

# Announcement

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS PARAGON UNION BERHAD ("PUB" OR "COMPANY") PROPOSED DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PUB OF A PARCEL OF INDUSTRIAL LAND WHERE ERECTED UPON IS A SINGLE STOREY DETACHED FACTORY WITH 3 STOREY OFFICE ANNEXED HELD UNDER H.S.(M) 4080, PT 7667, TEMPAT CHERAS JAYA, MUKIM CERAS, DAERAH HULU LANGAT, NEGERI SELANGOR TO ATTRACTIVE VENTURE (KL) SDN BHD FOR A CASH CONSIDERATION OF RM17,500,000 ("PROPOSED DISPOSAL")

## PARAGON UNION BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	PARAGON UNION BERHAD ("PUB" OR "COMPANY")  PROPOSED DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PUB OF A PARCEL OF INDUSTRIAL LAND WHERE ERECTED UPON IS A SINGLE STOREY DETACHED FACTORY WITH 3 STOREY OFFICE ANNEXED HELD UNDER H.S.(M) 4080, PT 7667, TEMPAT CHERAS JAYA, MUKIM CERAS, DAERAH HULU LANGAT, NEGERI SELANGOR TO ATTRACTIVE VENTURE (KL) SDN BHD FOR A CASH CONSIDERATION OF RM17,500,000 ("PROPOSED DISPOSAL")

On behalf of the Board of Directors of PUB ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") wishes to announce that Paragon Car Carpets & Components Sdn Bhd ("**PCCC**" or "**Vendor**"), a wholly-owned subsidiary of the Company, had on 5 January 2023, entered into a conditional sale and purchase agreement ("**SPA**") with Attractive Venture (KL) Sdn Bhd ("**AVKL**" or "**Purchaser**"), a wholly-owned subsidiary of D'nonce Technology Bhd ("**DTB**"), for the proposed disposal by PCCC of a parcel of leasehold industrial land ("**Land**") where erected upon is a single storey detached factory with 3 storey office annexed, held under H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor ("**Subject Property**") for a cash consideration of RM17,500,000 ("**Disposal Consideration**") ("**Proposed Disposal**").

Please refer to the attachment for further details of the Proposed Disposal.

This announcement is dated 5 January 2023.

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## Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
Date Announced	05 Jan 2023
Category	General Announcement for PLC
Reference Number	GA1-05012023-00050

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

**PROPOSED DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PUB OF A PARCEL OF INDUSTRIAL LAND WHERE ERECTED UPON IS A SINGLE STOREY DETACHED FACTORY WITH 3 STOREY OFFICE ANNEXED HELD UNDER H.S.(M) 4080, PT 7667, TEMPAT CHERAS JAYA, MUKIM CERAS, DAERAH HULU LANGAT, NEGERI SELANGOR AND BEARING POSTAL ADDRESS OF LOT 21, JALAN 1, TAMAN CHERAS JAYA, 43200 CHERAS, SELANGOR DARUL EHSAN TO ATTRACTIVE VENTURE (KL) SDN BHD FOR A CASH CONSIDERATION OF RM17,500,000**

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### 1. INTRODUCTION

On behalf of the Board of Directors of PUB (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that Paragon Car Carpets & Components Sdn Bhd (“**PCCC**” or “**Vendor**”), a wholly-owned subsidiary of PUB, had on 5 January 2023, entered into a conditional sale and purchase agreement (“**SPA**”) with Attractive Venture (KL) Sdn Bhd (“**AVKL**” or “**Purchaser**”), a wholly-owned subsidiary of D’nonce Technology Bhd (“**DTB**”), for the proposed disposal by PCCC of a parcel of industrial land (“**Land**”) where erected upon is a single storey detached factory with 3 storey office annexed (“**Buildings**”), held under H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor (“**Subject Property**”) for a cash consideration of RM17,500,000 (“**Disposal Consideration**”) (“**Proposed Disposal**”).

### 2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal by PCCC of the Subject Property to AVKL for the Disposal Consideration, on an “as is where is” basis, free from all and any encumbrances and with vacant possession, subject to all conditions, whether express or implied, in and to the title to the Subject Property upon the terms and conditions contained in the SPA. The details on the Subject Property and salient terms of the SPA are set out in **Appendix I** and **Appendix II** of this announcement respectively.

The Proposed Disposal is not expected to result in PUB becoming a cash company and/ or a Practice Note 17 company under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

#### 2.1 Information on AVKL

AVKL was incorporated in Malaysia on 22 October 1998 as a private company under the Companies Act, 1965 and is deemed registered under the Companies Act 2016 (“**Act**”). AVKL is principally involved in the design and conversion of advanced packaging materials and transportation agent.

