

Announcement

Circular/Notice to Shareholders

Subject CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED

DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PARAGON UNION BERHAD ("PUB" OR "COMPANY") 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 ("PROPOSED DISPOSAL")

Announcement Info

Company Name PARAGON UNION BERHAD

Stock NamePARAGONDate Announced10 Mar 2023

Category Document Submission
Reference Number DCS-10032023-00001

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 PROFESSIONAL ADVISER IMMEDIATELY.

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PARAGON UNION BERHAD ("PUB" OR "COMPANY") 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 ("PROPOSED DISPOSAL")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



TA SECURITIES HOLDINGS BERHAD (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**"), 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 Monday, 27 March 2023 at 10:00 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 B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan 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 : Sunday, 26 March 2023 at 10:00 a.m.

Date and time of the EGM : Monday, 27 March 2023 at 10:00 a.m., or at any

adjournment thereof

DEFINITIONS

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

Act : Companies Act 2016 of Malaysia

Board : Board of Directors of PUB

Buildings : A single storey detached factory with 3 storey office

annexed

Bursa Securities : Bursa Malaysia Securities Berhad

Circular : This circular to the shareholders of PUB in relation to the

Proposed Disposal dated 10 March 2023

CMSA : Capital Markets and Services Act 2007

DGIR : Director General of Inland Revenue

Director(s) : A director of the Company and shall have the meaning

given in Section 2(1) of the CMSA 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; or

(ii) a chief executive of the listed issuer, its subsidiary or

holding company

Disposal Consideration : Cash consideration of RM17.50 million for the Proposed

Disposal

Diversification : Diversification of the Group's existing core business to

include Recycling Business

EGM : Extraordinary general meeting

EPS/ LPS : Earnings per share/ Loss per share

FYE: Financial year ended/ ending 31 December, as the case

may be

Land : Leasehold industrial land held under H.S.(M) 4080, PT

7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu

Langat, Negeri Selangor

Listing Requirements : Main Market Listing Requirements of Bursa Securities

LPD : 28 February 2023, being the latest practicable date prior to

the printing of this Circular

LTIS : 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

DEFINITIONS (Cont'd)

Major Shareholder(s)

- : 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 shares" given in Section 8 of the Act.

A Major Shareholder 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

NA : Net assets

Proposed Disposal : Proposed disposal by PCCC of the Subject Property to

AVKL for the Disposal Consideration

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

Purchaser or AVKL : Attractive Venture (KL) Sdn Bhd, a wholly-owned

subsidiary of D'nonce Technology Bhd, a company listed

on the Main Market of Bursa Securities

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, being the lawful

currency of Malaysia

RPGT : Real Property Gains Tax

SPA : Conditional sale and purchase agreement dated 5 January

2023 in relation to the Proposed Disposal entered into

between PCCC and AVKL

Sq. ft : Square feet

Sq. m : Square meter

State Authority : State Authority of Selangor

Subject Property : Land and Buildings, collectively

DEFINITIONS (Cont'd)

TA Securities or Principal

Adviser

: TA Securities Holdings Berhad

Valuation Certificate : Valuation certificate dated 11 November 2022 in relation to

the Subject Property prepared by the Valuer

Valuation Report : Valuation report dated 11 November 2022 in relation to the

Subject Property prepared by the Valuer

Valuer or Laurelcap : Laurelcap Sdn Bhd

Vendor or **PCCC** : Paragon Car Carpets & Components Sdn Bhd, a wholly-

owned subsidiary of PUB

All references to "you" in 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 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 this Circular is a reference to Malaysian time, unless otherwise specified.

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

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THIS EXECUTIVE SUMMARY REPRESENTS ONLY A SUMMARY OF THE PERTINENT INFORMATION ON THE PROPOSED DISPOSAL AS SET OUT IN THIS CIRCULAR. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN IN ITS ENTIRETY FOR FURTHER DETAILS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

Key information	Description		Reference to the Circular
Brief details of the Proposed Disposal	the Subject P Consideration o	Disposal entails the disposal by PCCC of Property to AVKL for the Disposal f RM17.50 million. The Subject Property:	Section 2
	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	
	Gross floor 3,905.09 sq. m/ 42,034.42 sq. ft area		
	Tenure	99-year leasehold expiring on 14 May 2088 (i.e., an unexpired term of about 66 years as at the date of valuation)	
	Existing use	Manufacturing and warehousing of car carpets and automotive components (such as noise, vibration and harshness (NVH) components)	
	Market Value	RM17,500,000	
Basis and justification in arriving at the Disposal Consideration	buyer willing-sel the Market Valu	onsideration was arrived at on a "willingler" basis after taking into consideration ue of the Subject Property of RM17.50 November 2022, as appraised by the	Section 2.2
	primary approad Value of the Sub that the Cost Aa reflection of the	s adopted the Cost Approach as the ch of valuation to determine the Market bject Property. The Valuer is of the view approach is the most suitable as it is a brick-and-mortar value and the Subject ose built for a specific industry.	

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to the Circular
Rationale for the Proposed Disposal	 (i) The Proposed Disposal provides an opportunity for PUB Group to unlock and realise the value of the Subject Property; (ii) The Proposed Disposal will allow the Group to improve its financial position. The net pro forma gain from the Proposed Disposal of RM11.97 million is expected to increase the net assets of the Group; and 	Section 4
	(iii) The Proposed Disposal will enable PUB Group to raise gross proceeds of RM17.50 million for the following:	
	UtilisationRM'000Repayment of bank borrowings6,397Payment of RPGT to the DGIR1,155Working capital9,225Estimated expenses relating to the Proposed Disposal72317,500	
Approvals required The Proposed Disposal is subject to the following approvals being obtained:		Section 8
	(i) the approval of shareholders at the forthcoming EGM to be convened for the Proposed Disposal;	
	(ii) written approval from the State Authority on the sale and transfer of the Subject Property from PCCC to AVKL; and	
	(iii) the approvals/ consents of any other relevant authorities and/ or parties, if required.	
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.	Section 10
Board's recommendation	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.	Section 11
	Accordingly, the Board recommends that you vote IN FAVOUR of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.	

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

Registered Office:

B-21-1, Level 21, Tower B Northpoint Mid Valley City No. 1, Medan Syed Putra Utara 59200 Kuala Lumpur Wilayah Persekutuan

10 March 2023

Board of Directors

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

To: Shareholders of Paragon Union Berhad

Dear Sir/ Madam.

PROPOSED DISPOSAL

1. INTRODUCTION

On 5 January 2023, TA Securities had, on behalf of the Board, announced that PCCC had, on the same date, entered into the SPA with AVKL for the Proposed Disposal.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSALTO 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 CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

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 Subject Property comprises a parcel of leasehold industrial land held under H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor, where erected upon is a single storey detached factory with 3 storey office annexed. The details on the Subject Property and salient terms of the SPA are set out in **Appendix I** and **Appendix II** of this Circular respectively.

The Proposed Disposal is not expected to result in PUB becoming a cash company and/ or a Practice Note 17 company under the 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 Act. AVKL is principally involved in the design and conversion of advanced packaging materials and transportation agent.

