director
(iii)	Chan Weng Fui	Independent Non-Executive Director
(iv)	Tan Vei Teck	Independent Non-Executive Director
(v)	Tong Siut Moi	Independent Non-Executive Director

After considering the potential effect on the earnings and EPS of our Group in the future as set out in Section 5.3 of Part C of this Circular, the Company intends to award/ allocate the Share Options/ Share Awards under the Proposed LTIS in the following proportion:

Components of the Proposed LTIS	% of the Proposed LTIS
Proposed Share Option Scheme	Between 70% to 90%
Proposed Share Grant Scheme	Between 10% to 30%

The Proposed LTIS and Proposed Allocations will be implemented and administered by the LTIS Committee. The members of the LTIS Committee may comprise of Directors, senior management personnel of our Group and/ or other persons identified and appointed from time to time by our Board. As at the LPD, the composition of the LTIS Committee has yet to be decided by our Board.

The LTIS Committee will have the absolute discretion in implementing and administering the Proposed LTIS. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the LTIS Committee pursuant to the By-Laws may be exercised at the LTIS Committee's sole and absolute discretion having regard to the terms of reference which our Board may establish to regulate and govern the LTIS Committee's functions and responsibilities. The decision as to whether or not to stagger the allocation of the LTIS Award over the duration of the Proposed LTIS shall be determined by the LTIS Committee at a later date.

2.1 Indicative principal features of the Proposed LTIS

No.	Terms	Details
(1)	Duration of the Scheme	<p>: Subject to the By-Laws, the Scheme when implemented, shall take effect on the date of full compliance with the relevant requirements of the Listing Requirements ("Effective Date") and shall be in force for a period of 5 years from the Effective Date and may be extended or renewed (as the case may be) for a further period of 5 years or such shorter period, at the sole and absolute discretion of our Board upon the recommendation by the LTIS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of our Company's shareholders in a general meeting is required for any such extension or renewal (as the case may be).</p> <p>On expiry of the Scheme, Share Options which have been vested but remained unexercised or any Share Awards which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void.</p>
(2)	Maximum number of PUB Shares available under the Proposed LTIS	: The maximum number of PUB Shares that may be issued under the Scheme shall not exceed 15% of the total number of issued PUB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme.

No.	Terms	Details
(3)	Basis of allotment and maximum allowable allotment	<p data-bbox="587 181 1402 398">Subject to the By-Laws and any adjustment which may be made under the By-Laws, the aggregate maximum number of Shares that may be allocated to an Eligible Person pursuant to the Scheme shall be determined and entirely at the sole and absolute discretion of the LTIS Committee after taking into consideration, amongst other factors, the Eligible Person's performance, contribution, employment grade, seniority, length of service and/ or such other factors as the LTIS Committee deems fit, and subject to the following conditions:</p> <ul style="list-style-type: none"> <li data-bbox="587 427 1402 533">(i) the total number of Shares made available under the Proposed LTIS shall not exceed 15% of the total number of issued PUB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme; <li data-bbox="587 562 1402 696">(ii) not more than 10% of the total number of Shares to be issued under the Proposed LTIS shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued shares of our Company (excluding treasury shares); <li data-bbox="587 725 1402 1048">(iii) not more than 70% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of our Group (excluding dormant subsidiaries) who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the LTIS Committee from time to time). This is intended to (a) incentivise the Directors of our Group for their contribution towards the development, growth and success and strategic direction of our Group, to drive long-term shareholder value enhancement of our Group; and (b) incentivise the senior management of our Group for their commitment, dedication and loyalty towards attainment of higher performance. The basis was determined by our Board taking into consideration: <ul style="list-style-type: none"> <li data-bbox="655 1077 1402 1189">(aa) the number of directors and senior management who are eligible to participate in the Proposed LTIS as well as their position, ranking, seniority, length of service and contribution to our Group; and <li data-bbox="655 1211 1402 1290">(bb) they are crucial to the performance of our Group as our Directors and senior management are key drivers of our Group's business and operations, <li data-bbox="587 1319 1402 1424">(iv) the directors and senior management of our Group and members of the LTIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any, <p data-bbox="587 1453 1402 1532">provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.</p> <p data-bbox="587 1561 1241 1594">The LTIS Committee shall have the discretion in determining:</p> <ul style="list-style-type: none"> <li data-bbox="587 1624 1402 1805">(i) the maximum number of Share Options and/ or Share Awards that can be offered under the Scheme in relation to each class or grade of our Directors and employees and the aggregate maximum number of Share Options and/ or Share Awards that can be offered to the Directors and senior management of our Group (excluding dormant subsidiaries) under the Scheme from time to time, and the decision of the LTIS Committee shall be final and binding; <li data-bbox="587 1836 1402 2000">(ii) whether the granting of the Share Options and/ or Share Awards to the Eligible Persons will be based on staggered granting over the duration of the Scheme or in 1 single grant or separate and independent with each other, including the maximum allocation of the offer of the LTIS Awards for each financial year in the event the Offer is staggered over the duration of the Scheme;

No.	Terms	Details
		<p>(iii) whether the Share Options and/ or Share Awards are subject to any performance targets, vesting period, and if so, to determine the vesting conditions for the Share Options and/ or Share Awards; and/ or</p> <p>(iv) whether any vesting condition has been fully and duly satisfied. If applicable, where the LTIS Committee has determined that the vesting conditions have been fully and duly satisfied, the LTIS Committee shall notify the Grantee the number of Share Options vested or which will be vested to him/ her on the vesting date.</p> <p>Our Company shall ensure that allocation of LTIS Awards is verified by our Company's Audit Committee at the end of each financial year as being in compliance with the criteria for allocation of LTIS Awards which have been disclosed to the Eligible Persons.</p> <p>No performance target has been set for the vesting of LTIS Awards at this juncture. The LTIS Committee may from time to time at its own discretion decide on the performance targets.</p>
(4)	Eligibility	<p>: Subject to the discretion of the LTIS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:</p> <p>(i) in respect of an employee, the employee must, as at the date of the offer of the LTIS Award:</p> <p>(a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;</p> <p>(b) entered into a full-time or fixed-term contract with, and is on the payroll of, any company within our Group (excluding dormant subsidiaries), and whose service has been confirmed and have not served a notice of resignation or received a notice of termination by the relevant company within our Group; and</p> <p>(c) fulfilled any other eligibility criteria as may be set by the LTIS Committee at any time and from time to time.</p> <p>(ii) in respect of a Director, the Director must, as at the date of the offer of the LTIS Award:</p> <p>(a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;</p> <p>(b) has been appointed as a Director of any company within our Group (excluding dormant subsidiaries) for such period as may be determined by the LTIS Committee prior and up to the date of offer; and</p> <p>(c) fulfilled any other eligibility criteria as may be set by the LTIS Committee at any time and from time to time.</p> <p>(iii) in respect of a Director or an employee who is serving under an employment contract with any company within our Group (excluding dormant subsidiaries), such employment contract must be for a fixed duration of at least 1 year (which shall include any probation period), unless otherwise decided by the LTIS Committee in its absolute discretion; and</p> <p>(iv) the LTIS Committee may in its absolute discretion determine any other eligibility criteria and/ or waive any of the eligibility criteria as set out above for the purpose of selecting an Eligible Person at any time and from time to time, and the decision of the LTIS Committee shall be final and binding.</p>

No.	Terms	Details
		<p>Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed LTIS unless the LTIS Committee has made an offer to the Eligible Person in the manner set out in the By-Laws and the Eligible Person has accepted the offer in accordance with the terms of offer and the Proposed LTIS.</p> <p>The specific allotment to be made to any Interested Parties or a person connected with any of the Interested Parties, the specific allocation of LTIS Awards granted by our Company to him/ her under the Scheme must be approved by the shareholders of our Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and persons connected with them shall not have voted on the resolution approving their respective allocation.</p>
(5)	Retention period	<p>: The Shares to be issued/ transferred to a Grantee (save for a Grantee who is a non-executive Director) pursuant to the exercise of a Share Option or vesting of a Share Award under the Scheme, shall not be subject to any retention period or restriction on transfer. However, our Company encourages the Grantees to hold the Shares issued under the Proposed LTIS to them as a long-term investment and not for any speculative and/ or realisation to yield a profit. Notwithstanding the foregoing, the LTIS Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period or restrictions on transfer as it sees fit.</p> <p>A Grantee who is a non-executive Director shall be subjected to the restrictions on dealing in accordance with any prevailing and applicable guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time including, but not limited to Paragraph 8.20 of the Listing Requirements which prohibits a non-executive Director from selling, transferring or assigning the Shares obtained through the LTIS Awards offered to him pursuant to the Scheme within 1 year from the date of offer of such LTIS Awards.</p>
(6)	Alteration of share capital and adjustment	<p>: In the event of any alteration in the share capital of our Company during the duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of PUB Shares or reduction of capital or any other variation of capital shall take place or if our Company shall make a capital distribution during the duration of the Scheme, then our Company shall cause the following adjustments to be made to:</p> <ul style="list-style-type: none"> (i) the Option Price and/ or the Share Grant Price; (ii) the number of Shares which are the subject of a Share Option and/ or Share Award to the extent not yet vested and/ or vested but not credited into the CDS Account; and/ or (iii) the number of Shares over which future Share Options may be offered and /or further Share Award may be granted, <p>as shall be necessary to ensure that any adjustments made in such manner as the LTIS Committee may determine to be appropriate and except in relation to a bonus issue, subdivision or consolidation of shares upon the confirmation in writing by auditor or adviser (as determined in accordance with the By-Laws) (acting as experts and not as arbitrators), that, in their opinion, such adjustment is fair and reasonable.</p>

No.	Terms	Details
(7)	Modifications, variations and/ or amendments to the By-Laws	<p data-bbox="587 181 1402 483">Subject to the provisions of the By-Laws and compliance with the Listing Requirements, the LTIS Committee may at any time and from time to time recommend to our Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deems fit and our Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/ or delete all or any of the terms in the By-Laws upon such recommendation and subject to our Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/ or modification is made, stating that the amendment and/ or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Malaysia Depository Sdn Bhd.</p> <p data-bbox="587 510 1402 674">Subject to the By-Laws, the approval of the shareholders of our Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws (including any additions, modifications or amendments to or deletions of these By-Laws for purposes of complying with the Act) provided that no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:</p> <ul style="list-style-type: none"> <li data-bbox="587 701 1402 752">(i) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or <li data-bbox="587 779 1402 860">(ii) increase the number of Shares available under the Proposed LTIS beyond the maximum imposed by item (2) above (under Maximum number of PUB Shares available under the Proposed LTIS); or <li data-bbox="587 887 1402 909">(iii) prejudice any rights of the shareholders of our Company; or <li data-bbox="587 936 1402 1048">(iv) alter to the advantage of Eligible Persons and/ or Grantees, any matter which is required to be contained in the By-Laws by virtue of the Listing Requirements, without the prior approval of the shareholders of our Company in a general meeting.
(8)	Termination of the Scheme	<p data-bbox="587 1077 1402 1240">Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, the Scheme may be terminated by the LTIS Committee at any time before the date of expiry, being the last day of the duration of the Scheme, provided that our Company makes an announcement immediately to Bursa Securities. The announcement shall include:</p> <ul style="list-style-type: none"> <li data-bbox="587 1267 1402 1290">(i) the effective date of termination ("Termination Date"); <li data-bbox="587 1317 1402 1339">(ii) the number of Share Options exercised and/ or Shares vested; and <li data-bbox="587 1366 1402 1388">(iii) the reasons for termination. <p data-bbox="587 1429 1402 1480">In the event of termination of the Proposed LTIS, the following provisions shall apply:</p> <ul style="list-style-type: none"> <li data-bbox="587 1507 1402 1559">(i) no further LTIS Award shall be made by the LTIS Committee from the Termination Date; <li data-bbox="587 1585 1402 1637">(ii) all LTIS Awards which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date; <li data-bbox="587 1664 1402 1715">(iii) all LTIS Awards which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and <li data-bbox="587 1742 1402 1861">(iv) all outstanding Share Options which have yet to be exercised by Grantees and/ or vested and all outstanding Share Awards to any unvested Shares, as the case may be shall be automatically terminated on the Termination Date. <p data-bbox="587 1888 1402 1998">Approval or consent of shareholders by way of a resolution in a general meeting and written consent of the Grantees whose Share Options or Shares pursuant to Share Awards have yet to be exercised or vested are not required to effect the termination of the Scheme.</p>

2.2 Basis of determining the Option Price and issue price of the Share Award

Proposed Share Option Scheme

The Option Price of the Share Options shall be a price to be determined by the LTIS Committee based on the 5-day VWAP of the Shares immediately preceding the date of offer subject to a discount of not more than 10% or such other percentage or discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time.

Proposed Share Grant Scheme

A Share Award, once accepted by the Eligible Person, will vest at no cost to the Grantee if the vesting conditions stipulated in the said Share Award (if any) have been satisfied on the vesting date(s).

A Share Award under the Proposed Share Grant Scheme may be granted on a staggered basis over the duration of the Proposed LTIS. The vesting of PUB Shares under the Proposed Share Grant Scheme will be satisfied by the allotment and issuance of new PUB Shares.

The reference price of the PUB Shares under the Share Awards to be awarded will be determined based on the market value of the PUB Shares, which will take into account, amongst others the 5-day VWAP of PUB Shares immediately preceding the date of offer.

2.3 Rights attaching to the Share Options, Share Awards and ranking of the new PUB Shares

The LTIS Awards shall not carry any right to vote at any general meeting of our Company until the Shares are allotted and issued to the Grantee. The new PUB Shares to be issued arising from the Proposed LTIS will be subject to the provisions of our Company's Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of our Company.