As at 9 December 2022, being the latest practicable date prior to this announcement (“**LPD**”), AVKL has an issued share capital of RM500,000 comprising 500,000 ordinary shares. As at the LPD, the directors of AVKL are Low Chee Min, Choong Lee Aun and Mak Siew Wei. AVKL is a wholly-owned subsidiary of DTB, a company listed on the Main Market of Bursa Securities. DTB and its subsidiaries are principally involved in (i) end-to-end packaging and design solutions; (ii) precision polymer engineering services; (iii) cleanroom and contract manufacturing services; (iv) supply chain management and sales and distribution of products; and (v) property development and construction business.

The direct and indirect shareholdings of the directors and major shareholder of DTB as at the LPD are set out below:

	Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%
<b><u>Directors</u></b>				
Dato' Moktar Bin Mohd Noor	-	-	-	-
Choong Lee Aun	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-
Kang Teik Yih	-	-	-	-
<b><u>Major shareholder</u></b>				
AT Systematization Berhad (a company listed on ACE Market of Bursa Securities)	111,300	29.62	-	-

## 2.2 Basis and justification in arriving at the Disposal Consideration

The Disposal Consideration was arrived at on an "as is where is" basis, free from all and any encumbrances and with vacant possession, subject to all conditions, whether express or implied in and to the title to the Subject Property upon the terms and conditions contained in the SPA.

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the Market Value<sup>^</sup> of the Subject Property of RM17,500,000 as appraised by the independent registered valuer, namely Laurelcap Sdn Bhd ("**Laurelcap**" or "**Valuer**") as at the date of valuation on 11 November 2022 vide its valuation certificate.

*Note:*

<sup>^</sup> *Market Value used in this context is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing-buyer and a willing-seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."*

The Subject Property was valued using the Cost Approach and Income Approach by way of Investment Method:

No.	Valuation approach	Description
(i)	Cost Approach	<p>This approach involves the valuation of the land by comparison with evidence of values of comparable land and adding to its current replacement cost of the building(s) less depreciation, if necessary.</p> <p>The current replacement cost involves the construction cost, finance charges, advertising charges, professional fees, other incidental expenses and developer's profit.</p>
(ii)	Income Approach	<p>This approach entails estimation of the market rental, which the Subject Property can reasonably be let for. Outgoings or operating expenses, such as repairs and maintenance, insurance, quit rent and assessment are then deducted from the annual rental. The net annual rental is capitalised at an appropriate current market yield to arrive at its indicative market value.</p>

The Valuer did not use the Comparison Approach\* for the valuation of the Subject Property due to lack of transaction for detached factory within the surrounding neighbourhood. Those transactions were different in size (land and floor areas), design and characteristics as the Subject Property was designed to be utilised for a specific purpose which is for manufacturing and warehousing of car carpets and automotive components. As such, any adjustments made will only be arbitrary, and thus further diminish the accuracy of the valuation.

*Note:*

\* *This method entails comparing and adopting recent transactions and sales evidence involving other similar properties in the vicinity as a yardstick. Where dissimilarities exist, adjustments are made.*

Based on the deliberations of both approaches, the Valuer arrived at the following indicative values for the Subject Property:

No.	Valuation approach	Market Value (RM)
(i)	Cost Approach	17,500,000
(ii)	Income Approach	17,600,000

The Valuer has adopted the Cost Approach as the primary approach of valuation to determine the Market Value of the Subject Property. The Valuer is of the view that the Cost Approach is the most suitable as it is a reflection of the brick-and-mortar value and the Subject Property is purpose built for a specific industry.

The Income Approach by way of Investment Method is only suitable to serve as a secondary approach (cross check) due to the dearth of asking rental rates of industrial properties which is relevant to the Subject Property in the surrounding neighbourhood as most of the properties are owner occupied and not for investment purposes. As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Subject Property.

Accordingly, the Valuer adopted the Market Value derived using the Cost Approach of RM17,500,000.

The Board is of the view that the Disposal Consideration is justifiable after taking into consideration the Disposal Consideration is equivalent to the Market Value of the Subject Property of RM17,500,000 as appraised by the Valuer.

