

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PROPOSED DISPOSAL BY PARAGON UNION BERHAD OF 22,750,000 SHARES, REPRESENTING 100% EQUITY INTEREST IN PARAGON CAR CARPETS & COMPONENTS SDN BHD TO OCEANCASH PACIFIC BERHAD FOR AN INDICATIVE DISPOSAL CONSIDERATION OF RM13.42 MILLION (SUBJECT TO ADJUSTMENTS) TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED DISPOSAL")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



UOB Kay Hian (M) Sdn Bhd
(formerly known as UOB Kay Hian Securities (M) Sdn Bhd)
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of Paragon Union Berhad ("**PUB**") ("**EGM**") will be held at Dewan Perdana Ballroom at the Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, off Jalan Damansara, 60000 Kuala Lumpur on Friday, 28 November 2025 at 11.00 a.m., or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed in this Circular.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the office of 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, not less than 48 hours before the time holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Wednesday, 26 November 2025 at 11.00 a.m.

Date and time of the EGM : Friday, 28 November 2025 at 11.00 a.m.

This Circular is dated 17 October 2025

DEFINITIONS

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

"Act"	:	The Companies Act 2016
"Automotive Business"	Carpet :	The business of manufacturing, wholesaling, marketing, distributing or otherwise selling car carpets and/ or automotive noise, vibration and harshness components
"Board"	:	The Board of Directors of PUB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
"Circular"	:	This circular dated 17 October 2025 in relation to the Proposed Disposal
"Commercial Business"	Carpet :	Commercial carpets manufacturing and trading operations, as well as the distribution and trading of commercial carpets
"Director(s)"	:	The director(s) of PUB and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- (i) a director of PUB, its subsidiaries or holding company; and (ii) a chief executive of PUB, its subsidiaries or holding company
"Disposal Consideration"	:	The total consideration payable by the Purchaser for the Proposed Disposal, which comprises a fixed premium of RM6.75 million in addition to the adjusted NTA of PCCCSB, as set out in the SSA
"Dividend and Capital Repayment"	:	A special dividend and capital repayment by PCCCSB to PUB, prior to the completion of the Proposed Disposal
"Divestment of Factory Land"	:	Divestment of PCCCSB's Factory Land to PUB Group, prior to the completion of the Proposed Disposal
"Divestment of Subsidiaries"	:	Divestment of PCCCSB's subsidiaries, namely PCM and PCD, to PUB Group, prior to the completion of the Proposed Disposal
"DOE"	:	Department of Environment Malaysia
"EGM"	:	The extraordinary general meeting of PUB
"EPS"/ "(LPS)"	:	Earnings/ (Loss) per share
"Excluded Assets & Payments"	:	The Divestment of Subsidiaries, Divestment of Factory Land, Dividend and Capital Repayment, and Excluded Expenditure, collectively
"Excluded Expenditure"	:	Certain expenditures relating to electrical and installation works, and building renovation incurred by PCCCSB in respect of the Factory Land, amounting to approximately RM1.15 million as at 30 June 2025, which will be written off and excluded from PCCCSB's NTA in arriving at the Disposal Consideration

DEFINITIONS

"Factory Land"	:	A piece of leasehold industrial land together with the buildings erected thereon, held under HSM 4050, PT No. 7637, Tempat Cheras Jaya, Mukim Cheras, Daerah Ulu Langat, Negeri Selangor, measuring approximately 87,124 square feet, with a total built up area of 76,963 square feet, owned by PCCCSB
"Final Disposal Consideration"	:	The adjusted disposal consideration payable upon completion of the SSA, determined based on the Final NTA of PCCCSB
"Final NTA"	:	The Proforma NTA adjusted following the Independent Valuation of the Proforma Closing Accounts prior to the completion of the SSA, and as mutually agreed between the Purchaser and PUB.
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"Independent Valuation"	:	The valuation of the Proforma Closing Accounts by an independent valuer to be appointed, prior to the completion of the SSA
"Indicative Disposal Consideration"	:	Indicative disposal consideration of RM13.42 million as at the date of the SSA
"Initial NTA"	:	The adjusted unaudited NTA of PCCCSB as at 30 June 2025 of approximately RM6.67 million, based on PCCCSB's unaudited management accounts for the 18-month FPE 30 June 2025, after reflecting the effects of the Excluded Assets & Payments
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	1 October 2025, being the latest practicable date prior to this Circular
"LTIS"	:	A long-term incentive scheme launched by the Company on 20 April 2023, whereby the maximum number of new PUB Shares to be granted or issued pursuant to the exercise of the LTIS options shall not in aggregate exceed 15% of the total issued Shares at any point in time during the duration of the LTIS
"Major Shareholder"	:	Pursuant to Paragraph 1.01 of the Listing Requirements, a person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is:- (i) 10% or more of the total number of voting shares in the Company; or (ii) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.

For the purposes 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 terms of the transaction were agreed upon, a major shareholder of the Company, or any other corporation which is its subsidiary or holding company

DEFINITIONS

"Metahub"	:	Metahub Industries Sdn Bhd (Registration No.: 200501006347 (683394-A)), a 51% owned subsidiary of PMSB
"Metahub Acquisition"	:	The Group's acquisition of 51% equity interest in Metahub on 30 December 2024
"MT"	:	Metric tonne
"NA"	:	Net assets attributable to owners of the company
"NTA"	:	Net tangible assets
"OEM"	:	Original equipment manufacturer
"OPB" or "Purchaser"	the :	Oceancash Pacific Berhad (Registration No.: 200201022973 (590636-M))
"Parties"	:	PUB and OPB, collectively
"PAT"/ "(LAT)"	:	Profit/ (Loss) after taxation
"PBT"/ "(LBT)"	:	Profit/ (Loss) before taxation
"PCCCSB"	:	Paragon Car Carpets & Components Sdn Bhd (Registration No.:198301013594 (108988-M)), a wholly-owned subsidiary of PUB
"PCD"	:	Paragon Carpet Distributor Sdn Bhd (Registration No.: 198701004154 (162824-P)), a wholly-owned subsidiary of PCM
"PCM"	:	Paragon Carpetmaker Sdn Bhd (Registration No.: 199201014510 (246013-P)), a wholly-owned subsidiary of PCCCSB
"PMSB"	:	Paragon Metal Sdn Bhd (Registration No.: 202101017573 (1417873-H)), a wholly-owned subsidiary of PUB
"PPE"	:	Property, plant and equipment
"Proforma Closing Accounts"	:	PCCCSB's proforma management accounts to be delivered by PUB to the Purchaser within 14 days from the Unconditional Date
"Proforma Disposal Consideration"	:	The adjusted disposal consideration, derived by recalculating the Indicative Disposal Consideration to take into account the difference between the Proforma NTA and the Initial NTA.
"Proforma NTA"	:	PCCCSB's proforma NTA, based on its Proforma Closing Accounts
"Proposed Disposal"	:	Proposed disposal of 22,750,000 Sale Shares in PCCCSB, representing 100% equity interest in PCCCSB for an Indicative Disposal Consideration of RM13.42 million, to be adjusted in accordance with the terms of the SSA, and to be satisfied entirely via cash
"PUB" or the "Company" or the "Vendor"	:	Paragon Union Berhad (Registration No.: 199401000779 (286457-V))
"PUB Group" or the "Group"	:	PUB and its subsidiaries

