

Announcement

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS PARAGON UNION BERHAD ("PUB" OR "COMPANY") - PURCHASE OF ASSET BY PARAGON CARPET ART SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF PUB

PARAGON UNION BERHAD

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Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	PARAGON UNION BERHAD ("PUB" OR "COMPANY") - PURCHASE OF ASSET BY PARAGON CARPET ART SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF PUB

The Board of Directors of PUB (the **"Board"**) wishes to announce that Paragon Carpet Art Sdn. Bhd. (**"PCASB"** or the **"Purchaser"**), a wholly-owned subsidiary of the Company, had on 7 December 2023, entered into an Asset Purchase Agreement (**"Agreement"**) with Carpet Art Manufacturing Sdn. Bhd. (**"CAMSB"** or the **"Vendors"**) (collectively with the Purchaser, to be referred as the **"Parties"**) for the proposed acquisition of CAMSB's assets (including the rights, titles and interest in and to the Plants and Machineries, the office equipment, the inventories; the receivables; less banker's acceptance (if any) and less agreed indebtedness) (**"Assets"**) at a total consideration of RM2,500,000.00 (Ringgit Malaysia Two Million and Five Hundred Thousand) only (**"Purchase Consideration"**) (**"Proposed Acquisition"**) upon the terms and conditions set out in the Agreement.

The Vendors had subsequently agreed to sell, transfer and assign and the Purchaser had agreed to purchase and accept the sale, transfer and assignment of the Assets from the Vendors on as is where is basis, upon the terms and conditions set out in the Agreement.

Please refer to the attachment for further details on the Acquisition.

This Announcement is dated 7 December 2023.

Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
Date Announced	07 Dec 2023
Category	General Announcement for PLC
Reference Number	GA1-19102023-00041

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

ASSET PURCHASE AGREEMENT BETWEEN PARAGON CARPET ART SDN. BHD., A WHOLLY OWNED SUBSIDIARY OF THE COMPANY, WITH CARPET ART MANUFACTURING SDN. BHD.

1. INTRODUCTION

The Board of Directors of PUB (the “**Board**”) wishes to announce that Paragon Carpet Art Sdn. Bhd. (“**PCASB**” or the “**Purchaser**”), a wholly-owned subsidiary of the Company, had on 7 December 2023, entered into an Asset Purchase Agreement (“**Agreement**”) with Carpet Art Manufacturing Sdn. Bhd. (“**CAMSB**” or the “**Vendors**”) (collectively with the Purchaser, to be referred as the “**Parties**”) for the proposed acquisition of CAMSB’s assets (including the rights, titles and interest in and to the Plants and Machineries, the office equipment, the inventories; the receivables; less banker’s acceptance (if any) and less agreed indebtedness) (“**Assets**”) at a total consideration of RM2,500,000.00 (Ringgit Malaysia Two Million and Five Hundred Thousand) only (“**Purchase Consideration**”) (“**Proposed Acquisition**”) upon the terms and conditions set out in the Agreement.

The Vendors had subsequently agreed to sell, transfer and assign and the Purchaser had agreed to purchase and accept the sale, transfer and assignment of the Assets from the Vendors on as is where is basis, upon the terms and conditions set out in the Agreement.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information of Vendor

CAMSB is a private limited company incorporated in Malaysia on 21 June 1983 with its registered address at 114, Jalan SS21/35, Damansara Utama, 47400 Petaling Jaya, Selangor. CAMSB is principally involved in the manufacturing and supply of high quality handtufted and machined tufted carpets, trading in carpet and related products and general trading.

As at the date of this announcement, the issued share capital of CAMSB is RM4,000,000, comprising 4,000,000 ordinary shares.