## 2.3 Mode of settlement

The Disposal Consideration is to be settled entirely in cash in the following manner:

Date of settlement	Payment	RM'000
<b>Prior to execution of SPA</b>	2% of the Disposal Consideration (" <b>Earnest Deposit</b> ") has been paid to the Vendor's solicitors as stakeholders prior to the execution of the SPA, which shall be released to the Vendor upon execution of the SPA	350
<b>Upon execution of the SPA</b>	(a) 3% of the Disposal Consideration (" <b>RPGT Retention Sum</b> ") <sup>(1)</sup> to be paid to the Purchaser's solicitors as stakeholders	525
	(b) 5% of the Disposal Consideration (" <b>Balance Deposit</b> ") to be paid to the Vendor's solicitors as stakeholders which shall be released to the Vendor	875
<b>On completion date<sup>(2)</sup></b>	90% of the Disposal Consideration (" <b>Balance Disposal Consideration</b> ") to be paid to the Vendor's solicitors as stakeholders	15,750
<b>Disposal Consideration</b>		<b>17,500</b>

The Earnest Deposit, RPGT Retention Sum and the Balance Deposit shall collectively be known as **“Deposit”**.

Notes:

- (1) *The RPGT Retention Sum has been paid by the Purchaser to the Purchaser’s solicitors as stakeholders to be remitted to the Director General of Inland Revenue (“DGIR”), being payment of Real Property Gains Tax (“RPGT”) payable by the Vendor under the provisions of the Real Property Gains Tax Act, 1976.*
- (2) *Being the last day of the 3 months period from the date all the conditions precedent of the SPA are fulfilled. In the event that the Purchaser fails to pay the Balance Disposal Consideration within the completion period (i.e., 3 months from the SPA becoming unconditional), the Vendor shall grant the Purchaser an extension of 1 month subject to the payment of interest at a rate of 8% per annum calculated on a daily basis on the outstanding part of the Balance Disposal Consideration remaining unpaid for such period of extension by the Purchaser to the Vendor together with Balance Disposal Consideration.*

## 2.4 Liabilities to remain with PUB and guarantees given by the Group

There are no liabilities, including contingent liabilities, in relation to the Subject Property which will remain with PUB and its subsidiaries (**“PUB Group”** or **“Group”**) after completion of the Proposed Disposal. In addition, there are no guarantees given by the PUB Group to AVKL pursuant to the Proposed Disposal, save for the Group’s obligations pursuant to the SPA as set out in **Appendix II** of this announcement.

## 2.5 Original cost and date of investment

The original costs and the dates of investment by the Group in the Subject Property are as follows:

Description	Date of investment	Amount (RM’000)
Land	15 December 1989	677
Building and renovations	From 31 December 1990 to 1 December 2019	4,844
<b>Total</b>		<b>5,521</b>

## 3. UTILISATION OF PROCEEDS

PUB proposes to utilise the proceeds from the Proposed Disposal as follows:

Utilisation	Note	RM’000	Estimated timeframe for utilisation from receipt of proceeds
Repayment of bank borrowings	(i)	7,200	Within 3 months
Payment of RPGT to the DGIR	(ii)	1,155	Within 2 months
Working capital	(iii)	8,422	Within 18 months
Estimated expenses relating to the Proposed Disposal	(iv)	723	Within 3 months
		<b>17,500</b>	

Notes:

- (i) *There is a third-party charge over the Land in favour of CIMB Islamic Bank Berhad by PCCC for a banking facility (comprising bank overdraft, term loan and trade financing facilities) obtained by Paragon Carpet Distributor Sdn Bhd (an indirect wholly-owned subsidiary of PUB), of which RM7.20 million has been drawdown as at the LPD. The Company intends to utilise RM7.20 million of the proceeds from the Proposed Disposal for the full settlement of this banking facility, after which the third-party charge shall be uplifted. Based on the interest rate of 4.35% per annum, this is expected to result in interest savings of approximately RM0.31 million per annum.*

Any deviation in the amount utilised for the repayment of bank borrowings will be adjusted to/ from the amount allocated for working capital.

- (ii) The estimated RPGT of RM1.16 million was derived based on 10% imposed on the net chargeable gain of disposal of the Subject Property of RM11.55 million, which is calculated as follows:

	<b>RM'000</b>
<i>Disposal Consideration</i>	17,500
<i>Less:</i>	
- Legal fees, agent commission and professional fees payable to tax consultants	(427)
- Original cost of Land, Buildings and renovations	(5,521)
<b>Net chargeable gain on disposal</b>	<b>11,552</b>
<b>Estimated RPGT @ 10%</b>	<b>1,155</b>

- (iii) The proceeds of RM8.42 million earmarked for working capital are intended to be used as follows:

<b>Working capital</b>	<b>RM'000</b>
<i>Payment for trade and other payables</i>	5,400
<i>Staff salaries</i>	2,000
<i>Utilities, transportation and logistics costs for its products, day-to-day operating expenses and other miscellaneous items</i>	1,022
<b>Total</b>	<b>8,422</b>