DEFINITIONS

"PUB Share(s)" "Share(s)"	or	:	Ordinary shares in PUB
"Recycling Business"	:		The business of recovery and reprocessing of metals from production waste and scrap, reprocessing of industrial wastewater, and the trading of scrap materials
"RM" and "sen"	:		Ringgit Malaysia and sen, respectively
"Sale Share(s)"	:		The 22,750,000 ordinary shares PCCCSB, representing 100% equity interest in PCCCSB
"SSA"	:		Conditional share sale agreement dated 10 September 2025 entered into between PUB and OPB in respect of the Proposed Disposal
"Unconditional Date"	:		The date the last of the conditions precedent of the SSA is waived or fulfilled
"UOBKH" or "Principal Adviser"	the	:	UOB Kay Hian (M) Sdn Bhd (formerly known as UOB Kay Hian Securities (M) Sdn Bhd) (Registration No.: 199001003423 (194990-K))
"USD"	:		United States Dollar

All references to "**you**" or "**your(s)**" in this Circular are made to our shareholders, who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting the singular shall, where applicable include the plural and vice versa and words denoting the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Disposal. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Disposal before voting at the EGM.

Key information	Description	Reference to Circular															
Details of the Proposed Disposal	The Proposed Disposal entails the disposal of the Sale Shares, representing 100.00% equity interest in PCCCSB, for an Indicative Disposal Consideration of RM13.42 million (subject to adjustments as set out in Section 2.4 of this Circular), to be satisfied entirely via cash.	Section 2															
Utilisation of proceeds	For illustration purposes, assuming the Disposal Consideration to be received from the Proposed Disposal is RM13.42 million, the proceeds raised from the Proposed Disposal is intended to be utilised in the following manner:- <table> <tr> <th colspan="3">Timeframe for utilisation from completion of the Proposed Disposal</th></tr> <tr> <th>Purpose</th><th></th><th>RM'million</th></tr> <tr> <td>General working capital</td><td>Within 12 months</td><td>11.92</td></tr> <tr> <td>Estimated expenses in relation to the Proposed Disposal</td><td>Within 3 months</td><td>1.50</td></tr> <tr> <td>Total</td><td></td><td>13.42</td></tr> </table>	Timeframe for utilisation from completion of the Proposed Disposal			Purpose		RM'million	General working capital	Within 12 months	11.92	Estimated expenses in relation to the Proposed Disposal	Within 3 months	1.50	Total		13.42	Section 3
Timeframe for utilisation from completion of the Proposed Disposal																	
Purpose		RM'million															
General working capital	Within 12 months	11.92															
Estimated expenses in relation to the Proposed Disposal	Within 3 months	1.50															
Total		13.42															
Rationale and justifications for the Proposed Disposal	The Proposed Disposal is undertaken in line with the Group's strategy to rationalise its business operations by discontinuing the loss-making Automotive Carpet Business of PCCCSB, which has negatively impacted the Group's overall financial performance in recent years. The Proposed Disposal may enable the Group to focus its resources on the Recycling Business, which has demonstrated profitability and growth potential following the Metahub Acquisition. This may strengthen the Group's earnings base and enhance shareholder value moving forward.	Section 4															
Risk factors	Pursuant to the Proposed Disposal, the Group would be exposed to the following risks:- - Non-completion risk; - Contractual risk; - Loss of contribution from PCCCSB; and - Concentration risk on the Recycling Business	Section 6															
Approvals required and inter-conditional	The Proposed Disposal is subject to the following approvals being obtained:- - The Company's shareholders at an EGM to be convened; and - Any other relevant authority and/ or party, if required. The Proposed Disposal is not conditional upon any corporate proposals undertaken or to be undertaken by the Company.	Section 9															
Board's recommendation	The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.	Section 11															



PARAGON UNION BERHAD
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

17 October 2025

Board of Directors

Koon Hoi Chun (*Executive Chairman*)
Wong Ee-Coln (*Managing Director*)
Tan Vei Teck (*Executive Director*)
Koon Hon Hoong (*Non-Independent and Non-Executive Director*)
Koh Huey Min (*Independent Non-Executive Director*)
Teo Siang Ly (*Independent Non-Executive Director*)

To: The shareholders of PUB

Dear Sir/ Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 10 September 2025, UOBKH had, on behalf of the Board, announced that PUB had on even date entered into the SSA with OPB, for the proposed disposal of the Sale Shares, representing 100% equity interest in PCCCSB for the Indicative Disposal Consideration, to be adjusted in accordance with the terms of the SSA, and to be satisfied entirely via cash.

Further details on the Proposed Disposal are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL, AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH 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 TO GIVE EFFECT TO THE PROPOSED DISPOSAL TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal of the Sale Shares to the Purchaser, for the Disposal Consideration, free from all encumbrances and together with all rights attaching to them now or hereafter attaching thereto, in accordance with the terms and conditions of the SSA. Details of the adjustment mechanism are set out in **Section 2.4** of this Circular, and the salient terms of the SSA are set out in **Appendix I** of this Circular.

For the avoidance of doubt, PCCCSB is a wholly-owned subsidiary of PUB and upon completion of the Proposed Disposal, PCCCSB will cease to be a wholly-owned subsidiary of PUB.