New PUB Shares to be issued arising from the Proposed LTIS, upon allotment and issuance, shall rank equally and carry the same rights with the then existing PUB Shares. However, such new Shares will not be entitled to any dividends, rights, allotment and/ or any other distributions which may be declared, made or paid to our Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

2.4 Listing of shares issued under the Scheme

The Shares to be issued under the Proposed LTIS will be listed on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated 26 October 2022, granted its approval for the listing and quotation of such number of new PUB Shares, representing up to 15% of the total number of issued shares of PUB (excluding treasury shares, if any) to be issued pursuant to the Proposed LTIS. Further information is set out in Section 6 of Part C of this Circular.

3. UTILISATION OF PROCEEDS

The Proposed LTIS is not expected to raise any funds immediately as the LTIS Awards will be issued at no cost to the Eligible Persons.

However, as and when the Share Options are exercised, the exact quantum of proceeds that may be raised by PUB will depend upon the exercise price and actual number of Share Options exercised during the tenure of the Scheme. As such, the exact timeframe and the breakdown for the utilisation of the proceeds are not determinable at this juncture.

Our Company intends to utilise the proceeds arising from the exercise of the Share Options, if any, for the working capital of our Group. The working capital raised from the exercise of the Share Options will be utilised to finance our Group's day-to-day operations, including the payment to trade and other payables as well as defrayment of operational and administrative expenses (e.g., staff costs, utilities, marketing expenses). The allocation of proceeds to be utilised for each component of working capital shall be subjected to our Group's operational requirements at the time of utilisation. As such, the detailed allocation can only be determined by our Board at a later date.

Pending utilisation of the proceeds to be raised as and when the Share Options are exercised, the proceeds may be placed in deposits with licensed financial institutions and/ or short-term money market instruments. The interest derived from the deposits with licensed financial institutions and/ or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements of our Group.

3.1 Equity fund raising exercise undertaken by our Company in the past 12 months up to the LPD

Reference is made to our Company's announcement dated 23 August 2021 ("**Private Placement Announcement**") in relation to the private placement of up to 20% of the total number of issued shares of PUB (excluding treasury shares) in accordance with a general mandate pursuant to section 75 and section 76 of the Act ("**Private Placement**"). The Private Placement was completed on 15 December 2021 and, PUB has allotted and issued a total of 13,829,652 new Shares pursuant to the Private Placement raising gross proceeds of RM17.08 million.

As at the LPD, the status of the utilisation of the proceeds from Private Placement by our Group is as follows:

Description	Proceeds raised	Actual utilisation	Balance unutilised
	(RM'000)	(RM'000)	(RM'000)
Repayment of bank overdraft ⁽ⁱ⁾	7,600	7,600	-
General working capital ⁽ⁱⁱ⁾	9,347	9,347	-
Expenses relating to the Private Placement	133	133	-
Total	17,080	17,080	-

Notes:

- (i) Our Group has utilised RM7.60 million for the repayment of bank overdraft which generated interest savings of RM0.46 million per annum based on the average interest rate of approximately 6.85%.
- (ii) Our Group has utilised RM9.35 million for general working capital in the following manner:

General working capital	RM'000
Payment of trade and other payables	6,130
Staff salaries	2,270
Utilities, transportation costs, day-to-day operating expenses and other miscellaneous items	947
Total	9,347

Save as disclosed above, PUB has not undertaken any fund-raising exercise in the past 12 months up to the LPD.

4. RATIONALE FOR THE PROPOSED LTIS

The objective of incorporating both the Proposed Share Option Scheme and Proposed Share Grant Scheme under the Proposed LTIS is to provide our Company with the flexibility in determining the mode/ manner of rewarding our Group's employees at the relevant point in time which will take into consideration various factors, amongst others, impact to the earnings and funding requirements of our Group.

The Proposed LTIS is established to achieve the following objectives:

- (i) to drive and motivate the Eligible Persons to work towards achieving our Group's goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of our Group;
- (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to our Group by enabling them to participate directly in the equity of our Company;
- (iv) to align the interests of the Eligible Persons with the interests of the shareholders by providing an incentive for the Eligible Persons to participate in the future growth of our Group and motivating them towards achieving better performance; and
- (v) to attract and retain high-calibre Eligible Persons.

The non-executive Directors are also eligible to participate in the Scheme. This is to recognise their contribution to our Company, their independent views in the decision-making process and maintaining good corporate practices. The LTIS Awards under the Proposed LTIS will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as non-executive Directors who will assist in providing inputs in the overall strategic decisions and direction of our Group.

On 15 May 2020, our Company announced an executives' share scheme which enables our Company to award up to 5,301,700 Shares to our Company's eligible Directors and employees of PUB Group over a duration of 3 years by utilising our existing 5,301,700 treasury shares ("**ESS 2020**") which took effect on 15 May 2020 ("**ESS Effective Date**"). On 6 July 2022 ("**Termination Date**"), our Company announced that it has terminated our Company's ESS 2020. As at the Termination Date, the total number of awards granted and vested under the ESS 2020 amounted to 4,449,960 Shares representing approximately 5.31% of PUB's total number of 83,829,652 Shares in issue as at the LPD. Our Company, in deciding on the termination of the ESS 2020, had considered among other factors, the then 851,740 remaining treasury shares representing approximately 1.03% of PUB's total number of 82,977,912 Shares issued and outstanding (i.e., after excluding 851,740 treasury shares) as at the Termination Date was limited for us to reward the pool of employees of our Group. Our Group also wishes to be consistent by adopting the same scheme (i.e., the Proposed LTIS) to reward our employees.

The Proposed LTIS would provide our Company with a fresh scheme for a period of 5 years from the effective date of the Proposed LTIS or subject to further extension of up to 5 years (at the sole and absolute discretion of our Board upon the recommendation by the LTIS Committee), to achieve the objectives of the Proposed LTIS as set out above. Our Group believes that it is important to continue rewarding, to retain and motivate our Group's employees in the long term. Hence, our Company intends to undertake the Proposed LTIS in place of the ESS 2020, such that our Group has a new avenue to continue rewarding the Eligible Persons and motivate them to achieve better performance in the future.

5. EFFECTS OF THE PROPOSED LTIS

5.1 Share capital

Strictly for illustrative purposes only, assuming that the number of LTIS Awards has been fully satisfied through the issuance of new Shares (i.e., based on the 15% limit of our Company's issued shares as at the LPD, fully granted, vested and such LTIS Awards are fully satisfied through the issuance of new Shares), the pro forma effect of the Proposed LTIS on the share capital of our Company is as follows:

	No. of Shares	Share capital (RM)
Share capital as at the LPD	83,829,652	84,470,706
New Shares to be issued pursuant to the Proposed LTIS	12,574,400	*24,107,640
Enlarged share capital	96,404,052	108,578,346

Note:

* Based on the 5-day VWAP of PUB Shares up to the LPD of RM1.9172.

5.2 NA and gearing

The Proposed LTIS and Proposed Allocations are not expected to have an immediate effect on the NA and gearing of our Group until such time when the new PUB Shares are issued in satisfaction of the Share Options exercised. Any potential effects on the NA and gearing of our Group will depend on the number of new Shares to be issued which can only be determined at the point of:

- (i) exercise of the Share Options; and
- (ii) vesting of PUB Shares under the Share Awards.

Upon exercise of the Share Options, the NA per Share is expected to increase if the Option Price is higher than the NA per Share at such point of exercise. The NA is expected to decrease if the Option Price is lower than the NA per Share at such point of exercise.

In respect of the Share Awards, there is no impact on the NA and gearing when the Share Awards are vested. The NA per Share is expected to be diluted following the allotment and issuance of new PUB Shares when the Share Awards are vested.

5.3 Earnings and EPS

The estimated expenses in relation to the Proposed LTIS is approximately RM0.16 million. The Proposed LTIS is not expected to have any immediate material effect on the earnings and EPS of our Group until such time when the Share Options and/ or Share Awards are granted and exercised/ vested.

Any potential effect on the EPS of our Group in the future will depend on the number of Share Options and/ or Share Awards granted and/ or vested, the Option Price and the non-cash expenses arising from the granting of the LTIS Awards under Malaysian Financial Reporting Standard 2 – Share-based Payment (“**MFRS 2**”).

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting or vesting of the LTIS Awards based on, amongst others, the share price volatility, risk-free interest rate, share price/ fair value of the share and/ or pricing model.

The fair value of the Share Options or Shares Awards granted under the Proposed LTIS will be recognised as an expense in the profit or loss account of our Group over the vesting period of the Share Options or Share Awards. However, it should be noted that the estimated cost does not represent a cash outflow by our Group as it is merely an accounting treatment.

Our Board takes note of the potential impact of MFRS 2 on our Group's future earnings and shall take into consideration such impact in the allocation and granting of Share Options and/ or Share Awards to the Eligible Persons.

5.4 Substantial shareholder's shareholdings

The Proposed LTIS is not expected to have any immediate effect on the substantial shareholder's shareholdings in our Company until and unless new Shares are issued pursuant to the exercise of the Share Options and/ or vesting of the Share Awards.

Any potential effect on the substantial shareholder's shareholdings in our Company would depend on the number of new Shares to be issued at the relevant point in time.

For illustrative purposes, the pro forma effects of the Proposed LTIS on the substantial shareholder's shareholdings in our Company as at the LPD based on our Company's Register of Substantial Shareholders are as follows:

Name	As at the LPD				(I) (2) Assuming the maximum number of SIS Options are granted, vested and exercised into new Shares and/ or all Shares Awards are vested			
	Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	(1)%	No. of Shares ('000)	(1)%	No. of Shares ('000)	(2)%	No. of Shares ('000)	(2)%
AKK Capital Sdn Bhd	39,980	47.69	-	-	39,980	41.47	-	-
Koon Hoi Chun	832	0.99	(3)39,980	47.69	832	0.86	(3)39,980	41.47

Notes:

- (1) Based on the issued share capital of 83,829,652 PUB Shares as at the LPD.
- (2) Based on the enlarged issued share capital of 96,404,052 PUB Shares. Assuming no provision has been made for granting of the LTIS Awards to Koon Hoi Chun (our Executive Chairman who is also the sole shareholder and sole director of AKK Capital Sdn Bhd), as the Board has yet to decide on the exact quantum of the LTIS Awards to be allocated to the Directors of the Company.
- (3) Deemed interest by virtue of his substantial shareholding in AKK Capital Sdn Bhd.

5.5 Convertible securities

Our Company does not have any convertible securities as at the LPD.

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6. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed LTIS is subject to the following approvals being obtained:

- (i) the approval of Bursa Securities for the listing and quotation of such number of new PUB Shares, representing up to 15% of the total number of issued shares of PUB (excluding treasury shares, if any) to be issued pursuant to the Proposed LTIS.

The approval has been given by Bursa Securities in its letter dated 26 October 2022 subject to, amongst others, the following conditions:

No.	Conditions	Status of compliance
(a)	PUB and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed LTIS;	Noted
(b)	PUB is required to furnish Bursa Securities with certified true copy of the resolution passed by the shareholders at the EGM approving the Proposed LTIS;	To be complied
(c)	PUB and TA Securities are required to inform Bursa Securities upon completion of the Proposed LTIS;	To be complied
(d)	PUB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed LTIS is completed;	To be complied
(e)	PUB is required to submit a confirmation to Bursa Securities of full compliance of the Proposed LTIS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation; and	To be complied
(f)	payment of additional listing fees pertaining to the exercise of LTIS options, if relevant. In this respect, PUB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of new shares listed pursuant to the exercise of LTIS options as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied

- (ii) the approval of shareholders at the forthcoming EGM to be convened for the Proposed LTIS as well as the Proposed Allocations; and
- (iii) the approvals/ consents of any other relevant authorities and/ or parties, if required.

The Proposed LTIS is not conditional upon the Proposed Allocations. However, the Proposed Allocations are conditional upon the Proposed LTIS and will only be implemented upon the implementation of Proposed LTIS. Further, the Proposed Allocation is not inter-conditional upon each other.

The Proposed LTIS is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

Compliance of Section 85 of the Act

Section 85(1) of the Act provides that:

“Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”

Clause 54 of the Constitution of our Company states that:

“Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new share or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors, be conveniently offered in the manner herein provided.”

By approving resolutions in relation to the Proposed LTIS which entail the allotment and issuance of the PUB Shares (including the new Shares arising from the exercise of the Share Options and vesting of PUB Shares under the Share Awards) in our Company which will rank equally with the existing issued shares in our Company, the shareholders of our Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 54 of the Constitution of our Company to be first offered the PUB Shares which will result in a dilution to their shareholding percentage in our Company.

7. CORPORATE EXERCISE/ SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed LTIS, Proposed Diversification and Proposed New Shareholders' Mandate, our Board confirms that our Company does not have any other outstanding corporate exercise/ scheme which has been announced by our Company but is pending implementation or completion prior to the printing of this Circular.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF OUR COMPANY AND/ OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholders, chief executive of our Company and/ or persons connected with them are deemed interested, direct or indirect, in the Proposed LTIS.

All the Directors of our Company are deemed interested in the Proposed LTIS by virtue of their eligibility for the LTIS Awards and in respect of their allocations as well as allocations to persons connected with them under the Proposed LTIS.

As our Board is desirous to allocate the LTIS Awards to the Directors, each of the Directors will abstain from all Board deliberations and voting in respect of allocation of the LTIS Awards to themselves as well as the allocations to any persons connected with them.

AKK Capital Sdn Bhd is the major shareholder of our Company. Koon Hoi Chun, our Executive Chairman who is also the sole shareholder and sole director of AKK Capital Sdn Bhd, is an Eligible Person under the Proposed LTIS. As such, AKK Capital Sdn Bhd is a person connected with Koon Hoi Chun ("**Interested Major Shareholder**").