- (iv) The breakdown of the estimated expenses for the Proposed Disposal are as set out below:

	<b>RM'000</b>
<i>Professional fees which include, amongst others, advisory fees payable to the Principal Adviser, solicitors, Valuer, company secretary and agent commission in relation to the Proposed Disposal</i>	643
<i>Other incidental expenses in relation to the Proposed Disposal such as fees payable to authorities, printing, despatch, advertising costs, expenses to convene extraordinary general meeting and miscellaneous expenses</i>	80
<b>Total</b>	<b>723</b>

Any deviation in the amount utilised for the estimated expenses for the Proposal Disposal will be adjusted to/ from the amount allocated for the working capital of the Group.

Pending the utilisation of proceeds from the Proposed Disposal, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board deems fit.

The interest derived from the deposits with the financial institutions and/ or any gains arising from the short-term money market instruments will be used for working capital purposes. The actual breakdown of the said proceeds to be utilised for each component of working capital as disclosed above cannot be determined at this juncture and will be dependent on the specific working capital requirements at the time of utilisation.

#### **4. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal is expected to allow the PUB Group to achieve the following:

- (i) provide an opportunity for PUB Group to unlock and realise the value of the Subject Property. In this respect, the Group is expected to record a net pro forma gain from the Proposed Disposal of RM11.97 million as set out in **Note (i) of Section 6.3** of this announcement;

- (ii) allow PUB Group to improve its financial position. The net pro forma gain on the Proposed Disposal of RM11.97 million is expected to increase the net assets of the Group; and
- (iii) enable PUB Group to raise gross proceeds of RM17.50 million for purposes set out in **Section 3** of this announcement. This will allow PUB Group more ease in allocating and redeploying its existing financial resources for its existing operations and other ventures (including proposed diversification into the 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, which was announced on 7 October 2022 ("**Proposed Diversification**")) as and when such opportunities present themselves.

In addition, as some proceeds are earmarked for the repayment of bank borrowings, the Group anticipates potential finance/ interest costs savings as well as reduction in gearing level as illustrated in **Section 6.2** of this announcement. This in turn will alleviate the risk of indebtedness and repayment obligation, thereby improving the liquidity position of our Group moving forward.

The Subject Property is occupied and is utilised by PUB Group for manufacturing and warehousing of car carpets and automotive components (such as noise, vibration and harshness (NVH) components). Post disposal of the Subject Property, the Group will relocate the existing operations at the Subject Property to the manufacturing and warehouse facilities owned by PUB Group located in Taman Cheras Jaya and Semenyih. Therefore, the Proposed Disposal is not expected to cause any major disruption to the business operations of the Group as the Group will still continue with the existing business operations of manufacturing and trading of car carpets and components.

## 5. RISK FACTORS

The risk factors relating to the Proposed Disposal include, but are not limited to the following:

### (i) **Non-completion of the SPA**

The completion of the Proposed Disposal is conditional upon the fulfilment of the conditions precedent as set out in **Appendix II** of this announcement. If any one or more of the conditions precedent is not obtained or fulfilled within the stipulated time as set out in the SPA, or any further extension of time as granted by the Purchaser to PUB Group as per the terms of the SPA, the SPA may be terminated. As such, there can be no assurance that the conditions precedent can be fulfilled and the Proposed Disposal can be completed within the time period permitted under the SPA.

In addition, should a delay or non-completion of the Proposed Disposal occur, PUB Group may not be able to realise the benefits that may accrue to it from the proposed utilisation of proceeds as disclosed in **Section 3** of this announcement.

Notwithstanding the above, the Company will endeavour to ensure fulfilment of the conditions precedent is met within the timeframe stipulated in the SPA to facilitate the timely completion of the Proposed Disposal.

### (ii) **Loss of potentially higher capital value of the Subject Property**

With the Proposed Disposal, PUB Group will be disposing the Subject Property based on the prevailing market value as appraised by the Valuer and will not be able to enjoy any future appreciation in the value of the Subject Property.

Nonetheless, the Proposed Disposal will result in a net pro forma gain from the Proposed Disposal of RM11.97 million as set out in **Note (i) of Section 6.3** of this announcement. The proceeds from the Proposed Disposal would be utilised for purposes set out in **Section 3** of this announcement, which is expected to strengthen PUB Group's existing financial position thus benefiting the PUB Group.