The directors of CAMSB are Hah Fook Khean, Ban Yoke Chew and Wong Kim Yoke. The shareholders and their respective shareholdings of CAMSB are as follows:

Name	No. of shares	%
<u>Shareholders</u>		
Azizah Murni Holdings Sdn Bhd	714,000	17.85
Ban Yoke Chew	52,000	1.30
Ellsworth Holden & Ann Holden	160,000	4.00
Hah Fook Khean	233,100	5.83
Johnny Kent Johnson	60,000	1.50
Mary Tyler & Larry Tyler	32,000	0.80
Rober L. Flagler	16,000	0.40
Soh Teck Toh	165,000	4.12

Wong Kim Yoke	2,567,900	64.20
	4,000,000	100

2.2 Information of the Purchaser

PCASB is a company incorporated in Malaysia on 28 June 2023 as a private company limited by shares and having its registered office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur. As of the date of this announcement, the total issued share capital of PCASB is RM100,000.00 divided into 100,000 ordinary shares. PCASB is principally involved in manufacturing and supplying high-quality hand-tufted and machine-tufted carpets, trading and distribution of Carpets and related products and general trading.

As of the date of this announcement, the Directors of PCASB are Mr Koon Hoi Chun and Mr Wong Ee-Coln.

2.3 Salient Terms of the Agreement

2.3.1 Purchase Consideration

The Purchase Consideration for the sale, transfer and assignment of the Assets shall be an aggregate sum of Ringgit Malaysia Two Million and Five Hundred Thousand (RM2,500,000.00) Only to be fully settled by the Purchaser on or before the Completion Date in the following maner, subject to the fulfilment of the Condition Precedent as set out in item 2.3.3 of this announcement, without any set-off deduction or counterclaim.

- i. A sum equivalent to Ringgit Malaysia Two Hundred And Fifty Thousand (RM250,000-00) only to be paid by the purchaser to the vendor upon the signing of the Agreement being the deposit and part payment towards the purchase price ("deposit") ; and
- ii. The balance thereof , Ringgit Malaysia Two Million Two Hundred And Fifty Thousand (RM2,250,000-00) shall be paid by the purchaser to the vendor on or before the completion date .

Failing which the Purchaser shall be liable to pay to the Vendor late payment interest at 8% per annum commencing from the date next following the Completion Date until the full settlement thereof.

2.3.2 Adjustment to The Purchase Consideration

Upon fulfilment of the terms and conditions set out in the Agreement, the Purchase Consideration may be adjusted and be measured based on the difference between the total book value of the Receivables, Inventories less Banker's Acceptance and Agreed Indebtedness as to the Completion Accounts against the total book value of the Assets stated on 30 April 2023. The following shall apply:

- i. For a difference exceeding ten per cent (10%), the Purchase Consideration be adjusted accordingly.
- ii. For differences less than ten per cent (10%), the Purchase Consideration remains the same.

2.3.3 Condition Precedent

The Completion is subject to the following conditions precedent ("Conditions Precedent") being fulfilled within ninety (90) days from the date of the Agreement ("Conditional Period"):-

1. The Vendor shall fulfil the following Conditions Precedent:-

- i. The receipt from the Vendor by the Purchaser's Solicitors as stakeholders of the following:
 - a) Receivables Deeds of Assignment signed by the Vendor;
 - b) The executed Agreed Indebtedness Deeds of Novation and Assignment by the Vendor and the applicable Trade Creditors;
 - c) Hostel Tenancies Novation / Fresh Hostel Tenancy Agreement signed by the Vendor and/or the Hostel Landlords and the Purchaser, if required;
 - d) The Factory Tenancy Agreement signed by the Vendor.

2. The Purchaser shall fulfill the following Conditions Precedent:-

- i. The receipt by the Purchaser of :-
 - a) Business premise licence issued by the Ipoh City Council ("Business Premise Licence");
 - b) Manufacturing licence issued by the Ministry of Investment, Trade and Industry / Malaysia Investment Development Authority ("Manufacturing Licence"); and
 - c) Rubber products manufacturing licence (purchasing and storage of rubber for the purposes of manufacturing rubber products) issued by the Malaysian Rubber Board ("Rubber Manufacturing Licence");

Collectively "Licences"

- 3. The Purchaser shall at its own costs and expense within fourteen (14) days from the date of the Agreement, apply to Ipoh City Council, Ministry of Investment, Trade and Industry / Malaysia Investment Development Authority and Malaysian Rubber Board ("Authorities") for the Licences and shall forthwith notify the Vendor in writing upon receipt of notification of the approval or rejection, as the case may be, from the Authorities.
- 4. If any Condition Precedent has not been satisfied on or before 10.00 a.m. on the last day of the Conditional Period, the Parties may mutually agree in writing to extend the Conditional Period to the Extended Conditional Period.