As at the 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 D'nonce Technology Bhd ("**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 Shareholders of DTB as at the LPD are set out below:

	Dire	ct	Indire	ect
	No. of		No. of	
	Shares		Shares	
	('000)	%	('000)	%
<u>Directors</u>				
Dato' Moktar Bin Mohd Noor	-	-	-	-
Choong Lee Aun	-	-	-	-
Datuk Sham Shamrat Sen Gupta	-	-	-	-
Kang Teik Yih	-	-	-	-
Major Shareholders				
AT Systematization Berhad (a company	111,300	25.62	-	-
listed on ACE Market of Bursa Securities)				
General Labels & Labelling (M) Sdn Bhd	58,710	13.51	-	-
Komarkcorp Berhad (a company listed on Main Market of Bursa Securities)	-	-	*58,710	13.51

Note:

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^ of the Subject Property of RM17,500,000 as appraised by the Valuer as at the date of valuation on 11 November 2022 vide its valuation certificate.

Note:

^ 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 willingseller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

^{*} Deemed interested by virtue of its substantial shareholding in General Labels & Labelling (M) Sdn Bhd, being the holding company of General Labels & Labelling (M) Sdn Bhd pursuant to Section 8(4) of the Act.

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

No.	Valuation approach	Description	
(i)	Cost Approach	This approach involves the valuation of the land to comparison with evidence of values of comparabland and adding to its current replacement cost of the building(s) less depreciation, if necessary. The current replacement cost involves the construction cost, finance charges, advertising charges, professional fees, other incidental expenses and developer's profit.	
(ii)	Income Approach	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.	

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

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 DGIR, being payment of 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 the PUB 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 Circular.

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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	4,844
_	1 December 2019	
To	5,521	

3. UTILISATION OF PROCEEDS

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

			Estimated timeframe for utilisation from
Utilisation	Note	RM'000	receipt of proceeds
Repayment of bank borrowings	(i)	6,397	Within 3 months
Payment of RPGT to the DGIR	(ii)	1,155	Within 2 months
Working capital	(iii)	9,225	Within 18 months
Estimated expenses relating to the Proposed Disposal	(iv)	723	Within 3 months
		17,500	

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 RM6.40 million has been drawndown as at the LPD. The Company intends to utilise RM6.40 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. The details of the banking facility are as follows:

Type of the banking facility	Amount outstanding as at the LPD (RM'000)
Bank overdraft	1,111
Term loan	4,667
Trade financing	619
Total	6,397

Based on the estimated average interest rate of 4.35% per annum (derived from historical rates for the past 12 months), this is expected to result in interest savings of approximately RM0.28 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.

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(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:

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

(iii) The proceeds of RM9.23 million earmarked for working capital are intended to be used as follows:

	RM'000
Payment for trade and other payables	6,000
Staff salaries	2,000
Utilities, transportation and logistics costs for its products, day-to-day operating expenses and other miscellaneous items	1,225
Total	9,225

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

	RM'000
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	643
Other incidental expenses in relation to the Proposed Disposal such as fees payable to authorities, printing, despatch, advertising costs, expenses to convene EGM and miscellaneous expenses	80
Total	723

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 7.3** of this Circular;
- (ii) allow PUB Group to improve its financial position. The net pro forma gain from 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 Circular. This will allow PUB Group more ease in allocating and redeploying its existing financial resources for its existing operations and other ventures (including the Recycling Business pursuant to the 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 7.2** of this Circular. This in turn will alleviate the risk of indebtedness and repayment obligation, thereby improving the liquidity position of the Group moving forward.

The Subject Property is occupied by PCCC 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. The cost of relocation is estimated to be at approximately RM0.50 million and the relocation will require approximately 2 months to complete. Hence, 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 the manufacturing and trading of car carpets and components.

5. PROSPECTS OF THE GROUP

PUB Group's existing core business is manufacturing and sale of car carpets, noise, vibration and harshness (NVH) components and commercial carpets business.

Under the automotive car carpets and noise, vibration and harshness (NVH) components segment, PUB Group supplies automotive carpets and components to car manufacturers such as Perodua, Proton, Nissan, BMW, Mitsubishi, Peugeot, KIA and Isuzu. Under the commercial carpets segment, PUB Group manufactures and supplies carpets to authorised dealers and/ or its customers including, amongst others, hotels, mosques, offices and cinemas.

The Group obtained the Company's shareholders approval on 6 January 2023 for the Diversification.

An overview of the Group's performance by business segments for the past 3 financial years are set out below:

	Aud	Unaudited	
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Revenue			
- Automotive	32,312	33,994	50,810
- Commercial	7,134	6,451	10,146
- Recycling Business	-	-	-
	39,446	40,445	60,956
Loss before tax	(6,516)	(15,589)	(5,629)
Loss after tax	(5,691)	(15,401)	(5,689)

PUB Group recorded a loss after tax of RM15.40 million for the FYE 2021 (increased by RM9.71 million from RM5.69 million for the FYE 2020). This was attributable to, amongst others, the COVID-19 pandemic and the associated movement control orders which affected the Group's manufacturing operations during the year. The Group also experienced higher operating costs resulting from raw materials price hike, substantial increase in shipping and freight costs and impairment of inventory losses due to the flood that occurred on 18 and 19 December 2021. The said flood had damaged some of the Group's finished goods, raw materials and production machinery.

The re-opening of the economy subsequent to the various movement control orders did contribute to the Group's performance in FYE 2022. The Group recorded a lower unaudited loss after tax of RM5.69 million for the FYE 2022 as compared to the FYE 2021 of RM15.40 million, mainly attributable to the higher revenue generated to cover operating expenses. While there was no significant impairment of inventories unlike in FYE 2021, the Group's performance for FYE 2022 was affected by the rise in raw material prices, shipping costs, the imposition of minimum wages and a less favourable currency which increased import cost. Nonetheless, PUB Group remains cautious on the outlook due to the increase in raw material prices, shipping costs and unfavourable exchange rates. The increase in minimum wages and the amendments to the Employment Act 1955 which were gazetted in 2022 and took effect on 1 January 2023, will collectively have an impact on the production and transportation cost.

The prospects of PUB Group's automotive division would depend on its ability to continuously fulfil industry demand for its clients in the automotive industry. The automotive industry has improved significantly in year 2022 as there was an increase of 41.60% in the number of vehicles purchased. A total of 720,658 vehicles were sold in Malaysia in 2022. It was also the first time the annual total industrial volume ("TIV") exceeded the 700,000 units mark. The historic all-time high TIV recorded in 2022 was attributed to pent-up demand for new vehicles in 2022, especially in the first half of 2022, the authorities' decision to allow buyers with confirmed bookings of vehicles made before the 30 June 2022 cut-off date for the sales tax exemption to be registered by 31 March 2023 and low base effect, or low TIV in the first half of 2021 due to the pandemic-driven implementation of the Full Movement Control Order (FMCO) in June 2021. (Source: "Record Sales of New Motor Vehicles; TIV Surpassed 700,000 Unit Mark", press release by Malaysian Automotive Association). On the other hand, the prospects of PUB Group's commercial division would always depend on its ability to secure projects, especially from the construction sector in light of competition from other industry players. The gradual recovery and growth in the construction sector as reflected by the construction sector's expansion by 10.1% in fourth quarter of 2022 (3Q 2022: 15.3%) (Source: Developments in the Malaysian Economy, BNM Quarterly Bulletin Fourth Quarter 2022, Bank Negara Malaysia) is expected to benefit the Group's commercial division. The Group has been actively involved in tendering for new projects with the launch of new models of carpets and automotive components for its automotive and commercials divisions.