The Directors of PUB and the Interested Major Shareholder shall abstain from voting in respect of any of their direct and/ or indirect shareholdings at the forthcoming EGM on the ordinary resolutions to be tabled for any of their respective proposed allocation as well as to any proposed allocation to the persons connected with them.

The Directors and Interested Major Shareholder of PUB will undertake to ensure that any persons connected with them will abstain from voting in respect of any of their direct and/ or indirect shareholdings in our Company on the ordinary resolutions pertaining to their respective proposed allocation and proposed allocation to the persons connected with them to be tabled at the EGM.

The direct and indirect shareholdings of our Directors and the Interested Major Shareholder as at the LPD are set out below:

	Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%
<u>Directors</u>				
Koon Hoi Chun [^]	832	0.99	*39,980	47.69
Wong Ee-Coln	350	0.42	-	-
Chan Weng Fui	-	-	-	-
Tan Vei Teck	-	-	-	-
Tong Siut Moi	-	-	-	-
<u>Interested Major Shareholder</u>				
AKK Capital Sdn Bhd [^]	39,980	47.69	-	-

Notes:

* Deemed interest by virtue of his substantial shareholding in AKK Capital Sdn Bhd.

[^] Pledged securities with HLB Nominees (Tempatan) Sdn Bhd.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed LTIS including, the rationale and effects of the Proposed LTIS, is of the opinion that the Proposed LTIS is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed LTIS to be tabled at the forthcoming EGM.

In view that individual Directors on our Board are deemed interested in the Proposed LTIS to the extent of their respective allocations, as well as allocations to persons connected with them (if any) under the Proposed LTIS, they abstain from forming an opinion and making any recommendation on the resolutions to be tabled at the forthcoming EGM on their respective allocations as well as allocations to persons connected to them (if any) under the Proposed LTIS.

Where the resolutions are not related to their respective allocations or to the persons connected with them (if any) under the Proposed LTIS, our Board, after having considered all aspects of the Proposed Allocations, is of the view that the Proposed Allocations is in the best interest of our Company and recommends that you vote in favour of the resolutions pertaining to the Proposed Allocations to be tabled at the forthcoming EGM.

10. ESTIMATED TIME FRAME FOR COMPLETION

The tentative timetable for the Proposed LTIS is as follows:

Events	Tentative timeline
• EGM for the Proposed LTIS	6 January 2023
• Effective date for implementation of the Proposed LTIS	By end-April 2023

11. EGM

The EGM, the notice of which is enclosed with in this Circular, will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan, entirely through live streaming and online remote voting using Remote Participation and Voting (“**RPV**”) facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11.30 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modification the resolution to give effect to the Proposed Diversification.

You are entitled to attend, participate and vote remotely at the EGM using Cloud AGM Platform via <https://member.arbwemeet.com>. If you are unable to attend and vote remotely at the EGM, you are entitled to appoint proxy(ies) by completing and lodging the Proxy Form enclosed in this Circular in accordance with the instructions therein to our Share Registrar at Level 5, Block B, Dataran PHB, Saujana Resort, 40150 Shah Alam, Selangor or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending, participating and voting remotely in person at the EGM should you subsequently wish to do so, but if you do, your proxy or proxies shall be precluded from attending the EGM. Please refer to the Administrative Guide for Shareholders for further information on electronic submission.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices of Part C of this Circular for further information.

Your faithfully
For and on behalf of the Board of Directors of
PARAGON UNION BERHAD

KOON HOI CHUN
Executive Chairman

BY-LAWS OF PARAGON UNION BERHAD LONG TERM INCENTIVE SCHEME

1. DEFINITIONS AND INTERPRETATION

1.1. In these By-Laws, the following terms and expressions shall have the following meanings:

Act	: the Companies Act, 2016
Adviser	: a person who is permitted to carry out regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007 which includes a recognised principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the SC including any amendments thereto that may be made from time to time;
AC	: the audit committee of the Company;
Auditor	: the auditors for the time being of the Company or in the event of them being unable or unwilling to carry out any action requested by the Company pursuant to the provisions of these By-Laws, such other auditors licenced by the Audit Oversight Board (as established under Part IIIA of the Securities Commission Act 1993) as may be nominated by the Company for that purpose;
Board	: the board of directors of the Company;
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W));
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W));
By-Laws	: the rules, terms and conditions of the Scheme, as may be modified, varied and/or amended from time to time in accordance with the terms and conditions therein;
CDS	: Central Depository System;
CDS Account	: an account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities for dealings in such securities by a depositor;
Central Depositories Act	: the Securities Industry (Central Depositories) Act 1991;

DRAFT BY-LAWS (CONT'D)

Company or Paragon Union Berhad	:	Paragon Union Berhad Registration No.: 199401000779 (286457-V);
Constitution	:	the Constitution of the Company for the time being in force or such other constituent document constituted in replacement of the constitution or memorandum and articles of association (as the case may be);
Date of Expiry	:	the last day of the Duration of the Scheme;
Director	:	a natural person who holds a directorship within the Group for the time being, whether in an Executive or Non-Executive capacity, within the meaning of Section 2(1) of the Capital Markets and Services Act 2007;
Duration of the Scheme	:	the duration of the Scheme as defined in By-Law 11.2 ;
Effective Date	:	the date on which the Scheme comes into force as provided in By-Law 11.1 ;
Eligible Person(s)	:	the persons who meet the criteria of eligibility for participation in the Scheme as set out in By-Law 5 ;
Employee(s)	:	a natural person who is employed by and on the payroll of any company within the Group;
Entitlement Date	:	the date as at the close of business on which the shareholders' names must appear in the Company's Record of Depositors and/or Register of Members in order to be entitled to any dividends, rights, allotments and/or other distributions;
Executive Director	:	a natural person who holds a directorship within the Group and performs an executive function;
Grantee	:	an Eligible Person who has accepted a LTIS Award in accordance with these By-Laws (including, where applicable, his/her Representative);
Group	:	the Company and its Subsidiaries which are not dormant and "Group Company" shall mean any one of them;
Interested Parties	:	has the meaning given to it in By-Law 5.2 ;
Listing Requirements	:	the Main Market Listing Requirements of Bursa Securities including any Practice Notes issued in relation thereto;

DRAFT BY-LAWS (CONT'D)

LTIS Award	:	the Share Option and the Share Award collectively and “LTIS Award” shall mean any one of them;
Market Day	:	a day on which the stock market of Bursa Securities is open for trading in securities;
Maximum Allowable Allotment	:	the maximum number of Shares in respect of the LTIS Awards that can be offered to an Eligible Person in accordance with the provisions of By-Law 6 ;
Maximum Shares	:	has the meaning given to it in By-Law 4.1 ;
Offeror	:	has the meaning given to it in By-Law 31.1(a) ;
Option Certificate	:	has the meaning given to it in By-Law 40.4 ;
Non-Executive Director	:	a Director within the Group who is not an Executive Director;
Notice of Exercise	:	has the meaning given to it in By-Law 41.8 ;
Performance Period	:	the period in which the Performance Targets, as stipulated by the Scheme Committee and communicated to the Eligible Person/Grantee, are required to be achieved;
Performance Targets	:	means (i) the performance conditions imposed by the Scheme Committee and as communicated to the Eligible Person/Grantee and (ii) such other conditions as may be determined by the Scheme Committee at its sole and absolute discretion and communicated to the Eligible Person/Grantee from time to time, which are to be achieved by the Group Company and/or Eligible Person/Grantee;
Permitted Period	:	has the meaning given to it in By-Law 12.5.1(a)(i) ;
Person Connected	:	has the meaning given to “person connected” in Paragraph 1.01 of the Listing Requirements;
Previous Company	:	has the meaning given to it in By-Law 9.3 .
Representative	:	a legal or personal representative(s) or heir(s);
Rules of Bursa Depository	:	the rules of Bursa Depository and any appendices thereto, as issued pursuant to the Central Depositories Act;
“RM” and “sen”	:	Ringgit Malaysia and sen respectively;
SC	:	Securities Commission Malaysia.

DRAFT BY-LAWS (CONT'D)

Scheme or LTIS	:	Paragon Union Berhad Long-Term Incentive Scheme comprising the Share Option Scheme and Share Grant Scheme established under these By-Laws for the grant of the LTIS Awards to Eligible Persons;
Scheme Committee	:	the committee appointed and authorised by the Board from time to time to implement and administer the Scheme in accordance with these By-Laws, comprising such persons appointed by the Board from time to time;
Shares	:	ordinary shares in the Company;
Share Award(s)	:	an award of new Shares made in writing by the Scheme Committee from time to time to an Eligible Person to participate in the Share Grant Scheme as set out in in By-Law 42 ;
Share Award Letter	:	has the meaning given to it in By-Law 44.1 ;
Share Award Offer Period	:	the period of thirty (30) days from the Share Grant Date or such other period stipulated in the Share Award Letter;
Share Award Vesting Date	:	The date as stated in the Share Award Letter as the date on which the Shares granted under the Share Award are to be allotted and/or delivered to a Grantee;
Share Capital	:	has the meaning given to it in By-Law 4.1 ;
Share Grant Date	:	the date on which a Share Award is made by the Scheme Committee to an Eligible Person pursuant to By-Law 42 ;
Share Grant Price	:	the reference price which is used to determine the number of Shares to be granted under the Share Award;
Share Grant Scheme	:	the Share Grant Scheme established under these By-Laws;
Share Option(s)	:	the right of a Grantee to subscribe for new Shares at the Share Option Price and where the context so requires, means any part of the Share Options as shall remain unexercised;
Share Option Offer	:	an offer made by the Scheme Committee an Eligible Person pursuant to By-Law 38 ;

DRAFT BY-LAWS (CONT'D)

Share Option Offer Period	: the period as stipulated in By-Law 38.3 ;
Share Option Offer Date	: the date on which a Share Option Offer is made by the Scheme Committee to an Eligible Person pursuant to By-Law 38 ;
Share Option Period	: the period commencing from the Share Option Offer Date and expiring on the Date of Expiry or such other dates as stipulated by the Scheme Committee in the Share Option Offer or upon the date of termination of the Scheme as provided in By-Law 11 , whichever is earlier;
Share Option Price	: the price at which a Grantee shall be entitled to subscribe for each new Share upon the exercise of a Share Option, as initially determined and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 39 ;
Share Option Scheme	: the Share Option Scheme established under these By-Laws;
Share Option Vesting Date	: the date on which the Grantee becomes entitled to exercise the Share Options or any part thereof;
Subsidiary(ies)	: subsidiary of the Company within the meaning of Section 4 of the Act and shall include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the Duration of the Scheme but excludes those which have been divested in the manner provided in By-Law 9 ;
Termination Date	: has the meaning given to it in By-Law 11.5(a) ;
Trust	: the trust established to facilitate the implementation of the Scheme (if required);
Trust Deed	: the trust deed constituting the Trust, if any;
Trustee	: the trustee (if required) shall be the Trustee as appointed by the Company for the Scheme pursuant to By-Law 35 ;
Unexercised Share Option(s)	: Share Options and any part thereof which has not been fully exercised at the relevant time and in respect of which the Share Option Period has not expired;
Unvested Share Award(s)	: unvested Share Award(s) or any part thereof which has not been vested in the Grantee;

- Unvested Share Option(s)** : unvested Share Option(s) or any part thereof which has not been vested in the Grantee;
- Vesting Date** : the Share Option Vesting Date and/or the Share Award Vesting Date as the context requires and “Vest” and “Vested” shall be construed accordingly.
- 1.2. Headings are for ease of reference only and do not affect the meaning of a By-Law.
- 1.3. Any reference to a statutory provision or an applicable law shall include a reference to:
- (a) any and all subsidiary legislation made from time to time under that provision of law;
 - (b) any and all Listing Requirements, policies and/or guidelines of Bursa Securities whether or not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed by Bursa Securities;
 - (c) that provision as from time to time modified or re-enacted, whether before or after the date of these By-Laws, so far as such modification or re-enactment applies or is capable of applying to the Scheme;
 - (d) any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.
- 1.4. Words importing the masculine gender shall include the feminine and neuter genders.
- 1.5. Words importing the singular number shall include the plural number and vice versa.
- 1.6. If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day of the Duration of the Scheme.
- 1.7. Any liberty or power or discretion which may be exercised and/or any decision or determination which may be made, under these By-Laws:
- (a) by the Board may be exercised in the Board’s sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor; and/or
 - (b) by the Scheme Committee may be exercised in the Scheme Committee’s sole and absolute discretion and the Scheme Committee shall not be under any obligation to give any reasons therefor, but subject always to the Board’s power to overrule any decision of the Scheme Committee.
- 1.8. Unless the context otherwise expressly requires, words and expressions which are otherwise defined in the Listing Requirements shall have the same meaning when used in these By-Laws.

DRAFT BY-LAWS (CONT'D)

- 1.9. In the event of any change in the name of the Company from its present name, all references to “**Company**” in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company’s new name.

PART A: GENERAL PROVISIONS**2. NAME OF THE SCHEME**

- 2.1. This scheme shall be called the “**Paragon Union Berhad Long-Term Incentive Scheme**” and shall comprise the Share Option Scheme and Share Grant Scheme.

3. APPLICATION OF PART A: GENERAL PROVISIONS

- 3.1. Unless expressly provided, the provisions of this Part A shall apply generally to the Share Option Scheme and the Share Grant Scheme.

4. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 4.1. The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed **fifteen percent (15%)** of the total number of issued shares of the Company (excluding treasury shares) (“**Share Capital**”) at any point in time during the Duration of the Scheme (“**Maximum Shares**”).
- 4.2. In the event the Company purchases or cancels its own Shares in accordance with the provisions of the Act or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its Share Capital, the following provisions shall apply in respect of future LTIS Awards but the Share Options and/or Share Awards granted prior to such purchase and/or reduction/adjustment of the Share Capital shall remain valid or exercisable in accordance with the provisions of these By-Laws as if that purchase and/or reduction/adjustment had not occurred:
- (a) if, after such purchase, cancellation or reduction, the aggregate number of Shares in respect of the LTIS Awards granted (including Shares comprised in the Share Options and/or Share Awards granted pursuant thereto) by the Company as at the date of purchase, cancellation or reduction of shares is equal to or greater than the Maximum Shares, no further LTIS Awards shall be made by the Scheme Committee until such aggregate number of Shares in respect of the LTIS Awards granted falls below the Maximum Shares; and
 - (b) if, after such purchase, cancellation or reduction, the aggregate number of Shares in respect of the LTIS Awards granted (including Shares comprised in the Share Options and/or Share Awards granted pursuant thereto) by the Company as at the date of purchase, cancellation or reduction of shares is less than the Maximum Shares, the Scheme Committee may make further LTIS Awards but only until such aggregate number of Shares in respect of the LTIS Awards granted is equivalent to the Maximum Shares after such purchase, cancellation or reduction.
- 4.3. For the avoidance of doubt, any Share Option and/or Share Award that is not accepted by any Eligible Person pursuant to these By-Laws will be added back to the number of Shares available to be awarded under the Scheme.

DRAFT BY-LAWS (CONT'D)

5. ELIGIBILITY

5.1. Subject to the discretion of the Scheme Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:

5.1.1. In respect of any Employee, the Employee must, as at the Share Option Offer Date or (as the case may be) the Share Grant Date:

- (a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (b) entered into a full-time or fixed-term contract with, and is on the payroll of any Group Company, and whose service has been confirmed and have not served a notice of resignation or received a notice of termination by the Group Company; and
- (c) fulfilled any other eligibility criteria as may be set by the Scheme Committee at any time and from time to time.

5.1.2. In respect of any Director, the Director must, as at the Share Option Offer Date or (as the case may be) the Share Grant Date:

- (a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (b) has been appointed as a Director of any Group Company for such period as may be determined by the Scheme Committee prior and up to the Share Option Offer Date or (as the case may be) the Share Grant Date; and
- (c) fulfilled any other eligibility criteria as may be set by the Scheme Committee at any time and from time to time.

5.1.3. In addition to the eligibility criteria set out in **By-Laws 5.1.1** and **5.1.2**, in respect of an Employee or a Director who is serving under an employment contract with any company within the Group, such employment contract must be for a fixed duration of at least **one (1) year** (which shall include any probation period), unless otherwise decided by the Scheme Committee in its absolute discretion.

5.1.4. Notwithstanding the above, the Scheme Committee may in its absolute discretion determine any other eligibility criteria and/or waive any of the eligibility criteria as set out in this **By-Law 5.1** for the purpose of selecting an Eligible Person at any time and from time to time, and the decision of the Scheme Committee shall be final and binding.

5.1.5. In determining the eligibility of an Eligible Person to participate in the Scheme, the Scheme Committee may take into account amongst other factors, the performance, contribution, employment grade, seniority and/or length of service to the relevant company within the Group and/or such other factors that the Scheme Committee may deem fit.

- 5.2. Notwithstanding **By-Law 5.1**, the specific allotment to be made to any Eligible Person who is a Director, major shareholder or chief executive of the Company or holding company of the Company ("**Interested Parties**") or a Person Connected with any of the Interested Parties, the specific allocation of Shares and/or Share Options granted by the Company to him under the Scheme must be approved by the shareholders of the Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and Persons Connected with them shall not have voted on the resolution approving their respective allocation.
- 5.3. An Eligible Person who holds more than one (1) position within the Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those categories. The Scheme Committee shall be entitled at its discretion to determine the applicable category.
- 5.4. An Employee or Director of a dormant company within the Group is not eligible to participate in the Scheme.
- 5.5. An Employee or Director who during the Duration of the Scheme becomes an Eligible Person may, at the discretion of the Scheme Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.
- 5.6. The Scheme Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the LTIS Awards. In the event that any Eligible Person is a member of the Scheme Committee, such Eligible Person shall not participate in the deliberation of his/her own allocations.
- 5.7. Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme unless the Scheme Committee has made an offer to the Eligible Person in the manner set out in this By-Laws and the Eligible Person has accepted the offer in accordance with the terms such of offer.

6. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 6.1. Subject to **By-Law 4** and any adjustment which may be made under **By-Law 17**, the aggregate maximum number of Shares that may be allocated to an Eligible Person pursuant to the Scheme shall be determined and entirely at the sole and absolute discretion of the Scheme Committee after taking into consideration, amongst other factors, the Eligible Person's performance, contribution, employment grade, seniority, length of service and/or such other factors as the Scheme Committee deems fit, and subject to the following conditions:
 - (a) the total number of Shares made available under the Scheme shall not exceed the amount stipulated in **By-Law 4.1**;
 - (b) not more than **ten percent (10%)** of the total number of Shares to be issued under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through Persons Connected with the Eligible Person, holds

twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares);

- (c) not more than **seventy percent (70%)** of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the Scheme Committee from time to time). This is intended to (a) incentivise the Directors of the Group for their contribution towards the development, growth and success and strategic direction of the Group, to drive long-term shareholder value enhancement of the Group; and (b) incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance. The basis was determined by the Board taking into consideration:
- (aa) the number of directors and senior management who are eligible to participate in the Proposed LTIS as well as their position, ranking, seniority, length of service and contribution to the Group; and
- (bb) they are crucial to the performance of the Group as the Directors and senior management are key drivers of the Group's business and operations; and
- (d) the Directors, senior management and members of the Scheme Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

- 6.2. The Scheme Committee shall be entitled to determine the Maximum Allowable Allotment in relation to each class or grade of the Directors and Employees and the aggregate maximum number of LTIS Awards that can be offered to the Directors and senior management of the Group under the Scheme from time to time, and the decision of the Scheme Committee shall be final and binding.
- 6.3. In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such promoted Eligible Person shall be the Maximum Allowable Allotment corresponding to the new category of employee which he/she then is a party, subject always to the availability of LTIS Awards and the maximum number of Shares available under the Scheme under **By-Law 4.1**.
- 6.4. The Company shall ensure that allocation of Shares and Share Options is verified by the AC at the end of each financial year as being in compliance with the criteria for allocation of Shares and Share Options which have been disclosed to the Eligible Persons.
- 6.5. The Scheme Committee may at its discretion determine whether the granting of the LTIS Awards to the Eligible Persons will be based on staggered granting over the Duration of the Scheme or in one (1) single grant or separate and independent with

each other, including the maximum allocation of the offer of the LTIS Awards for each financial year in the event the Offer is staggered over the Duration of the Scheme, whether the LTIS Awards are subject to any performance targets, vesting period, and if so, to determine the vesting conditions for the LTIS Awards and/or whether any vesting condition has been fully and duly satisfied. If applicable, where the Scheme Committee has determined that the vesting conditions have been fully and duly satisfied, the Scheme Committee shall notify the Grantee the number of Share Options vested or which will be vested to him/ her on the vesting date.

- 6.6. To the extent possible and subject always these By-Laws, the Scheme Committee will ensure that there should be equitable allocation to various categories of Eligible Persons.

7. PERFORMANCE TARGETS FOR VESTING

- 7.1. The vesting of any LTIS Award may be subject to the fulfillment by the Group Company and/or the Eligible Person/Grantee (as the case may be) of Performance Targets within the Performance Period and/or such other conditions, as may be determined by the Scheme Committee.
- 7.2. The determination as to whether the Performance Targets have been fulfilled shall be made by the Scheme Committee at the expiry of the Performance Period and such determination by the Scheme Committee shall be final and binding.
- 7.3. Where the Scheme Committee has made the determination that the Performance Targets and/or such other conditions imposed, if any, have been fulfilled pursuant to **By-Law 7.2**, the Scheme Committee shall notify the Eligible Person/Grantee of the number of LTIS Awards which will be vested.
- 7.4. If the Performance Targets and/or other conditions imposed (if any) is not fulfilled, the Scheme Committee may, in its sole and absolute discretion, determine the number of LTIS Awards which will be vested.

8. VESTING CONDITIONS

- 8.1. The LTIS Awards will vest in such manner as the Scheme Committee may in its discretion determine, as set out in the Share Option Offer or Share Award Letter (as the case may be) provided that the vesting conditions as set out in the Share Option Offer or the Share Award Letter (as the case may be), are fully and duly satisfied and met on the Share Option Vesting Date or the Share Award Vesting Date (as the case may be) and as may be determined by the Scheme Committee and, unless the Scheme Committee decides otherwise in its sole discretion:
- (a) the Grantee must remain in employment with the Group as at the relevant Vesting Date and shall not have given a notice of resignation or received a notice of termination as at each of the Vesting Date save and except as may be provided under these By-Laws; and

(b) the Grantee is not an undischarged bankrupt as at the relevant Vesting Date under the laws to which he is subjected to and shall not have received any notice that a bankruptcy proceeding is being instituted/threatened to be instituted against him as at such Vesting Date.

8.2. The Scheme Committee shall have full discretion to determine whether any vesting condition has been fully and duly satisfied. If applicable, where the Scheme Committee has determined that the vesting conditions have been fully and duly satisfied, the Scheme Committee shall notify the Grantee the number of LTIS Awards vested or which will be vested to him/her on the Vesting Date.

9. DIVESTMENT FROM THE GROUP

9.1. In the event that a company within the Group shall be divested from the Group, the Scheme Committee may permit the vesting of Unvested Share Award or Unvested Share Options or the exercise of Unexercised Share Options (or any part thereof) in a Grantee at any time subject to such terms and conditions as may be prescribed, notwithstanding that a relevant Vesting Date is not due or has not occurred and/or other terms and conditions of the Share Options and the Share Award respectively have not been fulfilled or satisfied.

9.2. For the purposes of **By-Law 9.1**, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to the Act.

9.3. In the event:

(a) an employee who was employed in a company which is related to the Company pursuant to the Act (that is to say, a company which does not fall within the definition of "the Group") and is subsequently transferred from such company to any company within the Group; or

(b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (a) above,

(the first abovementioned company in (a) and (b) herein referred to as the "**Previous Company**"), such an employee of the Previous Company will be eligible to participate in this Scheme for the remaining Duration of the Scheme, if the affected employee becomes an "Eligible Person" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or in company of any company into the Group pursuant to part (b) above as a subsidiary as defined in the Act or any other statutory regulation in place thereof during the Duration of the Scheme, the Scheme shall apply to the employee of such company (i) on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) and (ii) falling within the meaning of the expression of "Eligible Person" and the provisions of the By-Laws shall apply.

DRAFT BY-LAWS (CONT'D)

10. WINDING-UP

10.1. All outstanding LTIS Awards shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding-up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise and/or vest the LTIS Awards shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise and/or vest the LTIS Awards shall accordingly be unsuspended.

11. DURATION, TERMINATION AND EXTENSION OF THE SCHEME

11.1. The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including the following:-

- (a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of the approval from Bursa Securities for the listing of and quotation for such number of new Shares to be issued under the Scheme;
- (c) procurement of shareholders' approval for the Scheme in a general meeting;
- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment of all conditions attached to the above approvals, if any.

The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the Effective Date of implementation of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting approving the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than **five (5) Market Days** after the Effective Date.

11.2. The Scheme, when implemented, shall be in force for a period of **five (5) years** from the Effective Date and may be extended or renewed (as the case may be) for a further period of **five (5) years** or such shorter period, at the sole and absolute discretion of the Board upon the recommendation by the Scheme Committee, provided always that the initial scheme period stipulated above and such extension of the Scheme made pursuant to these By-laws shall not in aggregate exceed a duration of **ten (10) years** from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be). In the event the Scheme is extended or renewed (as the case may be) pursuant to this **By-Law 11.2**, the Company shall serve appropriate notices on each Grantee and make the necessary announcements to Bursa Securities prior to such extension or renewal (as the case may be).

DRAFT BY-LAWS (CONT'D)

- 11.3. The LTIS Awards can only be made during the Duration of the Scheme and before 5.00 p.m. on the Date of Expiry.
- 11.4. Notwithstanding anything to the contrary, all LTIS Awards shall lapse at 5.00 p.m. on the Date of Expiry.
- 11.5. Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, the Scheme may be terminated by the Scheme Committee at any time before the Date of Expiry **PROVIDED THAT** the Company makes an announcement immediately to Bursa Securities. The announcement shall include:
- (a) the effective date of termination (“**Termination Date**”);
 - (b) the number of Share Options exercised under the Share Option Scheme and/or Shares vested under the Share Grant Scheme; and
 - (c) the reasons for termination.
- 11.6. In the event of termination as stipulated in **By-Law 11.5**, the following provisions shall apply:
- (a) no further LTIS Awards shall be made by the Scheme Committee from the Termination Date; and
 - (b) all LTIS Awards which have yet to be accepted by the Eligible Persons shall automatically lapse on the Termination Date;
 - (c) all LTIS Awards which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and
 - (d) all outstanding Share Options which have yet to be exercised by Grantees and/or vested and all outstanding Share Awards to any unvested Shares, as the case may be shall be automatically terminated on the Termination Date.
- 11.7. For the avoidance of doubt, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of the Grantees who have Unexercised Share Options and/ or Unvested Share Awards are not required to effect a termination of the Scheme pursuant to **By-Law 11.5** unless otherwise required by the Listing Requirements and/ or other applicable laws.