The Proposed Disposal is not a related party transaction. In addition, the Proposed Disposal is not a Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as the completion of the Proposed Disposal will not result in PUB Group being classified as a cash company, affected listed issuer or Practice Note 17 Issuer pursuant to Paragraphs 8.03, 8.03A and 8.04 of the Listing Requirements, respectively.

2.1 Pre-completion restructuring plan

As commercially agreed between the Parties, the Proposed Disposal shall only entail the disposal of PCCCSB to the Purchaser, whereas PCCCSB's subsidiaries and properties will be excluded pursuant to the pre-completion restructuring steps set out below. These pre-completion restructuring steps are conditions precedent under the SSA and are required to be satisfied by PUB and PCCCSB prior to the SSA becoming unconditional.

- i. **Divestment of Subsidiaries** - PUB shall acquire from PCCCSB its entire equity interest in PCM, PCCCSB's wholly-owned subsidiary, which in turn holds 100% equity interest in PCD. The investment in PCM (together with PCD) has a net book value of approximately RM8.69 million as at 30 June 2025 and is intended to be disposed to PUB for a consideration of RM15.85 million, resulting in a net increase of approximately RM6.84 million to PCCCSB's NTA. Upon completion of the Divestment of Subsidiaries, PCM and PCD (collectively referred to as "**PCM Group**") shall become wholly-owned subsidiaries of PUB.

For clarity, PCM is principally involved in the manufacturing of carpets, while PCD acts as the trading arm of PCM, undertaking sales and distribution of carpet products (including those manufactured by PCM) and third-party finished goods to external customers. PCM Group's business activity mainly comprises the Commercial Carpet Business. On a smaller scale, PCM is also involved in the manufacturing of Tier 2 automotive carpets, which involves the upstream manufacturing of semi-finished carpet rolls or base materials, that are subsequently sold to Tier 1 manufacturers for finishing. The Tier 2 automotive carpet segment accounted for approximately 17.28% of PCM Group's revenue as at the 18-month FPE 30 June 2025.

Further, PCM Group's process for manufacturing commercial carpets and the Tier 2 automotive carpets are similar and involve the same machinery. Accordingly, the Group intends to retain PCM Group's business in its entirety given that the current resources of PCM Group enables PUB Group to continue manufacturing commercial carpets and the Tier 2 automotive carpets. Please refer to **Section 4** of this Circular for further details on PUB Group's rationale and justifications for maintaining PCM and PCD within PUB Group.

- ii. **Divestment of Factory Land** - PUB shall acquire from PCCCSB the leasehold industrial land together with the buildings erected thereon, held under HSM 4050, PT No. 7637, Tempat Cheras Jaya, Mukim Cheras, Daerah Ulu Langat, Negeri Selangor, measuring approximately 87,124 square feet, with a total built up area of 76,963 square feet (i.e. the Factory Land). The Factory Land has a net book value of approximately RM25.77 million as at 30 June 2025 and is intended to be disposed to PUB for a consideration of RM26.00 million, resulting in a gain of approximately RM0.23 million. After taking into account the related revaluation surplus of approximately RM19.48 million (net of deferred tax liabilities of approximately RM1.96 million) recognised on the Factory Land based on the independent valuation carried out on 31 December 2024, the overall net effect is expected to increase PCCCSB's NTA by approximately RM0.23 million.

For clarity, the Factory Land is currently utilised as the manufacturing facility of PCCCSB for its Automotive Carpet Business and as the office premises occupied by the Group. The Parties have agreed that the Factory Land shall be retained by the Group taking into consideration that the Group intends to continue to utilise the Factory Land for its office premises, and to commence using the Factory Land as its storage facility for the Recycling Business and manufacturing facility of the Commercial Carpet Business. The location of the Factory Land is also strategic to the Group as PCM's current manufacturing facility is within close proximity to the location of the Factory Land, which provides logistical efficiencies and ease of transportation.

Notwithstanding this, as a transition period for the Purchaser to integrate its business into the operations of PCCCSB, PUB Group will temporarily lease the Factory Land to PCCCSB for a short-term period of approximately 6 months following completion of the Proposed Disposal. During this period, PCCCSB will utilise the entire production floor of the Factory Land for its operations on a temporary basis, while only the office space will be shared with PUB Group. Following this, the Purchaser is expected to relocate PCCCSB's operations and machineries to its own facilities, after which the PUB Group will assume full use of the Factory Land for its business operations.

Following the Divestment of Factory Land, the Parties have agreed that certain expenditures relating to electrical and installation works, and building renovation incurred by PCCCSB in respect of the Factory Land, amounting to approximately RM1.15 million as at 30 June 2025, will be written off and excluded from PCCCSB's NTA in arriving at the Disposal Consideration (i.e. the Excluded Expenditure). The Parties have agreed to exclude the Excluded Expenditure from PCCCSB's NTA in arriving at the Disposal Consideration given that the Excluded Expenditures are made in relation to the Factory Land, which does not form part of the Proposed Disposal. Rather, as stated above in **Section 2.1** of this Circular, the Factory Land shall continue to be in the usage of the Group after the completion of the Proposed Disposal, and as such the Parties have agreed for PUB to bear the cost of the Excluded Expenditure; and

- iii. **Dividend and Capital Repayment** - The Parties agree that, prior to the completion of the Proposed Disposal, PCCCSB will undertake a special dividend and capital repayment to PUB. The aggregate value of the Dividend and Capital Repayment is expected to be approximately RM40.50 million, reconciled as follows:-

	RM'000
Consideration for the Divestment of Factory Land	26,000
Consideration for the Divestment of Subsidiaries	15,852
	41,852
Less: Settlement of net intercompany balance owing by PCCCSB to PUB as at 30 June 2025 (via set-off)* ¹	(1,356)
	40,496

Note:-

^{*1} For clarity, the intercompany balance of approximately RM1.36 million represents net amounts owing by PCCCSB to PUB and will be settled through set-off as part of the Dividend and Capital Repayment. The actual amount to be settled may be subject to minor changes arising from normal working capital movements between PCCCSB and PUB prior to completion of the Proposed Disposal. The settlement of intercompany balances between PCCCSB and PUB is a condition precedent under the SSA.

The Divestment of Subsidiaries, Divestment of Factory Land, Dividend and Capital Repayment, and Excluded Expenditure are collectively referred to as the Excluded Assets & Payments and will be excluded from the calculation of the Disposal Consideration, as further set out in **Section 2.4** of this Circular.