In view of the Group's loss-making performance from its existing core business of manufacturing and sale of car carpets, noise, vibration and harshness (NVH) components and commercial carpets business as reflected above, the Board obtained the Company's shareholders approval for the Diversification in order to diversify the Group's income stream and improve the Group's revenue and profitability.

The Company has in its circular to shareholders dated 20 December 2022 indicated that the Group expects to trade metal materials up to an estimated aggregate value of RM42.00 million with Technovate Trading Sdn Bhd and KYH Recycle Industries Sdn Bhd from 6 January 2023 up to the Company's 29th annual general meeting. Since obtaining its shareholders' approval for the Diversification on 6 January 2023 up to the LPD, the Group has traded approximately RM0.52 million worth of recycled metal. The Company will continue to allocate resources and efforts towards the development of the Recycling Business by increasing its client base for both local and foreign markets and invest in human capital development. Barring any unforeseen circumstances, the Recycling Business would provide the Group with a new source of revenue which in turn should contribute positively towards the Group's earnings in the FYE 2023.

6. 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 Circular. 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 Circular.

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 7.3** of this Circular. The proceeds from the Proposed Disposal would be utilised for purposes set out in **Section 3** of this Circular, which is expected to strengthen PUB Group's existing financial position thus benefiting the PUB Group.

7. EFFECTS OF THE PROPOSED DISPOSAL

7.1 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 Shares.

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7.2 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 Merger reserves Treasury shares Accumulated losses Shareholders' equity/ NA Non-controlling interests Total equity Number of shares in issue ('000) NA per share (RM) Total borrowings	84,471 (4,618) (678) (39,815) 39,360 10 39,370 (i)82,978 0.47 16,127	(iii)84,902 (4,618) (iii)_ (iv)(40,165) 40,119 10 40,129 83,830 0.48 16,127	84,902 (4,618) - (v)(28,196) 52,088 10 52,098 83,830 0.62 (vi)9,730
Gearing (times) ⁽ⁱⁱ⁾	0.41	0.40	0.19

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 RM0.12 million pursuant to the LTIS and RM0.23 million for the 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 7.3 of this Circular.
- (vi) After accounting for the proposed repayment of borrowings of RM6.40 million.

7.3 Earnings and 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 FYE 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 2021	(15,399)
Add: - Net pro forma gain from the Proposed Disposal ⁽ⁱ⁾	11,969
Pro forma loss after tax attributable to owners of the Company for the FYE 2021	(3,430)
Total number of Shares in issue ('000)	83,830
Pro forma LPS (RM)	0.04

Note:

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

	(RM'000)
Disposal Consideration	17,500
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)
Pro forma gain from the Proposed Disposal	13.124
Less: - Estimated RPGT	(1,155)
Net pro forma gain from the Proposed Disposal	11,969

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.

8. APPROVALS REQUIRED AND CONDITIONALITY

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

- (i) the approval of shareholders at the forthcoming EGM 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 on the sale and transfer of the Subject Property from PCCC to AVKL; 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.

9. CORPORATE EXERCISE/ SCHEME ANNOUNCED BUT PENDING COMPLETION

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

10. 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.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

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.

Accordingly, the Board recommends that you vote IN FAVOUR of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

12. ESTIMATED TIME FRAME FOR COMPLETION

The tentative timetable for the Proposed Disposal is as follows:

Ever	nts	Tentative timeline
•	EGM for the Proposed Disposal	27 March 2023
•	SPA becomes unconditional	Early/ Mid-June 2023
•	Completion of the Proposed Disposal	End-June/ Early-July 2023

13. 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 ("Broadcast Venue"), 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 Monday, 27 March 2023 at 10:00 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 Disposal.

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 B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan or email to <code>admin@aldpro.com.my</code> 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.

14. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

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

KOON HOI CHUN Executive Chairman 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 ("Perusahaan/ Perindustrian")

Express condition : Industrial ("Perusahaan")

Restriction in interest : Tanah ini tidak boleh dijual, dipajak, digadai atau dipindahmilik dengan

apa cara sekalipun melainkan dengan kebenaran Pihak Berkuasa

Negeri

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⁽ⁱ⁾

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.

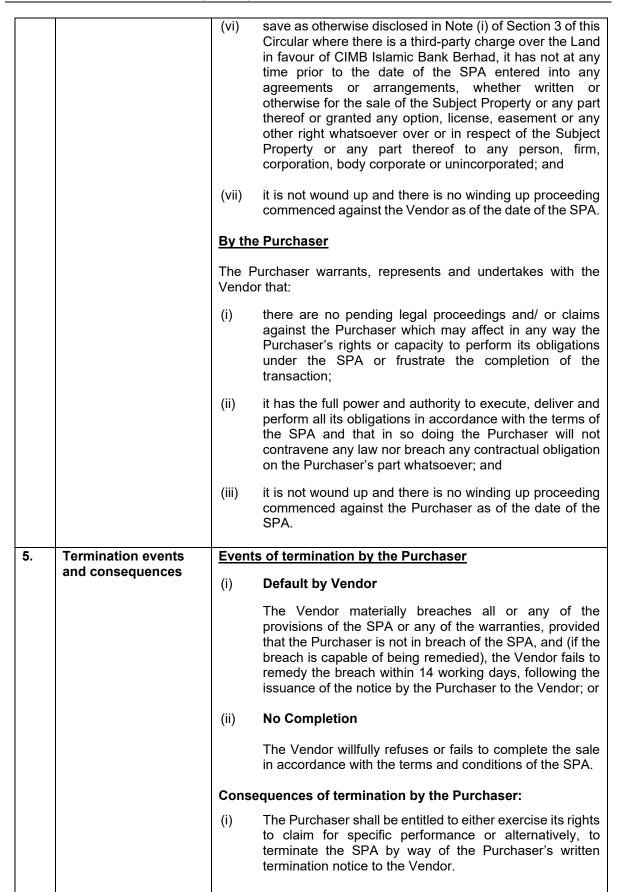
(Source: Valuation Report)

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

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

1.	Parties involved	Vendor Purchaser			
		PCCC		AVKL	
2.	Disposal	RM17,50	0,000 to be satisfied en	tirely via cash	
	consideration	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,	,	
3.	Conditions precedent	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:			
			(i) State Authority's written approval in relation to the Vendor's transfer of the Subject Property to the Purchaser;		
		ap (in ap	(ii) the 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		
		(iii) the 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 D'nonce Technology Bhd), where applicable, for the acquisition of the Subject Property from the Vendor.			
4.	Warranties,	By the V	<u>endor</u>		
	Representations and Undertakings	The Vendor warrants, represents and undertakes with the Purchaser that:			
		(i) it is the registered owner of the Subject Property;			
		(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;			
		p		red any power of attorney to any ody corporate or unincorporated Property;	
		(iv) to the best of its knowledge, there are no pending leg proceedings and/ or claims against the Vendor which m affect in any way the Vendor's title deed to or the Vendorights to perform its obligations under the SPA or frustrathe completion of the transaction;			
		(v) to the best of its knowledge, there are no rates, charge taxes or other outgoings which are in arrears ar outstanding in respect of the Subject Property as of the date of the SPA and that the Vendor shall furth indemnify the Purchaser against all liabilities in respect the outgoings payable in respect of the Subject Proper prior to the delivery of the vacant possession;			



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 (as defined in **Section 2.3** of this Circular) and all monies paid by the Purchaser to the Vendor hereunder towards the account of the Disposal Consideration free of interest ("**Full Refund**") and the Vendor shall in addition thereto pay to the Purchaser a further sum equivalent to the deposit as agreed liquidated damages ("**Liquidated Damages**") 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;

- (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 ("Relevant **Documents**") 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 ("Purchaser's Financier") (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;
- (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 full compliance of item (ii) above; and
- (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.