12. TERMINATION OF LTIS AWARDS

- 12.1. Any LTIS Award which has not been accepted by an Eligible Person or exercised by or vested in a Grantee shall be automatically terminated in the following circumstances:
- (a) termination or cessation of employment of the Eligible Person or Grantee with the Group for any reason whatsoever, in which event the LTIS Award shall be automatically terminated on the day the Grantee’s employer accepts his/her notice of resignation or the Grantee’s employer notifies the Grantee of termination of his/her employment or on the day the Grantee notifies his/her

DRAFT BY-LAWS (CONT'D)

employer of his/her resignation or on the Grantee's last day of employment, whichever is the earlier; or

- (b) bankruptcy of the Eligible Person or Grantee, in which event the LTIS Award shall be automatically terminated on the date a bankruptcy order (or other similar order) is made against the Grantee by a court of competent jurisdiction; or
- (c) subject to **By-Law 10**, winding up or liquidation of the Company; or
- (d) termination of the Scheme pursuant to **By-Law 11.5**,

whichever shall be applicable.

Upon the termination of the LTIS Award pursuant to **By-Laws 12.1(a), (b), (c) or (d)**, the Eligible Person or Grantee shall have no right to compensation or damages or any claim against the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise or vest his/her LTIS Awards or his/her LTIS Awards ceasing to be valid.

12.2. Notwithstanding **By-Law 12.1**:

12.2.1. An Eligible Person or Grantee may apply in writing to the Scheme Committee:

- (a) to permit the acceptance of any unaccepted LTIS Award;
- (b) to be allowed to continue to hold and to exercise any unexercised Share Option; and/or
- (c) to permit the vesting of any unvested LTIS Award,

upon termination of employment with the Group in any of the circumstances set out in **By-Law 12.2.2**.

12.2.2. The circumstances referred to in **By-Law 12.2.1** are as follows:

- (a) retirement upon or after attaining the age in accordance with the Company's (including any company within the Group) retirement policy; or
- (b) retirement before the age specified under the above said retirement policy, with the consent of his/her employer; or
- (c) ill-health, injury, physical or mental disability; or
- (d) redundancy, retrenchment or voluntary separation scheme; or

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- (e) any Director not being re-elected during a general meeting of the Company; or
- (f) transfer to any company outside the Group at the direction of the Company or a company within the Group; or
- (g) any other circumstance as may be deemed as acceptable to the Scheme Committee.

12.3. Applications under **By-Law 12.2** shall be made within the Duration of the Scheme:

- (a) in a case where **By-Law 12.2.2 (a), (b), (e) or (g)** is applicable, within **one (1) month** before the Eligible Person's or Grantee's last day of employment/service. In the event that no application is received by the Scheme Committee within the said period, any unaccepted LTIS Awards and/or any unexercised Share Option and/or any unvested LTIS Award held by the Eligible Person or Grantee on his last day of employment shall be automatically terminated;
- (b) in a case where **By-Law 12.2.2(c)** is applicable, within **one (1) month** after the Eligible Person or Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability. In the event that no application is received by the Scheme Committee within the said period, any unaccepted LTIS Awards and/or any unexercised Share Option and/or any unvested LTIS Award held by the Eligible Person or Grantee at the expiry of the said period shall be automatically terminated;
- (c) in a case where **By-Law 12.2.2(d)** is applicable, within **one (1) month** after the Eligible Person or Grantee is notified that he/she will be retrenched or, where he/she is given an offer by his employer as to whether he/she wishes to accept retrenchment upon certain terms, within **one (1) month** after he/she accepts such offer. In the event that no application is received by the Scheme Committee within the said period, any unaccepted LTIS Awards and/or any unexercised Share Option and/or any unvested LTIS Award held by the Eligible Person or Grantee at the expiry of the said period shall be automatically terminated; and
- (d) in a case where **By-Law 12.2.2(f)** is applicable, within **one (1) month** after the Eligible Person or Grantee is notified that he/she will be transferred to a company outside the Group. In the event that no application is received by the Scheme Committee within the said period, any unaccepted LTIS Awards and/or any unexercised Share Option and/or any unvested LTIS Award held by the Eligible Person or Grantee at the expiry of the said period shall be automatically terminated.

12.4. The Scheme Committee shall consider applications under **By-Law 12.2** on a case-by-case basis and may at its discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decision of the Scheme Committee shall be final and binding. Any unaccepted LTIS Awards and/or any unexercised Share Option and/or any unvested LTIS Award in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant

paragraph of **By-Law 12.3** or on the date of the Scheme Committee's decision, whichever is the later.

12.5. In the event a Grantee:

12.5.1. dies before the expiration of the Share Option Period and at the time of his/her death held Unexercised Share Options, the following provisions shall apply:

(a) such Unexercised Share Options may be exercised by the Representative of the deceased Grantee:

(i) within **twelve (12) months** after the Grantee's death ("**Permitted Period**"); or

(ii) within the Share Option Period,

whichever expires first.

(b) in the event that the Share Option Period expires before the Permitted Period, any Share Option which has not been exercised by the Representative at the expiry of the Share Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Share Options.

(c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:

(i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the Scheme Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the Scheme Committee before the expiry of the Permitted Period, any Share Option which has not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated; and

(ii) the Scheme Committee shall consider such applications on a case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reason thereof and may impose any term and condition in granting an approval. The decision of the Scheme Committee shall be final and binding. Any Share Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the Scheme Committee's decision, whichever is the later.

For the avoidance of doubt, in the event the Representative exercises such Unexercised Share Options, the provisions in these By-Laws shall apply mutatis mutandis to the Representative.

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12.5.2. dies before the Vesting Date, any unvested Share Option or Share Award will be deemed forfeited.

13. ADMINISTRATION

13.1. The Scheme shall be administered by the Scheme Committee. The Scheme Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit and with such powers and duties as are conferred upon it by the Board. The decision of the Scheme Committee shall be final and binding.

13.2. Without limiting the generality of **By-Law 13.1**, the Scheme Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:

(a) subject to the provisions of the Scheme, construe and interpret the Scheme and/or LTIS Awards granted under it, to define the terms therein and to recommend to the Board to establish, amend and/or revoke rules and regulations relating to the Scheme and its administration. The Scheme Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for a LTIS Award in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

13.3. The Board shall have power at any time and from time to time to:

(a) approve, rescind and/or revoke the appointment of any person in the Scheme Committee as it shall deem fit; or

(b) assume and/or exercise or execute any of the powers and authorities conferred upon the Scheme Committee pursuant to these By-Laws.

14. DISCIPLINARY PROCEEDINGS

14.1. In the event an Eligible Person and/or Grantee is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), after a Share Option Offer and/or Share Award is made but before the acceptance thereof by such Eligible Person, the Share Option Offer and/or Share Award is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Eligible Person. Nothing in these By-Laws shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Share Option Offer and/or Share Award to such Eligible Persons in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn provided that such Share Option Offer and/or Share Award is made within the Duration of the Scheme.

- 14.2. In the event an Eligible Person and/or Grantee is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the right of the Grantee to have vested any Unvested Share Options and/or Unvested Share Award or to exercise any Unexercised Share Option shall be suspended pending the outcome of the disciplinary proceedings unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Grantee. Nothing herein shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Share Option Offer and/or reinstating the right of the Grantee to have vested any Unvested Share Award and/or to exercise any Unexercised Share Options in the event that such disciplinary actions are not decided against him or if such disciplinary actions are withdrawn provided that such Share Option Offer and/or reinstatement is made within the Duration of the Scheme. If the Scheme Committee does not reinstate such right of the Grantee prior to the expiry of the Duration of the Scheme, the Share Option Offer and/or Share Award and acceptance thereof shall automatically lapse and shall immediately become null and void.
- 14.3. Notwithstanding By-Law 14.2, in the event a Grantee had been given a letter in relation to the Grantee being subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service), the Scheme Committee has the right to recall any unvested LTIS Awards and/or Unexercised Share Options.

15. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

- 15.1. Subject to **By-Law 15.2** and compliance with the Listing Requirements, the Scheme Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deem fit and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of the terms in the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Depository.
- 15.2. Subject to **By-Law 15.3**, the approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws (including any additions, modifications or amendments to or deletions of these By-Laws for purposes of complying with the Act) **PROVIDED THAT** no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:
- (a) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by **By-Law 4.1**; or
 - (c) prejudice any rights of the shareholders of the Company; or

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(d) alter to the advantage of Eligible Persons and/or Grantees, any matter which is required to be contained in these By-Laws by virtue of the Listing Requirements, without the prior approval of the shareholders of the Company in a general meeting.

15.3. Upon amending or modifying all or any of the provisions of the Scheme, the Company shall within **five (5) Market Days** after the effective date of the amendments, cause to be submitted to Bursa Securities the amended By-Laws and a confirmation letter that the said amendment or modification complies and does not contravene any of the provisions of the Listing Requirements.

15.4. The Grantees shall be given written notices in the term prescribed by the Scheme Committee from time to time in the event of any conditions, amendments to and/or modifications of these By-Laws within **fourteen (14) Market Days** of any of the foregoing taking effect.

16. MULTIPLE JURISDICTIONS

16.1. In order to facilitate the making of any Share Option and/or Share Award (and/or the benefit thereof) under the Scheme, the Scheme Committee and/or the Board may provide for such special terms to apply to any Share Option and/or Share Award to Eligible Persons who are employed by a Group Company in any particular jurisdiction, or who are nationals or any particular jurisdiction that is outside Malaysia, as the Scheme Committee and/or the Board may consider necessary and/or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Scheme Committee and/or the Board may approve such supplements to or amendments, restatement or alternative versions of this Scheme as it may consider necessary and/or appropriate for such purposes, without thereby affecting the terms of these By-Laws as is in effect for any other purpose. No such special terms, supplements, amendments or restatement, however, shall include any provision that is inconsistent with the terms of this Scheme as then in effect unless this Scheme could have been amended to eliminate such inconsistency.

16.2. Any Eligible Person to whom the Share Option and/or Share Award is offered, is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the Share Option Offer or Share Award (as the case may be). By their acceptance of the Share Option Offer or Share Award (as the case may be), each Eligible Person represents, warrants and agrees that he has and will continue to observe all applicable laws and regulations.

17. ALTERATION OF CAPITAL

17.1. In the event of any alteration in the capital structure of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital shall take place or if the Company shall make a capital distribution during the Duration of the Scheme, then the Company shall cause the following adjustments to be made to:

(a) the Share Option Price and/or Share Grant Price;

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- (b) the number of Shares which are the subject of a Share Option and/or Share Award to the extent not yet vested and/or vested but not credited into the CDS Account; and/or
- (c) the number of Shares over which future Share Options may be offered and/or future Share Award may be granted,

as shall be necessary to ensure that any adjustment made in such manner as the Scheme Committee may determine to be appropriate and except in relation to a bonus issue, subdivision or consolidation of shares upon the confirmation in writing by auditor or adviser (as determined in accordance with this By-Laws)(acting as experts and not as arbitrators), that, in their opinion, such adjustment is fair and reasonable.

17.2. **By-Law 17.1** shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) an issue of Shares pursuant to the exercise of the Share Options or vesting of Shares pursuant to the Share Awards under the Scheme;
- (b) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;
- (c) an issue of securities via a private placement (including an issuance of securities pursuant to Sections 75 or 76 of the Act);
- (d) any special issuance of new Shares or other securities to Bumiputera investors nominated/ required by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;
- (e) a restricted issue of securities;
- (f) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible into new Shares or upon exercise of any other rights including warrants, convertible loan stocks or other instruments by the Company;
- (g) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to Section 127 of the Act; or
- (h) any other proposals which will not result in an adjustment to the reference price of the Shares and as amended from time to time by the relevant authorities such as Bursa Securities and Securities Commission Malaysia.

17.3. In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, **By-Law 17.1** shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which **By-Law 17.1** is applicable, but **By-Law 17.1** shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which **By-Law 17.1** is not applicable as described in **By-Law 17.2**.

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- 17.4. Upon any adjustment being made, the Scheme Committee shall give notice in writing within thirty (30) days from the date of adjustment to a Grantee or his/her Representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.
- 17.5. Notwithstanding the provisions contained in these By-Laws and to the extent permitted by law, the Scheme Committee may exercise its discretion to determine:
- (a) whether any adjustments as provided for under these By-Laws, be calculated on a different basis or date or should take effect on a different date;
 - (b) that such adjustments be made notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws provided that the adjustment is not detrimental to the Grantees; and/or
 - (c) that the adjustments provided under these By-Laws should not be made.
- 17.6. Any adjustment pursuant to this **By-Law 17** shall be made in accordance with the formulae below, pursuant to **By-Law 17.4**:

(a) **Consolidation or subdivision**

If and whenever a Share, by reason of any consolidation or subdivision or conversion of the Shares occurs, then the Share Option Price and/or Share Grant Price shall be adjusted and the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated in accordance with the following formula:

$$\text{New Share Option Price and/or Share Grant Price} = S \times \frac{\text{Total number of issued Shares (excluding treasury shares) immediately preceding such consolidation or subdivision}}{\text{Total number of issued Shares (excluding treasury shares) after such consolidation or subdivision}}$$

$$\text{Additional number of Shares} = T \times \left(\frac{\text{Total number of issued Shares (excluding treasury shares) after such consolidation or subdivision}}{\text{Total number of issued Shares (excluding treasury shares) immediately preceding such consolidation or subdivision}} - T \right)$$

where

S = existing Share Option Price and/or Share Grant Price; and

T = existing number of Shares comprised in the Share Option Offer and/or Share Award

Such adjustment will be effective from the close of business on the Market Day immediately following the Entitlement Date on which the consolidation or subdivision becomes effective (being the date the Shares are traded on Bursa Securities), or such other period as may be prescribed by Bursa Securities.

(b) **Capitalisation of profits/reserves**

If and whenever the Company shall make any issue of new Shares to ordinary shareholders by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature), the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \left(\frac{A + B}{A} \right) - T$$

where

- A = the aggregate number of issued Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature); and
- T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date of such issue.