## 6. EFFECTS OF THE PROPOSED DISPOSAL

### 6.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital and the substantial shareholders' shareholdings of PUB as the Proposed Disposal will be fully satisfied in cash and does not involve the issuance of new ordinary shares in PUB ("**PUB Share(s)**" or "**Share(s)**").

### 6.2 Net assets ("NA") and gearing

For illustrative purposes, based on the audited consolidated statements of financial position of PUB Group as at 31 December 2021, the pro forma effects of the Proposed Disposal on the NA and gearing of PUB Group assuming the Proposed Disposal had been effected as at 31 December 2021, are set out below:

	Audited as at 31 December 2021 RM'000	(I) Adjusted for subsequent events RM'000	(II) After (I) and the Proposed Disposal RM'000
Share capital	84,471	<sup>(iii)</sup> 84,902	84,902
Merger reserves	(4,618)	(4,618)	(4,618)
Treasury shares	(678)	<sup>(iii)</sup> -	-
Accumulated losses	(39,815)	<sup>(iv)</sup> (40,213)	<sup>(v)</sup> (28,244)
Shareholders' equity/ NA	39,360	40,071	52,040
Non-controlling interests	10	10	10
<b>Total equity</b>	<b>39,370</b>	<b>40,081</b>	<b>52,050</b>
Number of shares in issue ('000)	<sup>(i)</sup> 82,978	83,830	83,830
NA per share (RM)	0.47	0.48	0.62
Total borrowings	16,127	16,127	<sup>(vi)</sup> 8,927
Gearing (times) <sup>(ii)</sup>	0.41	0.40	0.17

Notes:

- (i) Excluding 851,740 treasury shares.
- (ii) Computed based on total borrowings over total equity.
- (iii) As at 31 December 2021, the Company has 851,470 treasury shares. All the 851,470 treasury shares were sold in July 2022 and the resale value was in excess of cost.
- (iv) After deducting expenses of RM0.16 million pursuant to the proposed long-term incentive scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the scheme, comprising the share option scheme and share grant scheme, which was announced on 7 October 2022 and RM0.24 million for the Proposed Diversification.
- (v) After accounting for the net pro forma gain from the Proposed Disposal (including the estimated expenses of RM0.72 million) as set out in **Note (i) of Section 6.3** of this announcement.
- (vi) After accounting for the proposed repayment of borrowings of RM7.20 million.



### 6.3 Earnings and earnings per share (“EPS”)

For illustrative purposes, assuming the Proposed Disposal (and the corresponding net pro forma gain from the Proposed Disposal) was effected on 1 January 2021, being the beginning of financial year ended (“FYE”) 31 December 2021, the pro forma effects of the Proposed Disposal on the earnings and EPS of the Group are as follows:

	RM'000
Audited loss after tax attributable to owners of the Company for the FYE 31 December 2021	(15,399)
Add:	
- Net pro forma gain from the Proposed Disposal <sup>(i)</sup>	11,969
<b>Pro forma loss after tax attributable to owners of the Company for the FYE 31 December 2021</b>	<b>(3,430)</b>
Total number of Shares in issue ('000)	83,830
Pro forma loss per Share (RM)	0.04

Note:

(i) The net pro forma gain from the Proposed Disposal is computed as below:

	(RM'000)
<b>Disposal Consideration</b>	<b>17,500</b>
Less:	
- Estimated expenses in relation to the Proposed Disposal (including legal fees, property valuation fees and agent commission)	(723)
- Audited net book value of the Subject Property as at 31 December 2021	(3,653)
<b>Pro forma gain from the Proposed Disposal</b>	<b>13,124</b>
Less:	
- Estimated RPGT	(1,155)
<b>Net pro forma gain from the Proposed Disposal</b>	<b>11,969</b>

The actual gain from the Proposed Disposal will depend on the net book value of the Subject Property at the time of completion, actual expenses incurred and actual taxes paid in relation to the Proposed Disposal.

## 7. APPROVALS REQUIRED AND CONDITIONALITY

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

- (i) the approval of shareholders at the forthcoming extraordinary general meeting to be convened for the Proposed Disposal. The highest percentage ratio applicable to the Proposed Disposal under Paragraph 10.02(g) of the Listing Requirements is 44.46% derived by the Disposal Consideration of RM17.50 million over the audited NA attributable to the owners of the Company as at 31 December 2021 of RM39.36 million;
- (ii) written approval from the State Authority of Selangor (“**State Authority**”) on the sale and transfer of the Subject Property from PCCC to AVKL. The application in relation to the Proposed Disposal will be submitted to the State Authority within 2 months from the date of this announcement; and

(iii) the approvals/ consents of any other relevant authorities and/ or parties, if required.