Events of termination by the Vendor

(i) Default by Purchaser

The Purchaser breaches all or any of the provisions of the SPA or any of the warranties and (if the breach is capable of being remedied) the defaulting party fails to remedy the breach within 14 working days, following the issuance of the notice by the Vendor to the Purchaser; or

(ii) Payment default

The Purchaser defaults the payment of the Balance Disposal Consideration payable in accordance with the terms of the SPA.

Consequences of termination by the Vendor:

- (i) The Vendor shall be entitled to terminate the SPA and upon such termination, the Vendor shall be entitled to forfeit the Deposit (as defined in **Section 2.3** of this Circular) together with any accumulated interest as agreed liquidated damages and the Vendor shall within 14 working days of the Vendor's termination of the SPA by way of the Vendor's Solicitor's written notice to the Purchaser or the Purchaser's solicitors, refund to the Purchaser free of interest all other monies already paid by the Purchaser to the date of the Vendor's termination of the SPA ("**Refund**") by depositing the Refund with the Vendor's solicitors. The Vendor's solicitors shall forthwith give a written confirmation to the Purchaser's solicitors upon receipt of the Refund;
- (ii) The Purchaser shall re-deliver or cause to be re-delivered to the Vendor possession of the Subject Property, Relevant Documents 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 or its solicitors (as the case may be) with the Vendor's interest in the Subject Property remained intact and the proof of withdrawal of all caveats lodged by the Purchaser and/ or Purchaser's Financier over the Subject Property within 14 working days upon the Purchaser or the Purchaser's solicitors receipt of the Vendor's solicitors' confirmation mentioned in item (i) above. The Vendor's solicitors shall release the Refund to the Purchaser within 14 working days upon receipt of all the Relevant Documents and possession from the Purchaser; and
- (iii) Upon the return of the Relevant Documents and possession of the Subject Property (if applicable) and payment of the Refund, the SPA shall thereafter become null and void and of no further legal effect save and except for antecedent breaches and neither party shall have any claims against the other and the Vendor shall be entitled at its absolute discretion to sell or deal with the Subject Property with any third party.

Non-registration of the transfer of the Subject Property ("Transfer")

- (i) If the Transfer cannot be registered free from encumbrances at the relevant land office/ registry without any fault on the part of either party, the Vendor and the Purchaser hereby agree that they shall take all actions to rectify the same within 14 working days of being notified in writing by the other party;
- (ii) In the event that the Transfer is not or cannot be registered due to non-rectifiable causes which are not attributable to the Parties and/ or the Purchaser's Financier, either party shall be entitled to terminate the SPA whereupon the Vendor shall deposit the Full Refund with the Vendor's solicitors within 14 working days upon the Vendor's solicitors' receipt of a written notice of termination of the SPA from the Purchaser's solicitors. The Vendor's solicitors shall forthwith give a written confirmation to the Purchaser's solicitors upon receipt of the Full Refund;
- (iii) Except for the Transfer which may be retained by the Purchaser's solicitors for the purpose of surrendering the same to the Inland Revenue Department for the refund of stamp duty, the Purchaser shall re-deliver or caused to be re-delivered to the Vendor possession of the Subject Property and all Relevant Documents 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's solicitors (as the case may be) with the Vendor's interest in the Subject Property remained intact and the proof of withdrawal of all caveats lodged by the Purchaser over the Subject Property within 14 working days period upon the Purchaser's solicitors receipt of the Vendor's solicitors' confirmation mentioned in item (i) above. The Vendor's solicitors shall release the Full Refund to the Purchaser within 14 working days upon receipt of all the Relevant Documents and possession from the Purchaser;
- (iv) In the event the Purchaser fails to comply with its obligations as set out in item (ii) above, 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 to the date of full compliance of item (ii) above; and
- (v) Upon the return of the Relevant Documents and possession and payment of the Full Refund, the SPA shall thereafter become null and void and of no further legal effect save and except for antecedent breaches and neither party shall have any claims against the other party and the Vendor shall be entitled at its absolute discretion to sell or deal with the Subject Property with any third party.

Acquisition of the Subject Property 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; (ii) In the event of the exercise of any rights or the taking of any steps under the Land Acquisition Act 1960 or other Act or Legislation by the Federal Government and/or State Government or any other authority having power in that behalf in respect of the Subject Property between the date of the SPA and the full payment of the Balance Disposal Consideration (as defined in **Section 2.3** of this Circular) to the Vendor, to carry out such acquisition or intended acquisition, the Purchaser shall be lawfully entitled by notice in writing to the Vendor either: to terminate the SPA and upon such termination, the Vendor shall refund to the Purchaser all monies paid by the Purchaser under or pursuant to the SPA free of interest and the manner of refund of money and documents/possession as provided in Clause 11 (Non-registration of the transfer of the Subject Property) of the SPA shall be applicable; or (b) to continue with and complete the SPA in accordance with the terms and conditions of the SPA provided always that the Vendor shall as as practicable notify the Government and/or State Government or such other acquiring authority of the Purchaser's interest in and to the Subject Property and of the terms and conditions of the SPA. compensation payable under such acquisition shall belong absolutely to the Purchaser provided that the Purchaser has fully performed all the Purchaser's obligations in the manner stated in the SPA and the Disposal Consideration, the late payment interest (if any) and the apportioned outgoings referred to in the SPA are fully paid by the Purchaser to the Vendor in accordance with the terms of the SPA; (iii) In the event of the exercise of any rights or the taking of any steps under the Land Acquisition Act 1960 or other Act or Legislation by the Federal Government and/or State Government or any other authority having power in that behalf in respect of the Subject Property is served with such notice of acquisition or intended acquisition at any time after completion of the Proposed Disposal, such acquisition or intended acquisition will not nullify or invalidate the SPA nor will it be a ground for termination of the SPA or any adjustment of the Disposal Consideration. 6. Governing law 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.

Laurelcap Sdn Bhd

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VALUATION CERTIFICATE

: November 11th, 2022

Our Ref No. : LC/VAL/22/012943/SS(A)-CV

PRIVATE & CONFIDENTIAL

Paragon Union Berhad Lot 14, Jalan Satu, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan

Dear Sirs.