(c) If and whenever the Company shall make:

- (i) **Capital distribution**
a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- (ii) **Rights issue of Shares**
any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or

(iii) **Rights issue of convertible securities**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

then and in respect of each such case, the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in **By-Laws 17.6(c)(ii)** and **(c)(iii)** hereof, the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \left(\frac{C}{C - D^*} \right) - T$$

where

C = the Current Market Price (as defined in **By-Law 17.6(h)** below) of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under **By-Law 17.6(c)(ii)** above or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under **By-Law 17.6(c)(iii)** above, the value of rights attributable to one (1) Share (as defined below); or

(bb) in the case of any other transaction falling within **By-Law 17.6(c)** hereof, the fair market value, as determined by an auditor and/or Adviser of the Company, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (aa) of D above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where

C = as C above;

- E = the subscription price for one (1) additional Share under the terms of such offer or invitation or subscription price for one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
- F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares; and
- D* = the value of rights attributable to one (1) Share (as defined below),

for the purpose of definition D* above, the “value of rights attributable to one (1) Share” shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where

- C = as C above;
- E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and
- F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of **By-Law 17.6(c)**, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under **By-Law 17.6(b)**) or other securities by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature).

Any distribution out of profits or reserves made (whenever paid and howsoever described) shall be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited statement of comprehensive income of the Company for any period as shown in the audited consolidated profit and loss accounts of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(d) Capitalisation of profits/reserves and rights issue of Shares/convertible securities

If and whenever the Company makes any allotment to its ordinary shareholders as provided in **By-Law 17.6(b)** and also makes any offer or invitation to its ordinary shareholders as provided in **By-Law 17.6(c)(ii)** or **(iii)** and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes an allotment to its ordinary shareholders as provided in **By-Law 17.6(b)** above and also makes an offer or invitation to its ordinary shareholders as provided in **By-Law 17.6(c)(ii)** above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated as follows:

Additional number of Shares comprised in Share Options

$$= T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Additional number of Shares to be vested

$$= T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

where

- B = as B above;
- C = as C above;
- G = the aggregate number of issued and fully paid-up Shares on the Entitlement Date;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into new Shares or rights to acquire or subscribe for new Shares, as the case may be;
- H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

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- I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares; and
- T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(e) **Rights issue of Shares and rights issue of convertible securities**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in **By-Law 17.6(c)(ii)** above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares as provided in **By-Law 17.6(c)(iii)** above, the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated as follows:

Additional number of Shares comprised in Share Options

$$= T \times \left(\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Additional number of Shares to be vested

$$= T \times \left(\frac{(G + H^* + J) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right) - T$$

where

- C = as C above;
- G = as G above;
- H = as H above;
- H* = as H* above;
- I = as I above;
- I* = as I* above;

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- J = the aggregate number of Shares to be issued to its ordinary shareholders of the Company upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company;
- K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and
- T = as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

(f) **Capitalisation of profits/reserve, rights issue of shares and rights issue of convertible securities**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in **By-Law 17.6(b)** above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in **By-Law 17.6(c)(ii)** above, together with rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares as provided in **By-Law 17.6(c)(iii)** above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the additional number of Shares comprised in the Share Option Offer and/or Share Award shall be calculated as follows:

Additional number of Shares comprised in Share Options

$$= T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Additional number of Shares to be vested

$$= T \times \left(\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right) - T$$

where

- B = as B above;
- C = as C above;
- G = as G above;

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H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	as J above;
K	=	as K above; and
T	=	as T above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under **By-Laws 17.6(c)(ii), (c)(iii), (d), (e) or (f)** above), the Company shall issue either any Shares or any securities convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the Share Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

where

L	=	the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
M	=	the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and
N	=	the aggregate number of Shares so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of **By-Law 17.6(g)**, the "Total Effective Consideration" shall be determined by the Board with the concurrence of an Auditor and/or Adviser of the Company and shall be:

- (i) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights,

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of **By-Law 17.6(g)**, the Average Price of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day next following the date on which the issue is announced, or (failing any such announcement) on the Market Day next following the date on which the Company determines the offering price of such Shares. Each such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the date of the completion of the above transaction.

- (h) For the purpose of **By-Laws 17.6(c), (d), (e) and (f)**, the "Current Market Price" in relation to one (1) Share for any relevant day shall be the weighted average market price for the five (5) consecutive Market Days before such date.

17.7. If an event occurs that is not set out in **By-Law 17.6** or if the application of any of the formulae to an event results in a manifest error or does not, in the opinion of the Scheme Committee, achieve the desired result of preventing the dilution or enlargement of the Grantee's rights, the Scheme Committee may agree to an adjustment subject to the provision of **By-Law 17.3** provided that the Grantees shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the Scheme Committee.

DRAFT BY-LAWS (CONT'D)

- 17.8. In the event that a fraction of a Share arises from the adjustments pursuant to this **By-Law 17**, the number of Shares shall automatically be rounded down to the nearest whole number. Any adjustment to the share price shall automatically be rounded up to the nearest one (1) Sen.

18. SCHEME NOT A TERM OF EMPLOYMENT

- 18.1. This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Eligible Person.

19. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

- 19.1. All Grantees shall be entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

20. ERRORS AND OMISSIONS

- 20.1. If in consequence of an error or omission, the Scheme Committee discovers/determines that:

- (a) an Eligible Person who was selected by the Scheme Committee as a Grantee, has not been given the opportunity to participate in the Scheme on any occasion; or
- (b) the number of Shares allotted and issued and/or transferred to any Grantee on any occasion is found to be incorrect,

and such error or omission cannot be corrected, the Scheme Committee may do all such acts and things to rectify such error or omission and ensure that the Eligible Persons given the opportunity to participate in the Scheme and/or the aggregate number of Shares to which the Grantee is correctly entitled to is credited into his CDS Account.

- 20.2. In the event of any error in the Share Option Offer and/or Share Award, the Scheme Committee may issue a supplemental Share Option Offer and/or Share Award stating the correct particulars of the Share Option Offer and/or Share Award.

21. LISTING OF AND QUOTATION FOR SHARES

- 21.1. Bursa Securities has vide its letter dated 26 October 2022 approved the listing of such number of new Shares representing up to 15% of the Company's total number of issued Shares (excluding treasury shares, if any) at any one time to be issued pursuant to the Scheme on the Main Market of Bursa Securities.

DRAFT BY-LAWS (CONT'D)

22. NOTICE

- 22.1. Any notice under the Scheme required to be given to or served upon the Scheme Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee to the Scheme Committee shall be given or made in writing and either delivered by hand or sent to the Scheme Committee or the Company by facsimile or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.
- 22.2. Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:
- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received **three (3) Market Days** after posting;
 - (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; and
 - (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company.

- 22.3. Where any notice which the Company or the Scheme Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the Grantees (as the case may be) pursuant to the Scheme, the Company or the Scheme Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the Scheme Committee (including via electronic media). Upon the making of such an announcement, the notice to be made under **By-Law 22.2** shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Grantee, as the case may be.

23. CONSTITUTION

- 23.1. Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution, the provisions of the Constitution shall prevail at all times.

24. COMPENSATION

- 24.1. No Eligible Persons or Participants who ceases/ fails to commence to hold office in or employment with the Group shall be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme.

DRAFT BY-LAWS (CONT'D)

24.2. The Company, the Board and/or the Scheme Committee shall not be liable for any compensation, loss or damages of any claim, action or proceeding by any Eligible Person or Grantee or legal or personal representatives whatsoever and howsoever arising from the suspension, termination, cancellation and/or non-vesting of any rights pursuant to the provisions of the By-Laws.

25. TAXES

25.1. All taxes (including income tax) arising from the grant or Release of any LTIS Award granted to any Grantee under the Scheme shall be borne by the Grantee.

26. COSTS AND EXPENSES OF THE SCHEME

26.1. Each Grantee shall bear all expenses relating to or in connection with the opening and maintenance of the CDS Account.

26.2. Save for the taxes referred to in **By-Law 25** and such other costs and expenses expressly provided in the Scheme to be payable by the Grantees, the Company shall bear all fees, costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment, purchase and/or transfer of the Shares pursuant to the Awards.

27. SEVERABILITY

27.1. Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

28. DISCLAIMER OF LIABILITY

28.1. Notwithstanding any provisions herein contained, the Scheme Committee, the Trustee (if applicable), the Company and the Board and employees shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of and quotation for the new Shares on Bursa Securities in accordance with the By-Laws for any reason whatsoever.

29. DISCLOSURES IN ANNUAL REPORT

29.1. The Company will make such disclosures in its annual report for as long as the Scheme continues in operation as from to time required by the Listing Requirements including (where applicable) a statement by the AC verifying that the allocation of Shares pursuant to the Scheme is in compliance with the criteria for allocation.

30. DISPUTES

- 30.1. In case any dispute or difference shall arise between the Scheme Committee and an Eligible Person or a Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the Scheme Committee during the Duration of the Scheme, then the Scheme Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or Grantee, as the case may be PROVIDED THAT where the dispute is raised by a member of the Scheme Committee, the said member shall abstain from voting in respect of the decision of the Scheme Committee in that instance. In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the Scheme Committee within **fourteen (14) days** of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding on all respects, provided that any Director of the Company who is also in the Scheme Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the Scheme Committee shall be borne by such party.
- 30.2. Notwithstanding the foregoing provisions of **By-Law 30.1**, matters concerning adjustments made pursuant to **By-Law 17** shall be referred to the Company's external auditor or an approved company auditor or an Adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

31. TAKEOVER / SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, MERGER

- 31.1. In the event of:
- (a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror); or
 - (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date; or
 - (c) the court sanctioning a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies; or
 - (d) the Company decides to merge with other company or companies,

the Scheme Committee may at its discretion to the extent permitted by law allow the vesting of Unvested Share Awards (or any part thereof) in the Grantee or the Grantee's Representatives, as the case may be, and/or the exercise of any Unexercised Share Options or Unvested Share Options by the Grantee or the Grantee's Representatives as the case may be, at any time subject to such terms and conditions as maybe prescribed notwithstanding that:

- (a) the Share Option Vesting Date and/or Share Award Vesting Date is not due or has not occurred; and/or
- (b) the Share Option Period has not commenced; and/or
- (c) other terms and conditions set out in the Share Option Offer and/or Share Award have not been fulfilled/satisfied.

31.2. All Share Options which the Scheme Committee permits to be exercisable pursuant to **By-Law 31.1** shall automatically lapse and shall become null and void to the extent unexercised by the date prescribed notwithstanding that the Share Option Period has not commenced or expired.

32. NON-TRANSFERABILITY

32.1. A LTIS Award is personal to the Grantee and, prior to the allotment and/or transfer to the Grantee of the Shares to which the LTIS Award relates, shall not be transferred (other than in accordance with **By-Laws 12** and **31** (where applicable)), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Scheme Committee and if a Grantee shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an LTIS Award without the prior approval of the Scheme Committee, that LTIS Award shall immediately lapse.

33. SUBSEQUENT EXECUTIVE OR EMPLOYEE SHARE ISSUANCE SCHEME

33.1. Subject to the approval of Bursa Securities and any other relevant authorities, the Company may establish a new executive or employees' share issuance scheme after the expiry date of this Scheme or upon termination of this Scheme.

33.2. The Company may implement more than one (1) scheme provided that the aggregate number of shares available under all the schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time

34. GOVERNING LAW

34.1. The Scheme, the By-Laws, all offers and LTIS Awards made and granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Share Option Offer and/or Share Award in accordance with these By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

DRAFT BY-LAWS (CONT'D)

35. IMPLEMENTATION OF THE SCHEME AND TRUST (IF REQUIRED)

- 35.1. In implementing the Scheme, the Scheme Committee shall subject to compliance with the provisions of the Act and the Listing Requirements decide that the LTIS Awards shall be satisfied by way of:
- (a) issuance of new Shares;
 - (b) acquisition of existing Shares from the market;
 - (c) a combination of both issuance of new Shares and acquisition of existing Shares from the market; or
 - (d) cash or a combination of cash and any of the above.
- 35.2. If required, the Board and/or the Scheme Committee will establish a Trust to be administered by the Trustee consisting of such trustee appointed by the Company from time to time for purposes of subscribing for new Shares or purchasing existing Shares from the market and transferring them to the Grantees at such time as the Scheme Committee may direct. To enable the Trustee to subscribe for new Shares and/or purchase existing Shares from the market for purposes of implementing the Scheme and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Company, its subsidiaries and/or third parties. The Scheme Committee shall have the discretion to direct the Trustee to subscribe for new Shares at any time and from time to time and also to revoke or suspend any such direction that has earlier been given to the Trustee, subject to the provisions of the Trust Deed.
- 35.3. The Trustee shall exercise the voting rights attached to such Shares in such manner and extent as may be directed by the Scheme Committee in writing.
- 35.4. The Trustee shall administer the Trust in accordance with the Trust Deed. For purposes of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust as the Scheme Committee may in its discretion direct for the implementation and administration of the Trust.
- 35.5. The Company shall have power from time to time to appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.
- 35.6. The Company will use all reasonable efforts to make available/ensure that the Trustee has available sufficient Shares for vesting in the Grantees on the Vesting Dates during the Scheme Period.

36. RIGHTS ATTACHED TO SHARES

- 36.1. The Shares to be allotted and issued pursuant to the Scheme and held by the Trustee (if required) shall rank equally in all respects with the then existing issued Shares.