Accordingly, the subject matter of the Proposed Disposal only entails the disposal of the Sale Shares in PCCCSB from PUB to the Purchaser, whereas the subsidiaries of PCCCSB (i.e. PCM and PCD) and the Factory Land are to be acquired by PUB and retained within the PUB Group as conditions precedent of the SSA.

2.2 Information of PCCCSB

PCCCSB was incorporated in Malaysia on 31 October 1983 under the Companies Act 1965 and is deemed registered under the Act as a private limited company. As at LPD, the issued share capital of PCCCSB is RM25.68 million comprising 22,750,000 ordinary shares. Further, PCCCSB does not have any convertible securities as at the LPD.

PCCCSB is principally involved in the business of manufacturing, wholesaling, marketing, distributing or otherwise selling car carpets and/ or automotive noise, vibration and harshness components (i.e. the Automotive Carpet Business).

As at the LPD, PCCCSB is a wholly-owned subsidiary of PUB and the details of the directors of PCCCSB are as follows:-

Directors	Nationality
Koon Hoi Chun	Malaysian
Wong Ee-Coln	Malaysian

As at the LPD, PCCCSB has 1 direct subsidiary and 1 indirect subsidiary, the details of which are as follows:-

Company	Date/ place of incorporation	Effective equity interest %	Share capital RM'000	Principal activities
PCM	4 August 1992/ Malaysia	100.00	10,500	Manufacturing and trading in car carpets and commercial carpets

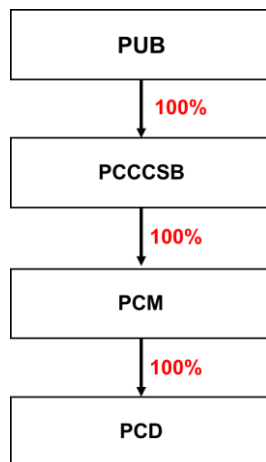
Subsidiary of PCM

PCD	21 July 1987/ Malaysia	100.00	6,050	Distribution and trading of commercial carpets
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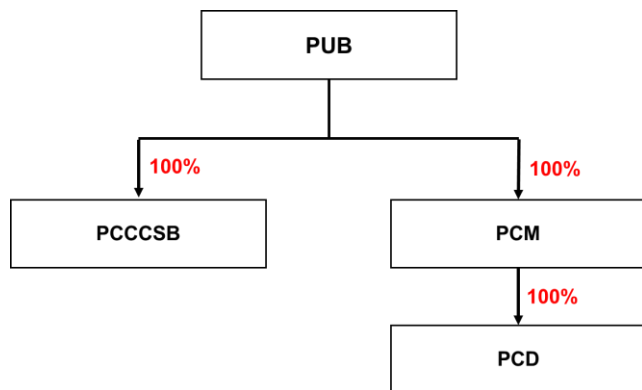
As set out in **Section 2.1** of this Circular, the Proposed Disposal only entails the disposal of PCCCSB to the Purchaser, whereas PCM, PCD and the Factory Land are intended to be acquired and retained by PUB as conditions precedent under the SSA. Given the above, the Purchaser will acquire PCCCSB's Automotive Carpet Business, while PUB will retain the commercial carpets manufacturing and trading operations, as well as the distribution and trading of commercial carpets, which are undertaken by PCM and PCD (i.e. the Commercial Carpet Business).

For illustrative purposes, the shareholding structure of PCCCSB as at the LPD, after the Divestment of Subsidiaries, and upon completion of the Proposed Disposal are as follows:-

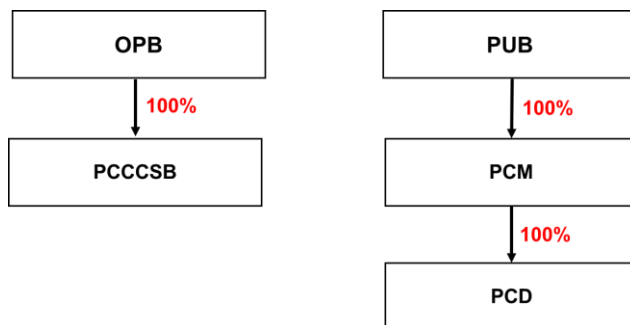
1. As at the LPD



2. After the Divestment of Subsidiaries and prior to the completion of the Proposed Disposal



3. Upon completion of the Proposed Disposal



Please refer to **Appendix II** of this Circular for further details on PCCCSB.

2.3 Information on the Purchaser

OPB was incorporated in Malaysia on 26 August 2002 under the Companies Act 1965 as a private company limited by shares, and is deemed registered under the Act. On 27 November 2002, OPB was converted to a public company and was subsequently listed on the MESDAQ Market (now known as the ACE Market) of Bursa Securities on 20 July 2004. Further, OPB transferred its listing status from the ACE Market of Bursa Securities to the Main Market of Bursa Securities on 26 October 2018. As at the LPD, the issued share capital of OPB is RM37.00 million comprising 260,800,000 issued shares.

OPB is principally engaged in investment holding and the provision of management services. Through its subsidiaries, OPB is also engaged in the manufacturing and trading of non-woven products. Additionally, OPB manufactures and distributes resinated felts for heat and sound insulation.

As at the LPD, the details of the directors of OPB are as follows:-

Director	Designation	Nationality
Tan Siew Chin	Executive Chairman	Malaysian
Tan Wey Chien	Executive Director and Group Chief Executive Officer	Malaysian
Tan Wey Chung	Executive Director	Malaysian
Ngiam Kee Tong	Senior Independent Non-Executive Director	Malaysian
Fong Wai Leong	Independent Non-Executive Director	Malaysian
Tan Pey Jean	Non-Independent Non-Executive Director	Malaysian

As at the LPD, the substantial shareholders of OPB are as follows:-

Shareholder	No. of shares	%
Tan Siew Chin	111,080,000	42.59
Chen Lee Chew	38,643,374	14.82

2.4 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration was agreed upon on a willing-buyer willing-seller basis and refers collectively to the total consideration payable by the Purchaser for the Proposed Disposal, which comprises a fixed premium of RM6.75 million in addition to the adjusted NTA of PCCCSB, to be determined in three stages, as set out below.