VALUATION CERTIFICATE OF A PARCEL OF INDUSTRIAL LAND WHERE ERECTED UPON IS A SINGLE STOREY DETACHED FACTORY WITH THREE (3) STOREY OFFICE ANNEXED BEARING POSTAL ADDRESS LOT 21, JALAN 1, TAMAN CHERAS JAYA, 43200 CHERAS, SELANGOR DARUL EHSAN HELD UNDER INDIVIDUAL TITLE NO. H.S.(M) 4080, PT 7667, TEMPAT CHERAS JAYA, MUKIM CERAS, DISTRICT HULU LANGAT, NEGERI SELANGOR (HEREIN REFERRED TO AS "SUBJECT PROPERTY")

We refer to the instructions by Paragon Union Berhad ("PUB" or "Company") to advise on the current Market Value ("MV") of the abovementioned property ("Subject Property") for the purpose of submission to Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to the proposed disposal of the abovementioned property by Paragon Car Carpets & Components Sdn Bhd ("PCCC"), a wholly owned subsidiary of PUB to Attractive Venture (KL) Sdn Bhd ("AVKL").

This Valuation Certificate is prepared for inclusion in the circular to the shareholders of PUB.

The Subject Property were inspected on November 11th, 2022. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. November 11th, 2022.

The Valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards ("MVS") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia (BOVAEAP) and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the Market Value which is defined by the MVS to be "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 Valuation Certificate should be read in conjunction with the full Report (Ref No: LC/VAL/22/012943/SS) prepared by Laurelcap Sdn. Bhd. for submission to Bursa Securities which detailed the basis under which the valuation has been prepared.



RegisteredlValuers

· Property Managers · Estate Agents

· Development Consultants · Project Managers





IDENTIFICATION OF SUBJECT PROPERTY

Address:

Lot 21, Jalan 1, Taman Cheras Jaya, 43200 Cheras, Selangor Darul

Ehsan

Type of Property: A parcel of industrial land where erected upon is a single storey detached

factory with three (3) storey office annexed

Date of Inspection: November 11th, 2022

Date of Valuation: For the purpose of this valuation exercise, the material date of valuation

is the date of inspection, i.e. November 11th, 2022,

Registered Owner: The registered owner of the Subject Property is Paragon Car Carpets &

Components Sdn. Bhd.

Title Particular: Title No. H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras,

District Hulu Langat, Negeri Selangor

Tenure:

Leasehold for 99 years. Term expiring on May 14th, 2088. Leaving an

unexpired term of approximately 66 years as at the date of valuation

Category of Land Use: "Perusahaan/Perindustrian"

Express Condition: "Perusahaan".

Restriction in Interest: "Tanah ini tidak boleh dijual, dipajak, digadai atau dipindahmilik dengan apa cara sekalipun melainkan dengan kebenaran Pihak Berkuasa Negeri."

Provisional Land Area (as per title): 6,833,00 square metres (approximately 73,550.41 square feet)

*Titled Land

6,836.00 square metres (approximately 73,582.70 square feet)

Area (as per Certifled Plan bearing

*Notes

Plan bearing Reference No. PA58889):

During the course of our inspection, we have noted a difference in provisional land area amounting to some 0.044% between the title document and the certified plan.

No. PT as	Lot No. as	Land Area as	Land Area as	Difference
Per Title	Per Certified	Per Qualified	Per Certified	
Document	Plan	Title	Plan	
PT 7667	Lot 21613	6,833.00 square metres (approximately 73,550.41 square feet)	6,836.00 square metres (approximately 73,582.70 square feet)	3.00 square metres (approximately 32.29 square feet)

Nevertheless, for the purpose of this valuation certificate, we have adopted the surveyed land area as stated in the Certified Plan bearing Reference No. PA58889 as the land area of the Subject Property.



Gross Floor Area: About 3,905.09 square metres (42,034.42 square feet)

Location of the 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 (also known as Kawasan Perindustrian Cheras Jaya) and finally onto Jalan 1 (also known as Jalan CJ 1/1) to where the Subject Property is located.

Description of the Subject Property:

I- The Site

The site resembles a trapezoidal shaped parcel of land, encompassing a provisional titled land area of approximately 6,833.00 square metres (approximately 73,550.41 square feet). Nevertheless, the Certified Plan revealed that the land area is approximately 6,836.00 square metres (73,582.70 square feet), approximately 0.044% more than the area stated in the title. As such, we have adopted the surveyed land area as stated in the Certified Plan bearing Reference No. PA58889 as the land area has been physically surveyed and thus more accurate in terms of measurement. It has a direct frontage of approximately 48.88 metres (160.38 feet) onto Jalan 1 (also known as Jalan CJ 1/1), and an average depth of about 152.24 metres (499.50 feet). The physical terrain of the site is generally flat and levelled with the frontage road of Jalan 1 (also known as Jalan CJ 1/1).

The site boundaries are demarcated by brick walls fencing surmounted with metal grilles at the front boundary, whilst both sides and rear boundaries are demarcated by brick walls. There are three (3) entrances and all are secured by sliding metal gates mounted onto brick pillars. The site compound has been tarmacadamed and turfed with a portion allocated for car park bays, whilst the site boundaries are lined with covered drain.

During the course of our inspection, we have noted the Langat River traversing along the eastern boundary and located approximately 50.00 metres to the Subject Site.

Our verbal enquiries with Jabatan Pengairan and Saliran (JPS) Cawangan Hulu Langat as well as data collected from the relevant authorities revealed that Taman Cheras Jaya (also known as Kawasan Perindustrian Cheras Jaya) is not a flood prone area.

The Subject Property is perched on a land measuring some 47.00 metres to 55.00 metres above sea level, which is at the median point. Coupled with the low rain fall albeit the close proximity to the Langat River, the Subject Property area has not experienced a history of flooding.



Therefore, having taking into consideration the foregoing, we do not foresee the geographical condition and situation as having a negative impact on the value of the Subject Property moving forward.

II- The Building

The Subject Property consisting of single storey detached factory, three (3) storey office annexed, one (1) guard house and one (1) pump house attached storage water tank. The age of the building is approximately thirty-two (32) years old.

We have noted several extensions which are in breach of the local planning guidelines and Uniform Building by Laws. The first is the extension of an additional floor with a metal staircase and reinforced concrete floor, used as a storage area located at the end portion of the factory building. The second is an extension to the existing building on the eastern section of the factory, stretching all the way and beyond the boundary of the site and encroaching onto the river reserved land. Due to these breaches and the absence of proper documentation, we have disregarded these extensions and have adopted the gross floor area as stipulated in the Approved Building Plans for single storey detached factory. As such, we have not taken into consideration these areas in arriving at the Market Value of the Subject Property.

Certificate Of Fitness For Occupation ("CFO")

We have requested for the CFO as well as the Approved Building Plans for the Subject Property from the owner. The factory has been issued with the CFO vide Reference No. MDHL 6/P/6/90 dated August 14th, 1990 issued by Majlis Daerah Hulu Langat (now known as Majlis Perbandaran Kajang).

Occupancy Status:

At the date of our inspection, we noted that the Subject Property was owner occupied. The Subject Property is utilised by PUB Group for manufacturing and warehousing of car carpets and automotive components.

Planning Details:

Enquiries with the planning department of Majlis Perbandaran Kajang (MPKj) as well as extracts from the information obtained from the "Rancangan Tempatan Majlis Perbandaran Kajang Selangor 2035 (Penggantian)", revealed that the Subject Property is located within an area designated for industrial use.