DRAFT BY-LAWS (CONT'D)

- 36.2. The Shares to be allotted upon exercise of the Share Option shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the Company's shareholders, for which the book closure date is prior to the date on which the Shares are credited into CDS Account of the Grantees.
- 36.3. The Shares to be issued/transferred to the Grantees pursuant to the Share Award shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the Company's shareholders for which the book closure date is prior to the date on which the Shares are credited into CDS Account of the Grantees.
- 36.4. For the purposes of this **By-Law 36**, "book closure date" shall mean the date as at the close of business on which shareholders of the Company must be registered as a member and whose names appear in the record of depositors maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments or other distributions.
- 36.5. The Shares under the Scheme will be subject to the provisions of the Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company.

37. RETENTION PERIOD

- 37.1. The Shares to be issued/transferred to a Grantee under the Scheme (save for a Grantee who is a Non-Executive Director) shall not be subject to any retention period or restriction on transfer. However, the Company encourages Grantees to hold the Shares issued/transferred to them as a long-term investment and not for any speculative and/or realisation to yield a profit. Notwithstanding the foregoing, the Scheme Committee shall be entitled to prescribe or impose, in relation to any Share Option Offer and/or Share Award, any condition relating to any retention period or restrictions on transfer as it sees fit.
- 37.2. Notwithstanding **By-Law 37.1**, a Grantee who is a Non-Executive Director shall be subject to the restrictions on dealing in accordance with any prevailing and applicable guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time including, but not limited to Paragraph 8.20 of the Listing Requirements which prohibits a Non-Executive Director from selling, transferring or assigning the Shares obtained through the LTIS Awards offered to him pursuant to the Scheme within **one (1) year** from the date of offer of such LTIS Awards.

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PART B: SHARE OPTION SCHEME

37A. The provisions of this Part B shall apply ONLY to the Share Option Scheme.

38. SHARE OPTION OFFER

38.1. During the Duration of the Scheme, the Scheme Committee may at any time and from time to time make a Share Option Offer in writing to an Eligible Person. Each Share Option Offer shall be in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the Scheme Committee. The Share Options shall only be accepted in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the Scheme Committee.

38.2. The Scheme Committee shall state the following in the Share Option Offer:

- (a) the number of Share Options that are being offered to the Eligible Person;
- (b) the number of Shares which the Eligible Person shall be entitled to subscribe for upon the vesting (if applicable) and exercise of the Options;
- (c) the Share Option Offer Date;
- (d) the Share Option Period;
- (e) the Share Option Price;
- (f) the Share Offer Period;
- (g) the closing date for acceptance of the Share Option Offer;
- (h) the Performance Targets and Performance Period as determined by the Scheme Committee, if any;
- (i) the vesting conditions and vesting date of the Share Options as determined by the Scheme Committee, if any;
- (j) the manner and conditions of exercise of the Share Options; and
- (k) any other information deemed necessary by the Scheme Committee.

38.3. A Share Option shall be valid for acceptance for a period of **thirty (30) days** from the Share Option Offer Date or the closing date for acceptance of the Share Offer stipulated in the Share Option Offer, whichever is later or such longer period as may be determined by the Scheme Committee ("**Share Option Offer Period**").

38.4. Subject to **By-Law 6**, nothing herein shall prevent the Scheme Committee from making more than one (1) Share Option Offer to an Eligible Person **PROVIDED THAT** the total aggregate number of Options offered to such Eligible Person during the Duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person.

DRAFT BY-LAWS (CONT'D)

38.5. The actual number of Share Options that may be granted to an Eligible Person shall be determined by the Scheme Committee and subject to any adjustment that may be made under **By-Law 17**.

39. SHARE OPTION PRICE

39.1. Subject to any adjustment in accordance with **By-Law 17** and pursuant to the Listing Requirements, the Share Option Price shall be a price to be determined by the Scheme Committee based on the weighted average market price of the Shares for the **five (5) Market Days** immediately preceding the Share Option Offer Date subject to a discount of not more than **ten percent (10%)** (or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time).

39.2. The Share Option Price as determined by the Scheme Committee shall be conclusive and binding on the Grantees.

40. ACCEPTANCE

40.1. A Share Option Offer shall be accepted by an Eligible Person within the Share Option Offer Period by written notice to the Company accompanied by a non-refundable payment to the Company of a sum of **Ringgit Malaysia One (RM1.00) only**, as acceptance of the Share Options, regardless of the number of Shares comprised therein.

40.2. The date of receipt by the Company of the written notice by an Eligible Person referred to in **By-Law 40.1** shall be the date of acceptance.

40.3. If a Share Option Offer made to an Eligible Person is not accepted in the manner set out in this **By-Law 40** within the Share Option Offer Period, the Share Option Offer shall automatically lapse and be null and void and be of no further force and effect. The Share Options comprised in such Share Option Offer may, at the discretion of the Scheme Committee, be re-offered to other Eligible Persons.

40.4. The Company shall, within **thirty (30) days** from the acceptance of the Share Option Offer by the Eligible Person, issue to the Eligible Person an option certificate in such form as may be determined by the Scheme Committee ("**Option Certificate**").

40.5. Notwithstanding **By-law 38.3**, in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt, as the case may be, prior to the acceptance of the Share Option Offer made to the Eligible Person, such Share Option Offer shall automatically lapse and be null and void and shall not be capable of acceptance. The Share Options comprised in such Share Option Offer may, at the discretion of the Scheme Committee, be re-offered to other Eligible Persons.

40.6. The Company shall keep and maintain a register of Grantees at its expense and shall enter in that register the names and addresses of the Grantees and such information as may be prescribed by the Scheme Committee.

41. EXERCISE OF SHARE OPTIONS

- 41.1. Subject to **By-Laws 9, 12, 31** and **41.10**, a Share Option granted to a Grantee under this Scheme is exercisable only by that Grantee during his/her lifetime whilst he/she is in the employment of any Group Company and within the Share Option Period. All vested but unexercised Share Options shall become null and void after the Date of Expiry.
- 41.2. The Scheme Committee may within its power under **By-Law 13**, at any time and from time to time, before or after the Shares Options are granted, limit the exercise of the Share Options to a number of Shares and/or such percentage of the total Shares comprised in the Share Options during such periods within the Share Option Period and impose other terms and/or conditions deemed appropriate by the Scheme Committee.
- 41.3. Where a Share Option is exercised only in part, the Option Certificate shall be endorsed by the Scheme Committee stating *inter-alia*, the number of Shares which remain capable of being exercised.
- 41.4. A Grantee shall exercise the Share Options granted to him/her in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the Scheme Committee save and except where a Grantee's balance of Share Options exercisable in accordance with these By-Laws shall be less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the Scheme Committee, in which case, the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of a Share Option shall not preclude the Grantee from exercising the Share Option as to the balance any new Share Option, if any, which he is entitled to subscribe under the Scheme.
- 41.5. Share Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Share Option Period. Any Share Option which remains unexercised at the expiry of the Share Option Period shall be automatically terminated and lapse without any claim against the Company.
- 41.6. Subject to the discretion of the Scheme Committee, where a Grantee is serving under an employment contract, he/she may exercise any remaining Unexercised Share Options within **sixty (60) days** before the expiry of the employment contract if the remaining duration of the employment contract from the date on which the Share Options are granted is less than the Share Option Period.
- 41.7. A Grantee shall exercise his/her Share Options by notice in writing to the Company in such form and manner as the Scheme Committee may prescribe or approve ("**Notice of Exercise**"). The procedure for the exercise of the Share Options to be complied with by a Grantee shall be determined by the Scheme Committee from time to time.
- 41.8. Every Notice of Exercise shall state the number of Shares a Grantee intends to subscribe and shall be accompanied by the relevant Option Certificate and the relevant evidence of remittance for the full amount of the subscription monies payable in respect thereof **PROVIDED THAT** the number of Shares stated therein shall not exceed the amount exercisable by such Grantee.

- 41.9. The Grantee shall state his/her CDS Account in the Notice of Exercise. Within **eight (8) Market Days** (or such other period as may be prescribed or allowed by Bursa Securities, and subject to the Constitution) after receipt of the complete and valid Notice of Exercise together with the remittance from the Grantee and subject to the provisions of the Listing Requirements, Central Depositories Act, Rules of Bursa Depository and the Constitution, the Company shall issue/transfer the relevant number of Shares, despatch a notice of allotment to the Grantee and make an application for the listing of and quotation for such relevant number of Shares (where applicable). No physical certificate will be issued. For Grantees who do not have a CDS Account, such Grantees are required to open a CDS Account at their own expense before they can exercise their Share Options.
- 41.10. Any failure to comply with the procedures specified by the Scheme Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the discretion of the Scheme Committee. The Scheme Committee shall inform the Grantee of the rejection of the Notice of Exercise within **ten (10) Market Days** from the date of rejection and the Grantee shall then be deemed not to have exercised his/her Share Option

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PART C: SHARE GRANT SCHEME

41A. The provisions of this Part C shall apply ONLY to the Share Grant Scheme.

42. SHARE AWARD

42.1. During the Duration of the Scheme, the Scheme Committee may at any time and from time to time make a Share Award in writing to an Eligible Person.

42.2. Subject to **By-Law 6**, nothing herein shall prevent the Scheme Committee from making more than one (1) Share Award to an Eligible Person **PROVIDED THAT** the total aggregate number of Shares to be allotted to such Eligible Person during the Duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person.

42.3. The actual number of Shares which may be awarded to an Eligible Person shall be at the discretion of the Scheme Committee subject to any adjustments that may be made under **By-Law 17**. The Scheme Committee may stipulate any terms and conditions it deems appropriate in a Share Award and the terms and conditions of each may differ. Nothing herein shall require any Share Award offered to be the same as any Share Awards previously or subsequently offered whether to the same or a different Eligible Person.

42.4. The Share Award under this **By-Law 42** shall be made in writing by the Scheme Committee.

42.5. Grantees are not required to pay for the grant of Share Awards save for any individual income tax that may be incurred as a result of the receipt of the grant.

42.6. The Share Award shall be valid for acceptance for the Share Award Offer Period. The acceptance of the Share Award shall be made by way of written notice from the selected Eligible Person to the Scheme Committee in the form prescribed by the Scheme Committee from time to time. In the event that the Eligible Person fails to accept the Share Award within the prescribed period, the Share Award shall automatically lapse and shall be then null and void and of no further effect **PROVIDED THAT** the Scheme Committee shall not be precluded from making a new Share Award to the Eligible Person subsequently.

42.7. Any Share Awards which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void after the Date of Expiry.

43. SHARE GRANT PRICE

43.1. The reference price of each Share under a Share Award shall, subject always to the provisions of **By-Law 17**, be based on the market value of the Shares after taking into account, amongst others, the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Share Grant Date.

DRAFT BY-LAWS (CONT'D)

44. SHARE AWARD LETTER

- 44.1. The Scheme Committee will in its letter of offer for a Share Award to an Eligible Person (“**Share Award Letter**”) state, amongst others:
- (a) Share Grant Price;
 - (b) number of Shares to be awarded under the Share Award;
 - (c) Share Grant Date;
 - (d) Share Award Offer Period;
 - (e) the closing date for acceptance of the Share Award;
 - (f) the Performance Targets and Performance Period as determined by the Scheme Committee, if any;
 - (g) the vesting conditions and vesting date of the Share Award as determined by the Scheme Committee, if any; and
 - (h) any other condition which the Scheme Committee may determine from time to time in relation to that Share Award.

45. AWARD OF SHARES

- 45.1. The Scheme Committee may, by giving notice in writing to Grantee, vary or waive any of the conditions or include additional conditions, as will be used to determine the number of Shares awarded or vested to such Grantee on any Share Grant Date or Share Award Vesting Date.
- 45.2. The determination whether the Grantee has achieved the stipulated conditions shall be determined by the Scheme Committee at its absolute discretion.
- 45.3. Upon making the determination pursuant to **By-Laws 45.2**, the Scheme Committee shall vest the Shares under the Share Award to the Grantee subject to the Maximum Allowable Allocation and **By-Law 6**.
- 45.4. As soon as practicable after a determination is made pursuant to **By-Laws 45.2** and **45.3** to vest the Shares under the Share Award, the Scheme Committee shall notify each Grantee the:
- (a) number of Shares vested to him;
 - (b) retention period for those Shares (if any);
 - (c) dates on which the Shares awarded shall vest (where applicable); and
 - (d) any other conditions of the vesting of the Shares.

DRAFT BY-LAWS (CONT'D)

- 45.5. No Grantee shall have a right to require any Shares to be vested to him/her unless and until the Scheme Committee has made a determination under **By-Laws 45.2** and **45.3** to vest the Shares to him under the Share Award.
- 45.6. The Scheme Committee may, in its sole and absolute discretion, decide that the vesting of the Shares under the Share Award, be satisfied by the allotment and issuance of Shares or wholly in cash or a combination of allotment and issuance of Shares and cash payment. Where the vesting of the Shares under the Share Award (or any part thereof) are by way of cash payment pursuant to this **By-Law 45.6**, the reference price used to determine the amount to be paid to the Grantee will be based on the market value of the Shares after taking into account, amongst others, the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Share Award Vesting Date.

46. DELIVERY OF SHARES

- 46.1. In respect of Shares which are released to a Grantee, the Scheme Committee shall procure the following, on or before the relevant Share Award Vesting Date but not later than **eight (8) Market Days** after the relevant Share Award Vesting Date, as the case may be (or such period as may be prescribed or allowed by Bursa Securities):
- (a) credit the relevant number of Shares into the Grantee's CDS Account as notified by the Grantee in writing to the Company;
 - (b) despatch a notice of transfer of such Shares to the Grantee; and
 - (c) make an application for the listing of and quotation for such relevant number of Shares (where applicable).