Step 1: Indicative Disposal Consideration

The Indicative Disposal Consideration of RM13.42 million as at the date of the SSA is calculated as follows:-

$$\text{Indicative Disposal Consideration} = \text{RM6.75 million} + \text{Initial NTA}$$

The Initial NTA refers to the adjusted unaudited NTA of PCCCSB as at 30 June 2025 of approximately RM6.67 million, based on PCCCSB's unaudited management accounts for the 18-month FPE 30 June 2025, after reflecting the effects of the Excluded Assets & Payments. The reconciliation is set out as follows:-

	RM'000
Unaudited NTA of PCCCSB as at 30 June 2025	41,243
Add: Net effect from Divestment of Factory Land	227
Add: Net effect from Divestment of Subsidiaries	6,844
(Less): Effect of write-off of Excluded Expenditure	(1,149)
(Less): Effect of Dividend and Capital Repayment	(40,495)
Initial NTA	6,670

For clarity, the adjustment for Excluded Expenditure shown above represents expenditure that has already been incurred as at the LPD. The other adjustments (i.e. Divestment of Factory Land, Divestment of Subsidiaries, and Dividend and Capital Repayment) will be effected prior to the completion of the Proposed Disposal, in accordance with the pre-completion restructuring plan as set out in **Section 2.1** of this Circular.

Step 2: Proforma Disposal Consideration

The Parties have agreed vide the SSA that the Indicative Disposal Consideration will be adjusted based on PCCCSB's Proforma NTA, as set out in its Proforma Closing Accounts to be delivered by PUB to the Purchaser within 14 days from the Unconditional Date, pursuant to the terms of the SSA.

The Proforma Disposal Consideration shall be derived as follows:-

$$\text{Proforma Disposal Consideration} = \text{Indicative Consideration} + (\text{Proforma NTA} - \text{Initial NTA})$$

Step 3: Final Disposal Consideration

The Parties have agreed that the Final Disposal Consideration will be based on the Final NTA of PCCCSB, being the Proforma NTA adjusted following the valuation of the Proforma Closing Accounts by an Independent Valuer prior to the completion of the SSA, and as mutually agreed between the Purchaser and PUB.

The Final Disposal Consideration shall be derived as follows:-

$$\text{Final Disposal Consideration} = \text{Proforma Disposal Consideration} + (\text{Final NTA} - \text{Proforma NTA})$$

The rationale for determining the Disposal Consideration in three stages is to reflect the changes to the NTA of PCCCSB throughout the relevant periods, namely (i) as at 30 June 2025; (ii) the Unconditional Date; and (iii) prior to completion of the SSA. The Parties also intend to ensure that the appropriate adjustments are made pursuant to the Excluded Assets & Payments, which will be undertaken prior to the completion of the Proposed Disposal.

Premised on the above and the rationale and justifications of the Proposed Disposal as set out in **Section 3** of this Circular, the Board is of the view that the Disposal Consideration is reasonable.

For the avoidance of doubt, the Disposal Consideration shall be settled by the Purchaser in tranches, with the detailed mode of settlement set out in **Section 2.5** of this Circular.

The fixed premium of RM6.75 million was determined on a commercially negotiated, willing-buyer willing-seller basis between the Parties, and the Board opines that it is justifiable premised on the following:-

- i. the fixed premium of RM6.75 million combined with PCCCSB's Initial NTA of RM6.67 million forms the Indicative Disposal Consideration of RM13.42 million, which represents approximately 101.20% of PCCCSB's adjusted Initial NTA of RM6.67 million;
- ii. the rationale and justifications for the Proposed Disposal, wherein the Group intends to focus on the growth of its Recycling Business moving forward, as further elaborated in **Section 4** of this Circular; and
- iii. the fixed premium of RM6.75 million enables the Group to raise additional funds from the Proposed Disposal in addition to the NA value of PCCCSB, which will be deployed towards the working capital requirements of the Group in order to provide the Group with increased cash flow flexibility for its business.

2.5 Mode of settlement

Pursuant to the terms and conditions of the SSA, the Disposal Consideration will be satisfied by the Purchaser in the following manner:-

Payment terms	Timing	RM'000	%
"Deposit" ^{*1}	- RM500,000 paid prior to signing of the SSA - RM1,000,000 paid upon signing of the SSA	1,500	11.18
"Conditional Tranche Balance Price" ^{*2}	Payable within 5 market days upon PUB and OPB obtaining their respective shareholders' approval for the Proposed Disposal, whichever is later	8,000	59.61
"First Tranche Balance Price" ^{*3}	Payable within 5 market days from receipt of the Proforma Closing Accounts	1,236	9.21
"Second Tranche Balance Price" ^{*4}	Payable within 5 market days from completion of the Independent Valuation and mutual agreement of the Final NTA between the Parties	2,684	20.00
Total		13,420	100.00

Notes:-

^{*1} Comprising a commitment fee of RM500,000 paid by the Purchaser on 14 April 2025 and a further RM1,000,000 upon signing of the SSA, both held by PUB's solicitors as stakeholder.

^{*2} A conditional tranche of RM8,000,000 is payable to PUB's solicitors, as stakeholder, within 5 market days upon PUB and OPB obtaining their respective shareholders' approval for the Proposed Disposal, whichever is later. The Conditional Tranche Balance Price is only payable in the event the consent or approval in writing from Malayan Banking Berhad ("**Maybank**") for the discharge of the existing land charge over the Factory Land is not obtained by the abovementioned period, pursuant to the terms of the SSA.

^{*3} Equivalent to 80% of the Proforma Disposal Consideration, less the Deposit and, if applicable, the Conditional Tranche Balance Price. Purely for illustrative purposes, assuming the Proforma NTA is equivalent to the Initial NTA, and assuming the payment of the Conditional Tranche Balance Price, the First Tranche Balance Price is calculated as follows:-

First Tranche Balance Price	=	(80% × Proforma Disposal Consideration)	-	Deposit	-	Conditional Tranche Balance Price
	=	(80% × RM13.42 million)	-	RM1.50 million	-	RM8.00 million
	=	RM1.24 million				

For the avoidance of doubt, the actual First Tranche Balance Price may differ from the above illustration and shall be determined based on the Proforma NTA as set out in **Section 2.4** of this Circular.