The Proposed Disposal is not conditional upon any other proposal undertaken or to be undertaken by the Company.

**8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM**

None of the Directors, major shareholders of PUB and/ or persons connected with them has any interest, direct or indirect, in the Proposed Disposal.

**9. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Disposal including but not limited to the salient terms of the SPA, rationale and effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company.

**10. ADVISER**

TA Securities has been appointed by the Company to act as the Principal Adviser for the Proposed Disposal.

Laurelcap has been appointed by the Company to act as the Valuer for the Subject Property.

**11. ESTIMATED TIMEFRAME FOR COMPLETION**

Subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by 2<sup>nd</sup> quarter of 2023.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

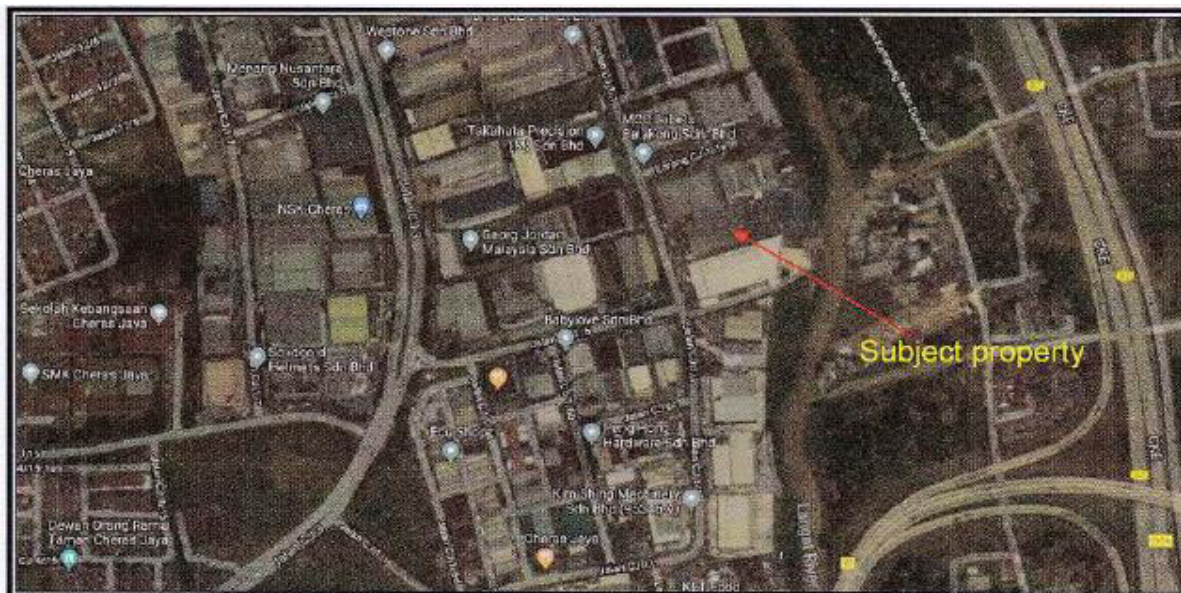
Copies of the following documents are available for inspection at the Company's Registered Office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur during normal business hours from 9.00 a.m. to 5.30 p.m. from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement:

- (i) the SPA; and
- (ii) the valuation report dated 11 November 2022 ("**Valuation Report**") issued by the Valuer in relation to the Subject Property.

This announcement is dated 5 January 2023.

## INFORMATION ON THE SUBJECT PROPERTY

The Subject Property is situated along Jalan 1 (also known as Jalan CJ 1/1) within Taman Cheras Jaya (also known as Kawasan Perindustrian Cheras Jaya), 43200 Cheras, Selangor Darul Ehsan. It is approximately 25.00 kilometres and 27.00 kilometres south-east of Kuala Lumpur City Centre and Petaling Jaya City Centre respectively. The Subject Property is easily accessible from Kuala Lumpur City Centre via Jalan Tun Razak turning off onto the SMART Tunnel, merging onto Lebuhraya Kuala Lumpur-Seremban, exiting onto Lebuhraya Sungai Besi, thereonto Lebuhraya SILK leading to Taman Cheras Jaya and finally onto Jalan 1 to where the Subject Property is located.