METHOD OF VALUATION

In arriving at the Market Value of the Subject Property, we have adopted the Cost Approach and Income Approach by way of "Investment Method".

COST APPROACH

The Cost 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. The current replacement cost involves the construction cost, financial charges, advertising charges, professional fees, other incidental expenses and developer's profit.



Land Value

To determine the value of the land, the analysed apportion value attributed to the land is adopted using the Comparison Approach whereby it seeks to determine the value of the land by comparing and adopting recent transaction and sales evidences involving other similar properties in the vicinity as a yardstick. Where dissimilarities exist, adjustments are made.

As there is a dearth of comparable transaction of industrial lands within Taman Cheras Jaya (also known as Kawasan Perindustrian Cheras Jaya), we have adopted other industrial land transactions situated within the vicinity such as Taman Industri Balakong Jaya and Kawasan Perusahaan Ringan Balakong, all of which are situated within 2.20 kilometres to 3.00 kilometres radius from the Subject Property. We have taken into consideration that these comparables adopted are recently transacted, situated closest, similar land area, tenure, shape, zoning and terrain.

The recent transactions of vacant industrial lands within the neighbourhood which are pertinent to substantiate a value indicative for the subject are reviewed and these sales are listed as overleaf:

COMPARABLES	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	
Source	Jabatan Penilaian dan Perkhidmatan Harta Malaysia (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta Malaysia (JPPH)	Jabatan Penilaian dan Perkhidmatan Harta Malaysia (JPPH)	
Туре	Industrial land	Industrial land	Industrial land	
Description	A parcel of vacant Industrial land	A parcel of vacant Industrial land	A parcel of vacant industrial land	
Address	Lot 1645, Jalan KPB 18, Kawasan Perusahaan Ringan Balakong, Selangor Darul Ehsan	Lot 43455, Jalan Balakong, Taman Industri Balakong Jaya, Selangor Darul Ehsan	Lot 1892, Jalan KPB 11, Kawasan Perusahaan Ringan Balakong, Selangor Darul Ehsan	
Distance from Subject Property	Approximately 2.20 kilometres from the Subject Property	Approximately 3.00 kilometres from the Subject Property	Approximately 2.80 kilometres from the Subject Property	
Title Particulars	Geran Mukim 7284, Lot No. 1645, Mukim Cheras, District Ulu Langat, Negeri Selangor	Geran 118848, Lot No. 43455, Pekan Kajang, District Ulu Langat, Negeri Selangor	Geran Mukim 907, Lot No. 1892, Mukim Cheras, District Ulu Langat, Negeri Setangor	
Transaction Date	2/12/2020	15/12/2020	22/7/2021	
Vendor	Chai Soon Liam	Valiant Centre Sdn Bhd	GJM Global Sdn Bhd	
Purchaser	Yield Management Two Sdn Bhd	Muda Paper Mills Sdn Bhd	Signature Snack Sdn Bhd	
Tenure	Term in perpetuity	Term in perpetuity	Term in perpetuity	
Land Area	13,269.88 square metres (142,836.95 square feet)	10,109.91 square metres (108,823.03 square feet)	8,472.92 square metres (91,202.52 square feet)	
Type of Title (Individual / Strata)	Individual	Individual	Individual	
Consideration	RM 22,011,836.00	RM 10,882,200.00	RM 15,048,330.00	
Price per square feet ("psf")	RM 154.10 psf	RM 100.00 psf	RM 165.00 psf	
Adjustments	General adjustments are made for time and various factors inclusive of location, accessibility, tenure, size, shape and site improvement.			
Adjusted Price	RM 186.50 psf	RM 110.82 psf	RM 172.73 psf	

We have applied the Comparison Approach in deriving the industrial land value for the Cost Approach by identifying three relevant land transactions within the vicinity, and adjustment for time and various factors inclusive of location, accessibility, tenure, size, shape and site improvement.



After making adjustment for time factor to Comparables 1, 2, and 3, it is noted that land price transactions were hovering between RM 102.00 psf to RM 166.65 psf. Further adjustments were made to reflect the difference for other factors as stated above, to arrive at a final adjusted price of RM 110.82 psf to RM 186.50 psf. The total adjustments between the comparable ranges from 3.65% to 18.65%.

Taking into consideration of the differences of the Subject Property and the comparables, we have adopted Comparable 3 as the best comparable due to the following characteristics: -

- a) The Comparable 3 was transacted recently;
- b) The difference in land size is not significant i.e 10.00% adjustment; and
- Comparable 3 has the least adjustment made (i.e 3.65%) thus, most similar to the Subject Property.

From the above analysis, we have adopted a value per square feet after adjustments for time factor of RM 166.65 psf. Additional adjustments were made due to size, tenure and site improvement to reflect a differential pricing of the land. We then arrive at a total land value of RM 12,709,939.77 or RM 172.73 psf.

Building Construction Cost

In determining the value of the buildings, current estimates on construction costs to construct similar buildings are adopted. Necessary depreciations are then made due to the physical, deterioration, functional obsolescence and economical obsolescence.

We have adopted the following construction costings for the buildings:

Buildings	Construction costings	Justification		
0.00	Main Floor Area (MFA)			
Single Storey detached factory	RM 170.00/square feet	The costs are based on the industry		
Three (3) Storey Office	RM 170.00/square feet	average cost and further counter checked		
Guard House	RM 100.00/square feet	vith data extracted from JUBM & Arcadi: Handbook 2022 and BCISM Costbook		
Pump House & attached storage water tank	1 unit @ RM 150,000.00	2022, and our previous valuations of similar property		

A total depreciation rate of 32% and mainly attributed to physical obsolescence is made on the total construction cost to arrive at the building value. Physical deterioration is the wear and tear that the building or structure has suffered through the ravages of time. Establishing the rate or factor to be applied with respect to physical deterioration involves estimating the effective age and remaining useful life of the improvement. The current building age is approximately 32 years old. We have adopted a 1% adjustment per annum based on the current age of the building.

We then add both the Land Value and Building Value to arrive at a Market Value of RM 17,648,536.33. We have taken cognizance that certain portions of the property has been illegally extended and constructed onto the river reserve. As such, we envisage that the potential purchaser will factor the cost to demolish and to remove those structures in order to comply with the building and planning guidelines set out by the respective authorities. Hence, we have deducted the cost of demolishing and removal of these structures in order to arrive at the Market Value of the Subject Property.



The demolition cost was based on prevailing market rate which was prepared by Nova Impact Sdn. Bhd., Project Management Services and Construction Works with reference No. Nova/Win/Mgmt/22-11/22 dated on November 11th, 2022.

Table 1: Removal and Demolition cost by Nova Impact Sdn Bhd

ltem	Description	Amount	Duration	Remarks
1	Demolish illegal extension wall and roof cut away from site		10 days	The cost is excluding making good of the existing building
2	Hack and remove concrete floor and cut away the debris from site	RM 15,000	5 days	NEX.

After deducting the demolition cost and the cost to hack and remove the concrete floor and cut away debris of RM 70,000.00, we arrived at a Market Value of RM 17,578,536.33. Say, RM 17,500,000.00.