*4

Represents the remaining balance of the Final Disposal Consideration, after taking into consideration the difference in the Final NTA and Proforma NTA. Purely for illustrative purposes, assuming the Final NTA is equivalent to the Proforma NTA, and assuming the payment of the Conditional Tranche Balance Price, the Second Tranche Balance Price is calculated as follows-

Second Tranche Balance Price	=	Final Disposal Consideration	-	First Tranche Balance Price	-	Deposit	-	Conditional Tranche Balance Price
	=	RM13.42 million	-	RM1.24 million	-	RM1.50 million	-	RM8.00 million
	=	RM2.68 million						

This amount is subject to final adjustments based on the difference between the Final NTA and the Proforma NTA, as mutually agreed between the Purchaser and PUB pursuant to the Independent Valuation. If this adjustment results in the Second Tranche Balance Price being a negative balance, PUB shall refund the excess to the Purchaser within 5 market days from the date of completion of the Independent Valuation and agreement by the Parties on the Final NTA.

For clarity, the table above illustrates the mode of settlement of the Disposal Consideration of approximately RM13.42 million and assuming there are no changes in the NTA of PCCCSB from the Initial NTA, as compared to the Proforma NTA and Final NTA, and that there will be payment of the Conditional Tranche Balance Price. The actual First Tranche Balance Price and Second Tranche Balance Price may differ from the above illustration and will be determined based on the Proforma Disposal Consideration and the Final Disposal Consideration, respectively, pursuant to the terms of the SSA.

2.6 Estimated gain arising from the Proposed Disposal

For the purpose of illustrating the financial effects of the Proposed Disposal, the estimated gain or loss is calculated with reference to the Indicative Disposal Consideration of RM13.42 million, derived from the Initial NTA of PCCCSB of RM6.67 million, as set out in **Section 2.4** of this Circular. The Initial NTA is derived from PCCCSB's unaudited financial statements for the 18-month FPE 30 June 2025, after reflecting adjustments for the Excluded Assets & Payments.

Based on this, the Proposed Disposal is expected to result in an estimated gain of approximately RM5.25 million to PUB, as set out below:-

	RM'million
Indicative Disposal Consideration	13.42
(Less): Estimated expenses for the Proposed Disposal	(1.50)
Net Indicative Disposal Consideration	11.92
(Less): Initial NTA of PCCCSB	(6.67)
Total estimated gain upon completion of the Proposed Disposal	5.25

The above illustration is illustrative assuming there are no adjustments in the NTA of PCCCSB from the Initial NTA, as compared to the Proforma NTA and Final NTA.

Notwithstanding the foregoing, the actual gain or loss from the Proposed Disposal will only be determined upon completion and will depend on, amongst others, the Final NTA of PCCCSB as at completion of the Proposed Disposal, actual expenses incurred, actual taxes paid in relation to the Proposed Disposal, and any further adjustments.

2.7 Liabilities to remain with PUB

Save for the obligations and liabilities pursuant to the SSA, as set out in **Appendix I** of this Circular, there are no other liabilities in respect of PCCCSB, including contingent liabilities and/ or guarantees, which will remain with PUB after the completion of the Proposed Disposal.

For the avoidance of doubt, PUB has not provided any guarantees in favour of the Purchaser in relation to PCCCSB that will remain outstanding after the completion of the Proposed Disposal.

2.8 Original date and cost of investment in PCCCSB

PUB's original date and cost of investment in PCCCSB to date is as follows:-

Date of investment	No. of shares	Cost of investment RM
8 August 1994	3,750,000	11,297,231
7 July 2022	19,000,000	19,000,000

3. UTILISATION OF PROCEEDS

For illustration purposes, assuming the Disposal Consideration to be received from the Proposed Disposal is RM13.42 million, the proceeds raised from the Proposed Disposal is intended to be utilised in the following manner:-

Purpose	Timeframe for utilisation from completion of the Proposed Disposal	RM'million
General working capital ^{*1}	Within 12 months	11.92
Estimated expenses in relation to the Proposed Disposal ^{*2}	Within 3 months	1.50
Total		13.42

Notes:-

^{*1} The Group has indicatively earmarked RM11.92 million of the proceeds raised from the Proposed Disposal to finance its working capital requirements. The proceeds are anticipated to be primarily utilised for the working capital requirements of the Group's Recycling Business, which comprises the recovery and reprocessing of metals from production waste and scrap, reprocessing of industrial wastewater, and the trading of scrap materials, undertaken through PUB's wholly-owned subsidiary PMSB and 51%-owned indirect subsidiary Metahub. The proceeds are also intended to be utilised for the working capital requirements of the Group's Commercial Carpet Business, as well as to support the Group's day-to-day administrative expenses.

Recycling Business

The funds allocated to the working capital requirements of the Recycling Business are anticipated to be utilised primarily for scrap procurement and supplier payments. Following the Metahub Acquisition on 30 December 2024, the Group has been gradually expanding the capacity of its Recycling Business through increasing reprocessing capacity and volume of scrap material trading.

For information purposes, on August 2024, Metahub had obtained approval from the DOE to increase its reprocessing and wastewater treatment capacity from 200 MT per month to 2,500 MT per month. Further, in January 2025, Metahub completed the construction of its copper reprocessing plant, which enables Metahub to operate with a copper reprocessing capacity of 1,000 MT per month.

In line with the above, the Group has been gradually expanding the operations of its Recycling Business through increasing reprocessing volume and expanding its customer base. For clarity, prior to the completion of the Metahub Acquisition, the Group did not undertake any recycling operations, wherein PMSB was only involved in the trading of scrap materials. The Group had only commenced recycling and reprocessing activities through Metahub following its acquisition on 30 December 2024, wherein thereafter the Group had begun gradually scaling up its operational capacity. The table below sets out the average monthly operating recycling quantities of the Group as at the end of each quarter, prior to and following the Metahub Acquisition:-

	Metahub Acquisition completed in December			
	End-4Q24 MT/ month	End-1Q25 MT/ month	End-2Q25 MT/ month	End-3Q25 MT/ month
Wastewater	-	126.85	252.52	531.57
Aluminium	-	50.28	94.40	183.93
Copper	-	393.03	764.46	863.23

As shown above, the Group's operating quantities increased across all product categories, particularly from the first quarter of 2025 onwards, following the commissioning of the copper reprocessing facility and the progressive ramp-up of its enhanced wastewater treatment capacity.