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Part C of this Circular has been seen and approved by our Board, and they collectively and individually accept full responsibility for the accuracy of the information contained in Part C of this Circular. Our Board confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in Part C of this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

TA Securities, being the Principal Adviser for the Proposed LTIS, has given and has not subsequently withdrawn its written consent to the inclusion in Part C of this Circular of its name and all references thereto in the form, manner and context in which they appear in Part C of this Circular. TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposed LTIS.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board confirmed that there are no proceeding pending or threatened against our Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of our Group.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitments

Save as disclosed below, as at the LPD, our Board confirmed that there are no material commitments incurred or known to be incurred by our Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of our Group:

	RM'000
<u>Approved and contracted for:</u>	
Purchase of machinery	450

4.2 Contingent liabilities

Save as disclosed below, as at the LPD, our Board confirmed that there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming due or enforceable, may have a material impact on the financial position or financial performance of our Group:

	RM'000
Bank guarantees ⁽¹⁾	458

Note:

- (1) *The bank guarantees were issued by licensed financial institutions on behalf of PUB's subsidiaries in respect of performance guarantees/ bonds for business contracts.*

FURTHER INFORMATION (CONT'D)**5. HISTORICAL SHARE PRICES**

The monthly highest and lowest prices of PUB Shares as traded on Bursa Securities for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2021</u>		
December	1.59	1.36
<u>2022</u>		
January	1.55	1.41
February	1.65	1.43
March	1.90	1.46
April	1.87	1.65
May	1.74	1.67
June	1.70	1.43
July	1.43	1.25
August	1.65	1.38
September	1.54	1.40
October	1.94	1.40
November	2.02	1.78

Last transacted market price on 6 October 2022 (being the last trading date prior to the announcement of the Proposed LTIS) was RM1.48 per PUB Share.

Last transacted market price on 9 December 2022 (being the LPD prior to the printing of this Circular) was RM1.93 per PUB Share.

(Source: Bloomberg)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Company's Registered Office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor during normal business hours from 9.00 a.m. to 5.30 p.m. from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) our Company's Constitution;
- (ii) the audited consolidated financial statements of our Company for the FYE 2020 and FYE 2021 as well as the latest unaudited financial results of our Group for the 9-month financial period ended 30 September 2022;
- (iii) the letter of consent and conflict of interest as referred to in Section 2 above; and
- (iv) the draft By-Laws in relation to the Proposed LTIS.



PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting (“**EGM**”) of Paragon Union Berhad (“**PUB**” or the “**Company**”) will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan, entirely through live streaming and online remote voting using Remote Participation and Voting (“**RPV**”) facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11:30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification the following resolutions as set out in this Notice.

ORDINARY RESOLUTION 1:

PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF PARAGON UNION BERHAD AND ITS SUBSIDIARIES TO INCLUDE RECYCLING BUSINESSES (“PROPOSED DIVERSIFICATION”)

“**THAT**, subject to the provisions of the Constitution of PUB and its subsidiaries (“**PUB Group**”), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) and the approvals of all authorities (if required), approval be and is hereby granted to PUB Group to diversify the existing businesses of PUB Group to include recycling related businesses;

AND THAT the Board of Directors of the Company (“**Board**”) be and is hereby authorised to do all acts, deeds and things as may be required to give full effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations, and/or amendments in any manner as may be required or imposed by any relevant authorities and to take all such steps and do all acts and things as the Board may deem fit or expedient to implement, finalise and give full effect to the Proposed Diversification.”

ORDINARY RESOLUTION 2:

PROPOSED NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED NEW SHAREHOLDERS’ MANDATE”)

“**THAT** subject to and conditional upon the passing of Ordinary Resolution 1, approval be and is hereby given to PUB Group, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as “**Recurrent Transactions**”) with related parties as set out in Section 2.3 of Part B of the circular to shareholders of the Company dated 20 December 2022 (“**Circular**”) which are necessary for the Company’s day-to-day operations subject further to the following:

- (i) the Recurrent Transactions contemplated are in the ordinary course of business and are carried out on an arm’s length basis on normal commercial terms of PUB Group on terms not more favourable to related parties than those generally available to the public and are not, in the Company’s opinion, detrimental to the minority shareholders of the Company;
- (ii) the Proposed New Shareholders’ Mandate is subject to annual renewal and any authority conferred by the Proposed New Shareholders’ Mandate shall only continue to be in force until:
 - (a) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company following the forthcoming EGM of the Company at which the Proposed New Shareholders’ Mandate is approved, at which time it will lapse unless by a resolution passed at the general meeting the mandate is again renewed;

- (b) the expiration of the period within which the next AGM of the Company is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 (the “**Act**”) (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) it is revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is earlier.

AND THAT the Board be and is hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Board, in its absolute discretion, deems fit.”

ORDINARY RESOLUTION 3:

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE SCHEME (“SCHEME”) OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME, COMPRISING A SHARE OPTION SCHEME (“PROPOSED SHARE OPTION SCHEME”) AND A SHARE GRANT SCHEME (“PROPOSED SHARE GRANT SCHEME”), FOR ELIGIBLE EMPLOYEES, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS OF PUB AND ITS NON-DORMANT SUBSIDIARIES (“PROPOSED LTIS”)

“**THAT**, subject to the approvals of all relevant regulatory authorities being obtained (where applicable), and to the extent permitted by law and the Constitution of the Company, the Board be and is hereby authorised and empowered to:

- (i) establish, implement and administer the Proposed LTIS of up to 15% of the total number of issued Shares (excluding treasury shares, if any) of the Company at any point in time during the duration of the Scheme for the eligible employees, executive directors and non-executive directors of PUB and its non-dormant subsidiaries (“**PUB Group**” or “**Group**”) who fulfil the eligibility criteria for participation in the Scheme as set out in the By-Laws governing the Scheme (“**By-Laws**”) (“**Eligible Person(s)**”), a draft of which is set out in **Appendix I** of Part C of the Circular, and to give full effect to the Scheme with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by the relevant authorities;
- (ii) make the necessary applications to Bursa Securities and do all the things necessary at the appropriate time or times for the listing and quotation of the new ordinary shares in the Company (“**Shares**” or “**PUB Shares**”) which may from time to time be allotted and issued pursuant to the Scheme;
- (iii) allot and issue and/ or procure from time to time such number of new Shares as may be required to be issued pursuant to the exercise of the share options pursuant to the Proposed Share Option Scheme (“**Share Options**”) and/ or vesting of the share grant pursuant to the Proposed Share Grant Scheme (“**Share Awards**”) under the Proposed LTIS provided that the aggregate number of new Shares to be offered under the Proposed LTIS shall not exceed in aggregate of 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any time during the duration of the Scheme;
- (iv) new Shares to be issued arising from the Proposed LTIS, shall upon allotment and issuance, carry the same rights with the then existing PUB Shares. However, such new Shares will not be entitled to any dividends, rights, allotment and/ or any other distributions which may be declared, made or paid to the Company’s shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions. The new PUB Shares to be issued arising from the Proposed LTIS will be subject to the provisions of the Company’s Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company;

- (v) add, delete, modify and/ or amend all or any part of the terms and conditions as set out in the By-Laws governing the Proposed LTIS from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board or any committee of the Proposed LTIS established or appointed by it provided that such modifications and/ or amendments are effected and permitted in accordance with the provisions of the By-Laws relating to modifications and/ or amendments and to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to such modifications and/ or amendments of the Scheme;
- (vi) extend the duration of the Scheme, provided always that such extension of the Scheme made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from the date on which the Scheme shall take effect following full compliance of all relevant requirements or such longer period as may be permitted by Bursa Securities or any other relevant regulatory authorities from time to time without having to obtain any further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting; and
- (vii) do all such acts and things, to execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions or delegate its power as may be necessary or expedient in order to give full effect to the Proposed LTIS and terms of the By-Laws;

THAT the By-Laws of the Scheme, a draft of which is set out in **Appendix I** of Part C of the Circular, be and is hereby approved and adopted;

THAT the Board be and is hereby authorised to give effect to the Proposed LTIS with full powers to consent to and to adopt and implement such conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities and to take all such steps and do all acts and things as the Board may deem fit or necessary at its absolute discretion;

AND THAT the existing shareholders of the Company waive their pre-emptive right pursuant to Section 85(1) of the Act and Clause 54 of the Constitution of the Company to be offered the PUB Shares to be allotted and issued under the Proposed LTIS which rank equally with the existing issued shares in the Company.”

Refer to Explanatory Note below.

ORDINARY RESOLUTIONS 4 TO 8:

PROPOSED ALLOCATIONS OF SHARE OPTIONS AND/ OR AWARD OF PUB SHARES TO THE DIRECTORS OF PUB UNDER THE PROPOSED LTIS (“PROPOSED ALLOCATIONS”)

“THAT, subject to the passing of Ordinary Resolution 3 and the approvals of all relevant regulatory authorities (where required) having been obtained, approval be and is hereby given to the Board to authorise the committee appointed and authorised by the Board from time to time to administer the Scheme (“**LTIS Committee**”) in accordance with the By-Laws, to offer and grant, from time to time throughout the duration of the Scheme, such number of Shares in the Company which will be vested to the Directors at a future date and to allot and issue such number of options, Shares and/ or the equivalent cash value or combinations thereof comprised in the Proposed LTIS granted to the following Directors from time to time:

- | | | |
|-------|---|-----------------------|
| (i) | Koon Hoi Chun, Executive Chairman | Ordinary Resolution 4 |
| (ii) | Wong Ee-Coln, Managing Director | Ordinary Resolution 5 |
| (iii) | Chan Weng Fui, Independent Non-Executive Director | Ordinary Resolution 6 |
| (iv) | Tan Vei Teck, Independent Non-Executive Director | Ordinary Resolution 7 |
| (v) | Tong Siut Moi, Independent Non-Executive Director | Ordinary Resolution 8 |

PROVIDED ALWAYS THAT:

- (i) he/ she must not participate in the deliberation or discussion of his/ her own allocation to be issued under the Proposed LTIS;
- (ii) not more than 10% of the total number of PUB Shares to be issued under the Proposed LTIS shall be allocated to him/ her, if he/ she, either singly or collectively through persons connected to him, holds 20% or more of the total number of issued PUB Shares (excluding treasury shares, if any);
- (iii) not more than 70% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group (excluding dormant subsidiaries) who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the LTIS Committee from time to time);
- (iv) it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws; and
- (v) the Directors and senior management of the Group and members of the LTIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any."

AND THAT subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws, the Board be and is hereby authorised to take such steps as necessary or expedient to implement, finalise or to give full effect to the Proposed Allocations above with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities and to take all such steps and do all acts and things thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the Proposed Allocations as above as well as to deal with all matters relating thereto and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

By Order of the Board
PARAGON UNION BERHAD

TAN TONG LANG (MAICSA 7045482)
(SSM Practicing Certificate No. 202208000250)

Selangor Darul Ehsan
20 December 2022

Explanatory Note

Section 85(1) of the Act provides that:

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders".

Clause 54 of the Company's Constitution states as follows:

“Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new share or securities as aforesaid which by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors, be conveniently offered in the manner herein provided.”

By approving the allotment and issuance of the PUB Shares in the Company pursuant to the Proposed LTIS which will rank equally with the existing issued shares in PUB, the shareholders of the Company are waiving their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 54 of the Constitution to be first offered the PUB Shares which will result in a dilution to their shareholding percentage in the Company.

Notes :

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Proxy Form shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*
6. *The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company situated at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 28 December 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.*

Voting by Poll

Pursuant to Paragraph 8.29A(1) of Listing Requirements, all resolutions set out in this Notice are to be voted by poll.



PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))
(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

PROXY FORM

(Before completing this form please refer to the notes below)

I/We _____
(FULL NAME IN BLOCK LETTERS)

(NRIC No./ Company Registration No./Passport No. _____)

of _____
(FULL ADDRESS)

being a member/ members of PARAGON UNION BERHAD, hereby appoint the following person(s):

Full Name (in Block):	NRIC No./Passport No./Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name	NRIC No./Passport No./Company No/	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the EGM of the Company will be held as a virtual meeting at the Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan ("**Broadcast Venue**"), entirely through live streaming and online remote voting through Remote Participation and Voting facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Friday, 6 January 2023 at 11:30 a.m. or any adjournment thereof, and *my/our proxy is to vote as indicated below:

Ordinary Resolutions		For	Against
Ordinary Resolution 1	Proposed Diversification		
Ordinary Resolution 2	Proposed New Shareholders' Mandate		
Ordinary Resolution 3	Proposed LTIS		
Ordinary Resolution 4	Proposed Allocation of Share Options and/ or award of PUB Shares to Koon Hoi Chun		
Ordinary Resolution 5	Proposed Allocation of Share Options and/ or award of PUB Shares to Wong Ee-Coln		
Ordinary Resolution 6	Proposed Allocation of Share Options and/ or award of PUB Shares to Chan Weng Fui		
Ordinary Resolution 7	Proposed Allocation of Share Options and/ or award of PUB Shares to Tan Vei Teck		
Ordinary Resolution 8	Proposed Allocation of Share Options and/ or award of PUB Shares to Tong Siut Moi		

(Please indicate with an "X" in the appropriate space on how you wish your proxy to vote. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)



Dated this.....day of.....2022/2023

.....
**Signature/Common Seal of Shareholder

**** Manner of execution:**

- (a) *If you are an individual member, please sign where indicated.*
- (b) *If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
- (c) *If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*
 - (i) *at least two (2) authorised officers, of whom one shall be a director; or*
 - (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes :

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.*
2. *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
3. *A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The Proxy Form shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.*
6. *The instrument appointing a proxy must be deposited to the office of the Share Registrar of the Company situated at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, or email to admin@aldpro.com.my not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 28 December 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of
PARAGON UNION BERHAD
Registration No. : 199401000779 (286457-V)
c/o Aldpro Corporate Services Sdn Bhd
Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam, Selangor Darul Ehsan

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