Details of the Subject Property are as follows:

Registered owner	: PCCC
Title details	: H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor
Postal address	: Lot 21, Jalan 1, Taman Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan
Land area (as per title)	: 6,833.00 sq. m / approximately 73,550.41 sq. ft
Land area (as per Certified Plan bearing Reference No. PA58889 as set out in Valuation Report)	: 6,836.00 sq. m / approximately 73,582.70 sq. ft
Tenure	: 99-year leasehold expiring on 14 May 2088, i.e., an unexpired term of about 66 years as at the date of valuation
Category of land use	: Industrial ( <i>"Perusahaan/ Perindustrian"</i> )
Express condition	: Industrial ( <i>"Perusahaan"</i> )
Restriction in interest	: <i>Tanah ini tidak boleh dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun melainkan dengan kebenaran Pihak Berkuasa Negeri</i>

**INFORMATION ON THE SUBJECT PROPERTY (CONT'D)**

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Existing use of buildings and factory structure	:	As at the date of valuation, the Subject Property is occupied by PCCC and is used by the Group for manufacturing and warehousing of car carpets and automotive components (such as noise, vibration and harshness (NVH) components).  The buildings consist of a single storey detached factory with 3 storey office annexed with gross floor area of 3,905.09 sq. m (42,034.42 sq. ft)
Age of Buildings	:	Approximately 32 years as at the date of valuation
Valuation date	:	11 November 2022
Valuer	:	Laurelcap
Market Value	:	RM17,500,000 <sup>(i)</sup>
Encumbrances/ Caveat	:	Third-party legal charge to CIMB Islamic Bank Berhad vide Presentation No. 1723/2019, dated 15 March 2019

*Note:*

- (i) *Based on the Valuation Report as appraised by the Valuer as at 11 November 2022, being the date of valuation.*

*(Source: Valuation Report)*

The audited net book value of the Subject Property as at 31 December 2021 was RM3,653,208.

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**SALIENT TERMS OF THE SPA**

The salient terms and conditions of the SPA include, among others, the following:

1.	<b>Parties involved</b>	<b>Vendor</b>	<b>Purchaser</b>
		PCCC	AVKL
2.	<b>Disposal consideration</b>	RM17,500,000 to be satisfied entirely via cash	
3.	<b>Conditions precedent</b>	<p>The SPA is conditional upon and subject to fulfilment of the following conditions within 4 months from the date of SPA or such further period as may be mutually agreed in writing:</p> <ul style="list-style-type: none"> <li>(i) State Authority's written approval in relation to the Vendor's transfer of the Subject Property to the Purchaser;</li> <li>(ii) Vendor shall obtain, at its own costs and expenses, the approval from the Board and shareholder(s) of the Vendor (including the relevant approvals from PUB), where applicable, for the sale of the Subject Property to the Purchaser; and</li> <li>(iii) Purchaser shall obtain, at its own costs and expenses, the approval from the board of directors and shareholder(s) of the Purchaser (including the relevant approvals from DTB), where applicable, for the acquisition of the Subject Property from the Vendor.</li> </ul>	
4.	<b>Warranties, Representations and Undertakings</b>	<p><b><u>By the Vendor</u></b></p> <p>The Vendor warrants, represents and undertakes with the Purchaser that:</p> <ul style="list-style-type: none"> <li>(i) it is the registered owner of the Subject Property;</li> <li>(ii) subject to the fulfillment of the conditions precedent, it has the full power and authority to execute, deliver and perform all the Vendor's obligations in accordance with the terms of the SPA and that in so doing the Vendor will not contravene any law nor breach any contractual obligation on the Vendor's part whatsoever;</li> <li>(iii) the Vendor has not granted any power of attorney to any person, corporation or body corporate or unincorporated in respect of the Subject Property;</li> <li>(iv) to the best of its knowledge, there are no pending legal proceedings and/ or claims against the Vendor which may affect in any way the Vendor's title deed to or the Vendor's rights to perform its obligations under the SPA or frustrate the completion of the transaction;</li> <li>(v) to the best of its knowledge, there are no rates, charges, taxes or other outgoings which are in arrears and outstanding in respect of the Subject Property as of the date of the SPA and that the Vendor shall further indemnify the Purchaser against all liabilities in respect of the outgoings payable in respect of the Subject Property prior to the delivery of the vacant possession;</li> </ul>	