We have taken into consideration the following pertinent factors :-

- i. The Subject Property is leasehold and requires State Authority approval for the land to be transferred, charged, leased and etc. This is common for most leasehold properties in Malaysia, and therefore do not foresee this feature as a hindrance to this transaction. Nevertheless, we have taken this factor into consideration and made a downward adjustment against the freehold comparables in arriving at the Market Value of the Subject Property.
- ii. The existence of a Langat River nearby which is situated nearby the land does not have a big impact to the Market Value of the Subject Property, as the Subject Property is not situated in a flood prone area. Hence, we do not foresee the close proximity as having a big impact on the value of the Subject Property.
- iii. We have noted several extensions which are in breach of the local planning guidelines and Uniform Building by Laws. The first is the extension of an additional floor with a metal staircase and reinforced concrete floor, used as a storage area located at the end portion of the factory building. The second is an extension to the existing building on the eastern section of the factory, stretching all the way and beyond the boundary of the site and encroaching onto the river reserved land. Due to these breaches and the absence of proper documentation, we have disregarded these extensions and have adopted the gross floor area as stipulated in the Approved Building Plans for single storey detached factory. As such, we have not taken into consideration these areas in arriving at the Market Value of the Subject Property.
- Iv. The construction costs were extracted from the Construction Cost Handbook by JUBM & Arcadis Cost Handbook 2022 inclusive of 10% preliminaries. The cost of removal and demolition is adopted from the cost opinion letter Ref No Nova/Win/Mgmt/22-11/22 by Nova Impact Sdn Bhd dated November 11th, 2022, a demolition works contractor.

The timeframe required to complete the job is approximately ten (10) days. Due to the short period of time, we found it unnecessary to discount back the value for the period required to complete the removal and demolition works.



- v. The total depreciation rate for the building is 32%. The adopted depreciation rate is based on the average lifespan for buildings is 60 years which is approximately 1.66% per annum. However, we noted that the factory was built to last longer than the average lifespan for buildings. We are of the opinion that the factory/warehouse could last up to about 90 years which is about 1.11% per annum. We have rounded and adopted 1% per annum for the physical depreciation as the buildings seem to have minimal wear and tear.
- vi. We have taken cognizance that certain portions of the property have been illegally extended and constructed on the river reserve. Based on the draft Sale & Purchase Agreement between Paragon Car Carpets & Components Sdn Bhd (Vendor) and Attractive Venture KL (M) Sdn Bhd (Purchaser) and prepared by Messr Razak Lim & Co, the property is sold on an "as is where is basis". As such, we envisage that the potential purchaser will factor in the cost to demolish and remove those structures in order to comply with the building and planning guidelines set out by the respective authorities, and thus perfect the legality of the building. Hence, we have deducted the cost of demolishing and removal of these structures in order to arrive at the Market Value of the Subject Property.

INCOME APPROACH BY WAY OF "INVESTMENT METHOD"

In the Income Approach by way of "Investment Method", the Market Value is derived from an estimate 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 capitalized at an appropriate current market yield to arrive at its indicative market value.

Due to the dearth of asking rental prices of detached factories within Taman Cheras Jaya, we have looked into nearby industrial parks in order for us to analyse and to arrive at a meaningful valuation outcome.

Recent asking rental prices of industrial buildings within the neighbourhood which are pertinent to substantiate a value indication for the subject are reviewed and these sales are listed below.

Address	Built-Up Area	Monthly Asking Rental	Date Of Advertisement
 A single storey detached factory located along Jalan Balakong, Balakong, Selangor Darul Ehsan (Source: iProperty.com) 	46,150.00 square feet (4,287.44 square metre)	RM 80,000.00 (RM 1.73/square feet)	September 5th, 2022
A single storey detached factory with double storey office annexed, located within Bukit Angkat, Balakong, Selangor Darul Ehsan (Source: iProperty.com)	39,600.00 square feet (3,678.93 square metre)	RM 65,000.00 (RM 1.64/square feet)	October 20th, 2022
3) A single storey detached factory located within Jalan Balakong, Balakong, Selangor Darul Ehsan – (Source : iProperty.com)	43,226.00 square feet (4,015.79 square metre)	RM 79,999.00 (RM 1.85/square feet)	November 17 th , 2022

In determining at the Market Value using the Investment Method, we have made adjustments to the above asking prices of rental rates in terms of location, accessibility, size and negotiation price in order to bring the value to the same level as the Subject Property. After deducting the annual outgoings (quit rent, Majlis Assessment and Fire Insurance), we then capitalize the net annual rental to arrive at the Market Value for the Subject Property.



After making adjustments, the asking rental derived is between RM 1.51 psf to RM 1.89 psf. The total adjustments between the comparable ranges from 2.00% to -8.00%. The adjustment made is due to the difference in location (0.00%), followed by the accessibility (0.00%), size (-5.00% to 5.00%) and negotiation price (-3.00%).

In reconciling our opinion of rental rate of the detached factory, we have placed greater emphasis on Asking Rental 1 due to the following factors:-

- Asking Rental 1 is the nearest to the Subject Property;
- b) Both properties are industrial properties zoned for industrial use.

With Asking Rental 1 as the best asking rental, we have adopted the rate of RM 1.77 psf as the detached factory value in the Income Approach.

i. All Risk Yield

After conducting detailed analysis on property yields, we have noted that industrial yields derived from Real Estate Investment Trusts (REIT) averages at 6.30%, while further analysis on the surroundings yield is at an average of 4.00%. The average yield of industrial properties derived from REITs are usually higher than the market yield within the Subject area, as the assets of industrial REITs are not polarized in one area, but scattered throughout the country. This may not be a true reflection of the rate of return of a factory within the surrounding neighbourhood of the Subject Property, as the yield derived from analysis of industrial properties within the surrounding area would be more accurate, as it is specific to the type and location similar to the Subject Property. Thus, in order to achieve a more meaningful outcome, we have adopted the yield of 4.00% in the computation of the Market Value.

Annual Sinking Fund

Annual sinking fund is a fund containing money set aside or saved to pay off a debt, bond and contingencies usage. In this case, we have adopted the rate of 3.00% as an annual sinking fund after analysing the fixed deposit rate among financial institutions.

iii. Corporate Tax

We have adopted 24.00% Malaysia corporate tax in the computation of the Market Value.

iv. Vold

We have taken into consideration a 3.00% void allowance in arriving at the Market Value for the possible future vacancies, market uncertainties and rent-free periods. A lower rate is adopted as property of this scale are usually rented for a longer period of time rather than shorter terms. Most industrial property is tenanted for 3 years. One month is needed to secure tenants for every 3 years. This gives out a void of 3% for an average of every tenancy agreement.