Additionally, the Group has been progressively increasing the volume of its trading of residual scrap waste, whereby Metahub trades excess scrap waste which cannot be recycled or reprocessed. Such scrap waste includes aluminium ingots, aluminium pallets, carbons blocks and carbon powder, etc.

With the anticipated growth of the Group's Recycling Business as detailed in **Section 4** of this Circular, the Group intends to further upscale its Recycling Business through the increase of reprocessing and trading activity. Accordingly, the Board intends to allocate funds towards the working capital requirements of the Recycling Business in order to ensure that the Group has sufficient cash to cater for the higher processing and trading activity of its Recycling Business.

Commercial Carpet Business

The Board has allocated part of the proceeds raised from the Proposed Disposal to its Commercial Carpet Business, which will be allocated to support the purchase of raw materials and operating expenses of the Commercial Carpet Business. For clarity, the Group's Commercial Carpet Business is undertaken by PCM, PCD and Paragon Carpet Art Sdn Bhd ("**PCASB**"), a wholly-owned subsidiary of the Company.

PCM and PCD are principally involved in the manufacturing of machine-made commercial carpets using tufting machines and Axminster machines (which are specialised weaving machines used to produce patterned carpets with multiple-coloured yarns), while PCASB produces hand-tufted carpets that are custom-made for commercial and specialised projects. The combination of these product lines enables the Group to cater to a wider and more diversified customer base and to target higher-margin segments within the commercial carpet market.

In June 2024, the Group had expanded the capacity and product range of its Commercial Carpet Business through the acquisition of the hand-tufted carpet business and assets of Carpet Art Manufacturing Sdn Bhd ("**CAMSB**"), which included plant and machinery, office equipment and inventories to be used for the Group's Commercial Carpet Business. For information, hand-tufted carpets are custom-made, higher-margin products that broaden the Group's customer base and enhance its overall product mix.

Additionally, in January 2025, PCASB had purchased a robotic tufting machine used for the production of tufted carpets, which further expanded the production capacity and operational efficiency of the Commercial Carpet Business. The robotic tufting machine enables automated and precise carpet tufting and increases annual production capacity by approximately 19,375 square feet (based on a 10-hour production shift) per unit. The Group currently operates three tufting machines, including two Axminster machines and one robotic tufting machine, and had placed an order for another robotic tufting machine in September 2025, which is pending delivery.

Accordingly, the table below summarises the annual production capacity and utilisation rate of the Commercial Carpet Business before and after the acquisition of the assets and the installation of the robotic tufting machine:-

	Before acquisition May 2024	After acquisition of assets from CAMSB June 2024	After acquisition of robotic tufting machine January 2025
Annual production capacity (square feet) ^{*1}	3,700,193	3,790,610	3,809,985
Utilisation rate (%)	75.64	77.37	77.37

Note:-

^{*1} Annual production capacity refers to the maximum number of carpets that can be produced in a year, expressed in square feet. For clarity, the production capacity is shared between the Group's Commercial Carpet Business and Tier 2 automotive carpet business, as both segments utilise interchangeable machinery and the same production lines. Nevertheless, the production capacity is primarily allocated to the Commercial Carpet Business, which accounted for approximately 82.72% of PCM Group's revenue as at the 18-month FPE 30 June 2025.

The expanded capacity also enables the Group to undertake a larger volume of orders, which may require higher working capital expenditure. Accordingly, the Group has allocated a portion of the proceeds raised from the Proposed Disposal to fund the additional working capital that may be required for the Commercial Carpet Business, in order to facilitate the procurement of raw materials and support higher sales volumes, which is expected to enhance revenue contribution and profitability of the Commercial Carpet Business.

Summary

The breakdown of the proceeds allocated to the Group's working capital requirements has not been determined at this juncture and will be dependent on the operating and funding requirements of the Group at the time of utilisation. Notwithstanding this and on a best estimate basis, the indicative percentage allocation of the proceeds to be utilised for each component of the working capital are as follows:-

	Indicative percentage allocation %
Working capital requirements	
Recycling Business (e.g. scrap procurement, processing costs, supplier payments)	40.00
Commercial Carpet Business (e.g. purchase of yarn, backing materials, adhesives, other supplier payments)	10.00
Administrative expenses (e.g. staff costs, office expenses)	35.00
Overhead expenses (e.g. factory upkeep, maintenance of recycling facilities)	10.00
Utilities, transportation and logistics costs and other miscellaneous items	5.00
Total	100.00

^{*2} The proceeds earmarked for estimated expenses in relation to the Proposed Disposal will be utilised as set out below:-

	RM'000
Professional fees (including advisory, solicitor and consultancy fees)	190
Regulatory fees	15
Capital gains tax ^(a)	260
Stamp duty ^(b)	1,000
Other incidental expenses in relation to the Proposed Disposal	35
Total	1,500

Notes:-

^(a) Being capital gains tax estimated at RM0.26 million pursuant to the Proposed Disposal.

^(b) Stamp duty estimated at RM1.00 million, being the duty chargeable on the transfer of the Factory Land pursuant to the Divestment of Factory Land.

Any shortfall or excess in funds allocated for estimated expenses will be funded from the proceeds allocated to the Group's working capital requirements.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DISPOSAL

The Proposed Disposal is undertaken in line with the Group's business strategy to rationalise its business operations by discontinuing the loss-making Automotive Carpet Business of PCCCSB and to focus on the growth of its Recycling Business. The Board has taken cognisance that PCCCSB has been recording losses in recent FYEs, which has negatively impacted the overall financial performance of the Group and has gradually eroded shareholder value. Accordingly, the Group intends to monetise PCCCSB in order to focus on the Recycling Business, which has been profitable for the 18-month FPE 30 June 2025.