5. If all the Conditions Precedent are not fulfilled within the Conditional Period, or the Extended Conditional Period, as the case may be, either Party shall be entitled to rescind this Agreement by a notice in writing to the other Party.
6. In the event of rescission of the Agreement, in the event that the Deposit was paid to the Vendor upon the signing of the Agreement, the Vendor shall refund the Deposit free of interest to the Purchaser within fourteen (14) Business Days from the date of receipt of the termination notice by the Vendor or the Purchaser, as the case may be, and this Agreement shall thereafter cease to have any force and effect and neither Party shall have any claim against the other and the Vendor shall be at liberty to deal with or otherwise dispose of the Assets in such manner as it shall see fit as if this Agreement had not been entered into.
7. The Agreement shall become unconditional upon the fulfilment of all the Conditions Precedent as abovementioned and such date shall hereinafter be referred to as the “Unconditional Date”.

3. BASIS AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration will be fully settled in cash. The mode of settlement of the Purchase Consideration was determined after taking into consideration the prevailing cash flow position, gearing, and working capital requirements of PUB.

The Purchase Consideration of RM2.5 million was arrived at a willing-buyer and willing-seller basis, after taking into consideration the acquired Assets of CAMSB.

3.1 Liabilities to be assumed

There are no other liabilities including contingent liabilities and guarantees to be assumed by PUB or its subsidiaries (“PUB Group”) arising from the Proposed Acquisition.

3.2 Additional financial commitment

PUB Group does not expect to incur any other additional financial commitment after the completion of the Proposed Acquisition.

4. RATIONALE AND BENEFIT OF THE PROPOSED ACQUISITION

PUB’s business consists of manufacturing and distribution of commercial carpets. This acquisition enabled PUB to extend its market and client base by acquiring the skills and expertise in designing and manufacturing custom-made and hand-tufted commercial carpets and rugs.

5. SOURCE OF FUNDING

The Purchase Consideration will be satisfied entirely by cash which will be funded by internally generated funds.

6. PROSPECTS OF PUB GROUP

As of 30 September 2023, the commercial carpets division has generated RM12.81 million of revenue. The Group foresees this new acquisition would enable the commercial carpets division to contribute positively to the Group's financial performance upon completion of the acquisition of CAMSB Assets.

7. RISK FACTOR

7.1 Completion risk

The completion of the Proposed Acquisition is conditional upon the fulfilment of the condition precedent in the Agreement. If any of the condition precedent is not met or not waived, the Agreement may be terminated and PUB will not be able to complete the Proposed Acquisition.

8. EFFECTS OF THE PROPOSED ACQUISITION

8.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisition will be satisfied via internally generated funds.

8.2 Earnings and Net Assets

The Proposed Acquisition is not expected to have a significant effect on the earnings and net assets per share of PUB Group for the financial year ending 31 December 2023. However, the acquisition is expected to contribute positively to the future earnings of PUB Group in the future.

8.3 Gearing

The Proposed Acquisition is not expected to have any material impact on the gearing of PUB as it will be funded entirely via internally generated funds.

9. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 7.19% calculated based on the audited consolidated financial statements of PUB for the financial year ended 31 December 2022.

10. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of PUB.

11. INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other corporate proposals of the Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

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

13. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed Acquisition, the Board is of the opinion that the Proposed Acquisition is in the best interest of the PUB Group.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the first quarter of 2024.

15. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the Company's registered office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 7 December 2023.