The following are some of the pertinent factors considered in arriving at the Market Value for the Subject Property:

- i) It should be noted that the common practice for calculating rental of factories and warehouses is based on the gross floor area. The market in general does not make the distinction between Net Lettable Area (NLA) and Gross Floor Area (GFA), as all rental rates advertised and concluded are based on GFA, and is unlike other property segments. Hence, for the purpose of this valuation exercise, we have considered both the measurements for NLA and GFA of the Subject Property to be the same;
- The rental rate adopted for the Subject Property is RM 1.77 psf.;



- iii) The annual outgoing is from the annual expenditure for the quit rent, assessment and fire insurance premiums provided to us by the Company for Year 2020 to Year 2022. The total outgoings for Year 2020 to Year 2022 was between RM 47,616.45 to RM 40,948.60. It should be noted that the common practice for adopted annual outgoing subject property in Year 2022 as year valuation was carried out.
- The net annual rental is capitalized for approximately 66 years at a net yield of 4.00%, a sinking fund rate of 3.00% and a Malaysia corporate tax rate of 24.00%;
- v) We have noted several extensions which are in breach of the local planning guidelines and Uniform Building by Laws. The first is the extension of an additional floor with a metal staircase and reinforced concrete floor, used as a storage area located at the end portion of the factory building. The second is an extension to the existing building on the eastern section of the factory, stretching all the way and beyond the boundary of the site and encroaching onto the river reserved land. Due to these breaches and absence of proper documentation, we have disregarded these extensions and have adopted the gross floor area as stipulated in the Approved Building Plans for single storey detached factory. As such, we have not taken into consideration these areas in arriving at the Market Value of the Subject Property.
- vi) The cost of removal and demolition is adopted from the cost opinion letter Ref No Nova/Win/Mgmt/22-11/22 by Nova Impact Sdn Bhd dated November 11th, 2022, a demolition works contractor. The timeframe required to complete the job is approximately ten (10) days. Due to the short period of time, we found it unnecessary to discount back the value for the period required to complete the removal and demolition works.

RECONCILIATION OF VALUE

The various approaches have been applied to value the Subject Property in arriving at the Market Value. The value indication from the two (2) valuation approaches are as follows:

a) Cost Approach : RM 17,500,000.00

b) Income Approach by way of "Investment Method" : RM 17,600,000.00

From the above valuation approaches, we have concluded that the best approach in arriving at the Market Value of the Subject Property is the Cost Approach. This approach is the most suitable in this instance as it is a reflection of the brick-and-mortar value and the Subject Property is purpose built for a specific industry. In hindsight, 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 property are owner occupied and not for investment purpose. As such, the information available may skew or cause inaccuracy in deriving the Market Value of the Subject Property thus we have adopted the value derived using the Cost Approach.



Having taken into consideration all the relevant and pertinent factors, we are of the opinion that the Market Value of a leasehold interest with an unexpired term of approximately 66 years in a parcel of industrial land where erected upon is a single storey detached factory with three (3) storey office annexed bearing postal address Lot 21, Jalan 1, Taman Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan held under Individual Title No. H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, District Hulu Langat, Negeri Selangor in its existing physical condition and subject to its title being free from encumbrances, good, marketable and registerable as of November 11th, 2022 based on the TERMS OF REFERENCE as stated herein is as follows:-

Market Value :

RM 17,500,000.00

(Ringgit Malaysia : Seventeen Million Five Hundred Thousand Only)

The aboye Report and Valuation has been carried out by Sr Stanley Toh Kim Seng,

For and on behalf of Laurelcap Sdn. Bhd.

STANLEY TOH KIM SENG

BSc (Hons) Estate Management,

STANLEY TOH V-927 E-2303

MRISM, MRICS, MPEPS, MMIPFM, ICVS, MBVAM

Registered Valuer (V-927)

Note: This Valuation Certificate was peer reviewed by Sr Tan San Yew (Peer Reviewer) (V-607)

from Laureicap (HQ) Sdn. Bhd.

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The 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 this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

TA Securities, being the Principal Adviser for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in 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 Disposal.

Laurelcap, being the Valuer for the Subject Property, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Certificate and all references thereto in the form and context in which they appear in this Circular. Laurelcap has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Valuer for the Subject Property.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, there are no material litigations, claims or arbitrations involving the Subject Property and the Board confirmed that there are no proceedings pending or threatened against the Subject Property.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitments

Save as disclosed below, as at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the 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 the Group:

	RM'000
Approved and contracted for:	
Purchase of machinery	450

4.2 Contingent liabilities

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

	RM'000
Bank guarantees ⁽¹⁾	427

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.

5. 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 Puta Utara, 59200 Kuala Lumpur, Wilayah Persekutuan 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) the Company's Constitution;
- (ii) the SPA;
- (iii) the Valuation Report and the Valuation Certificate issued by the Valuer in relation to the Subject Property;
- (iv) the audited consolidated financial statements of the Company for the FYE 2020 and FYE 2021 as well as the latest unaudited financial results of the Group for the FYE 2022; and
- (v) the letters of consent and conflict of interest as referred to in Section 2 above.

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(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 ("**Broadcast Venue**"), 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 Monday, 27 March 2023 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification the following resolution as set out in this Notice.

ORDINARY RESOLUTION

PROPOSED DISPOSAL BY PARAGON CAR CARPETS & COMPONENTS SDN BHD ("PCCC"), A WHOLLY-OWNED SUBSIDIARY OF PARAGON UNION BERHAD ("PUB" OR "COMPANY") 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 ("SUBJECT PROPERTY") TO ATTRACTIVE VENTURE (KL) SDN BHD ("AVKL") FOR A CASH CONSIDERATION OF RM17,500,000 ("PROPOSED DISPOSAL")

"THAT subject to the approvals/ consents of all relevant parties and/ or authorities being obtained (where required), approval be and is hereby given to PCCC to dispose the Subject Property for a cash consideration of RM17,500,000, subject to and upon such terms and conditions as set out in the conditional sale and purchase agreement dated 5 January 2023 entered into between PCCC and AVKL for the Proposed Disposal.

THAT the proceeds arising from the Proposed Disposal be utilised for the purposes set out in Section 3 of the circular to shareholders in relation to the Proposed Disposal dated 10 March 2023, and the Board of Directors of the Company ("**Board**") be authorised with full powers to vary the manner and/ or purposes of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/ or expedient in the best interest of the Company;

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all documents and to enter into any deeds, agreements, arrangements and/ or indemnities as they may deem fit, necessary or expedient in order to carry out, finalise and give effect to the Proposed Disposal with full powers to assent to any conditions, modifications, variations and/ or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Disposal."

By Order of the Board
PARAGON UNION BERHAD

TAN TONG LANG (MAICSA 7045482) (SSM PC NO. 202208000250) **TAN LAY KHOON** (MAICSA 7077867) (SSM PC NO. 202208000544)

Kuala Lumpur 10 March 2023

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 B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, 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 20 March 2023 (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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice is to be voted by poll.



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

Number of	Shares	Held

CDS Account No.

PRO	YXC	FOI	₹М

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

I/We	(NRIC No
of	(FULL NAME IN BLOCK LETTERS)
01	(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			
Email Address			
Contact No.			

and

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

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**"), 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 Monday, 27 March 2023 at 10:00 a.m. or any adjournment thereof, and *my/our proxy is to vote as indicated below:

*My/ our *proxy/ proxies is(are) to vote as indicated below:

Resolution	Agenda	For	Against	
Ordinary Resolution	Proposed Disposal			
(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 _____ 2023

**Signature/Common Seal of Shareholder

- (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.

^{**} Manner of execution:

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.
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Please fold here to seal

The Share Registrar of PARAGON UNION BERHAD
Registration No.: 199401000779 (286457-V) c/o Aldpro Corporate Services Sdn Bhd
B-21-1, Level 21, Tower B
Northpoint Mid Valley City
No.1, Medan Syed Putra Utara
59200 Kuala Lumpur
Wilayah Persekutuan

AFFIX STAMP

Please fold here to seal