## SALIENT TERMS OF THE SPA (CONT'D)

		<p>(vi) save as otherwise disclosed in the SPA, it has not at any time prior to the date of the SPA entered into any agreements or arrangements, whether written or otherwise for the sale of the Subject Property or any part thereof or granted any option, license, easement or any other right whatsoever over or in respect of the Subject Property or any part thereof to any person, firm, corporation, body corporate or unincorporated;</p> <p>(vii) it is not wound up and there is no winding up proceeding commenced against the Vendor as of the date of the SPA; and</p> <p>(viii) as at the date of the SPA, the Vendor has no knowledge, has not received any notice nor is the Vendor aware of any acquisition or intended acquisition of the Subject Property or any part thereof by any governmental statutory, urban municipal or other authority or that any advertisement in the Government Gazette of such intention has been published pursuant to either Section 4 or Section 8 of the Land Acquisition Act, 1960.</p> <p><b><u>By the Purchaser</u></b></p> <p>The Purchaser warrants, represents and undertakes with the Vendor that:</p> <p>(i) there are no pending legal proceedings and/ or claims against the Purchaser which may affect in any way the Purchaser's rights or capacity to perform its obligations under the SPA or frustrate the completion of the transaction;</p> <p>(ii) it has the full power and authority to execute, deliver and perform all its obligations in accordance with the terms of the SPA and that in so doing the Purchaser will not contravene any law nor breach any contractual obligation on the Purchaser's part whatsoever; and</p> <p>(iii) it is not wound up and there is no winding up proceeding commenced against the Purchaser as of the date of the SPA.</p>
5.	<b>Termination events and consequences</b>	<p><b><u>Events of termination by the Purchaser</u></b></p> <p>(i) <b>Default by Vendor</b></p> <p>The Vendor materially breaches all or any of the provisions of the SPA or any of the warranties, provided that the Purchaser is not in breach of the SPA, and (if the breach is capable of being remedied), the Vendor fails to remedy the breach within 14 working days, following the issuance of the notice by the Purchaser to the Vendor; or</p> <p>(ii) <b>No Completion</b></p> <p>The Vendor willfully refuses or fails to complete the sale in accordance with the terms and conditions of the SPA.</p>

		<p><b>Consequences of termination by the Purchaser:</b></p> <p>(i) The Purchaser shall be entitled to either exercise its rights to claim for specific performance or alternatively, to terminate the SPA by way of the Purchaser's written termination notice to the Vendor.</p> <p>In the event the Purchaser decides to terminate the SPA, the Vendor shall refund all sums paid by the Purchaser to the Vendor including the Deposit and all monies paid by the Purchaser to the Vendor hereunder towards the account of the Disposal Consideration free of interest ("<b>Full Refund</b>") and the Vendor shall in addition thereto pay to the Purchaser a further sum equivalent to the Deposit as agreed liquidated damages ("<b>Liquidated Damages</b>") by depositing the Full Refund and the Liquidated Damages with the Vendor's solicitors within 14 working days of the Purchaser's termination of the SPA as stakeholders. The Vendor's solicitors shall forthwith give a written confirmation to the Purchaser's solicitors upon receipt of the Full Refund and the Liquidated Damages;</p> <p>(ii) The Purchaser shall re-deliver or cause to be re-delivered to the Vendor possession of the Subject Property, the title of the Subject Property, the Memorandum of Transfer together with all other documents ("<b>Relevant Documents</b>") previously forwarded by the Vendor and/ or the Vendor's solicitors to the Purchaser and/ or the Purchaser's solicitors and/ or the Purchaser's financier, a licensed financial institution in Malaysia ("<b>Purchaser's Financier</b>") (as the case may be) pursuant to the SPA with all the Vendor's interest therein remained intact and the proof of withdrawal of all caveats lodged by the Purchaser or the Purchaser's Financier against the Subject Property within 14 working days from the Purchaser's written termination notice upon the Purchaser's solicitors receipt of the Vendor's solicitors' confirmation mentioned in item (i) above. The Vendor's solicitors shall forthwith release the Full Refund and the Liquidated Damages to the Purchaser within 14 working days upon receipt of all the Relevant Documents and possession from the Purchaser;</p> <p>(iii) In the event the Purchaser fails to re-deliver or cause to be re-delivered to the Vendor possession to the Subject Property and the Relevant Documents by the expiry of the said 14 working days period, the Purchaser shall be liable to pay the Vendor interest on Disposal Consideration at the rate of 8% per annum on daily basis from the first day after the expiry of the said 14 working days period to the date of Vendor's solicitor receipt of all the Relevant Documents and possession; and</p> <p>(iv) Upon the return of the Relevant Documents and possession of the Subject Property (if applicable) and payment of the Full Refund and the Liquidated Damages, the SPA shall thereafter become null and void and be of no further effect save and except for antecedent breaches and the Vendor shall be entitled at its absolute discretion to sell or deal with the Subject Property with any third party.</p>
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**SALIENT TERMS OF THE SPA (CONT'D)**

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<b>6.</b>	<b>Governing law</b>	The SPA shall be construed and enforced in accordance with the law of Malaysia and the parties hereby agree to submit to the exclusive jurisdiction of the courts of Malaysia.
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