Loss-making position of PCCCSB

Since the FYE 31 December 2021 up to the 18-month FPE 30 June 2025, PCCCSB has recorded continued losses from its Automotive Carpet Business, as shown below:-

	<-----Audited FYE 31 December----->			Unaudited 18-month
	2021	2022	2023	FPE 30 June 2025
	RM'000	RM'000	RM'000	RM'000
Revenue	33,994	50,810	47,550	70,389
LAT (after excluding other income and non-recurring items)	(8,224)	(2,100)	(4,082)	(3,070)

The loss-making position of PCCCSB is primarily attributable to the following:-

- i. **Increase in raw material cost** – The prices for raw materials required for PCCCSB's Automotive Carpet Business have been subject to increase in recent years, mainly driven by the volatility and increase in global material prices as well as higher logistics expenses. As a result, PCCCSB's cost of purchasing these raw materials had increased, resulting in an increase in its manufacturing cost, which PCCCSB was not able to fully pass on to its end customers. Accordingly, this resulted in the deterioration to PCCCSB's margins, resulting in losses. For clarity, PCCCSB's business is largely carried out through long term contracts, wherein the selling prices are fixed upfront and are not varied irrespective of the fluctuations in raw material prices. This, coupled with the increased competition amongst automotive carpet suppliers, reduces PCCCSB's ability to renegotiate its prices, as doing so would result in PCCCSB becoming less competitive; and
- ii. **Increased competition in the automotive carpets business** – the automotive car carpets business in Malaysia is largely competitive, comprising global and regional companies alongside local competitors. Given the increase in competition in this sector, PCCCSB would be required to reduce its selling prices in order to remain competitive in this sector. However, the increased competition coupled with an increase in raw material cost, had disadvantaged PCCCSB against its competitors, and hindered PCCCSB's ability to achieve economies of scale, thereby reducing PCCCSB's margins.

Expansion of the Recycling Business

Conversely, the Group intends to focus on the expansion of its Recycling Business, as the Group's long term plan in order to improve financial performance and increase PUB's shareholder value.

PUB Group had diversified into the Recycling Business in 2023 through PMSB, which is principally involved in the business of trading recycled products. PMSB's operations involve the procurement of metal scrap materials, outsourcing sorting and treatment to third parties, and subsequently selling the semi-finished materials to local smelter plants. In order to further strengthen the Recycling Business, the PUB Group completed the Metahub Acquisition on 30 December 2024. For information purposes, Metahub is principally involved in the recovery and reprocessing of precious metals and the treatment of wastewater from industrial waste.

Through the Metahub Acquisition, the PUB Group expanded its Recycling Business operations to include upstream activities in the recycling value chain. Following this, Metahub and PMSB functions synergistically whereby Metahub facilitates the sorting and reprocessing of metal in-house for PMSB to subsequently trade, rather than outsourcing the sorting and reprocessing process to third parties. Through this, the Group was able to improve its operational efficiencies and gross margins of its Recycling Business, in order to improve overall financial performance.

As such, since the completion of the Metahub Acquisition on 30 December 2024, Metahub has demonstrated positive earnings contribution, recording a turnaround to profitability for the 18-month FPE 30 June 2025, as set out below:-

	<-----Audited FYE 31 December----->			Unaudited 18-month
	2021	2022	2023	FPE 30 June 2025
	RM'000	RM'000	RM'000	RM'000
Revenue	14,217	14,572	9,195	44,541
PAT/ (LAT) (after excluding other income and non-recurring items)	(782)	(550)	(2,282)	3,407

Taking cognisance of Metahub's turnaround to profitability in the 18-month FPE 30 June 2025 as shown above, the Group intends to focus its resources primarily on Metahub and its Recycling Business, in order to improve the Group's overall financial performance moving forward. Conversely, the Group intends to monetise PCCCSB, which has been loss-making in recent FYEs and continues to erode shareholder value.

Further, Metahub had in August 2024 obtained the Department of Environment's approval to increase its wastewater treatment capacity from 200 MT per month to 2,500 MT per month. In January 2025, Metahub had also completed the construction of its copper reprocessing plant, which has a reprocessing capacity of 1,000 MT per month. With the increased reprocessing capacity, the Group has gradually increased the volume of its reprocessing activities and expanded its customer base, in order to grow the operations of its Recycling Business and to improve the overall financial performance of the Group.

Through the Proposed Disposal, the Group will raise proceeds of approximately RM13.42 million (illustrative based on the Initial NTA), which are intended to be channelled towards the working capital requirements of the Group, in particular the Recycling Business. As the Group expands the operations of its Recycling Business, the additional funds allocated towards working capital requirements may better position the Group to undertake the increased reprocessing and trading volume, and expanded customer base of the Recycling Business.

Commercial Carpet Business

The Group intends to retain and expand its Commercial Carpet Business, notwithstanding the current loss-making position of this segment. The financial performance of PCM and PCD since the FYE 31 December 2021 up to the 18-month FPE 30 June 2025 is set out as follows:-

	<-----Audited FYE 31 December----->			Unaudited 18-month
	2021	2022	2023	FPE 30 June 2025
	RM'000	RM'000	RM'000	RM'000
<u>PCM</u>				
Revenue	8,121	9,391	5,699	7,440
PAT/ (LAT) (after excluding other income and non-recurring items)	(3,661)	(4,123)	(3,291)	(3,505)
<u>PCD</u>				
Revenue	6,361	9,549	11,154	17,994
PAT/ (LAT) (after excluding other income and non-recurring items)	(2,083)	(319)	53	(1,327)

As shown above, PCM and PCD have recorded losses over recent FYEs/ FPE. These losses are primarily attributable to rising raw material costs, lower capacity utilisation, and the time required for the newly acquired production assets to reach optimal operational efficiency. Nevertheless, the Group has taken steps to improve its cost structure and production capacity.

For information purposes, PCM and PCD are principally involved in the manufacturing of machine-made commercial carpets using tufting and Axminster machines (which are specialised weaving machines that produce patterned carpets using multiple coloured yarns), while PCASB produces hand-tufted carpets that are custom-made for commercial and specialised projects. The combination of these product lines enables the Group to serve a broader and more diversified customer base and target higher-margin market segments.

In contrast to PCCCSB's Tier 1 Automotive Carpet Business, which manufactures fully-assembled carpets supplied directly to OEMs and is subject to competitive pricing and raw-material pressures, PCM's Tier 2 automotive operations are limited to the manufacturing of semi-finished carpet rolls and base materials supplied to Tier 1 manufacturers. Given its smaller production scale and flexibility in fulfilling orders for multiple Tier 1 customers, PCM is able to better adjust its selling prices in response to fluctuations in raw material costs, and is less exposed to the pricing rigidity associated with Tier 1 supply contracts.

Further, as set out in **Section 3** of this Circular, the Group has undertaken several initiatives to expand the capacity of the Commercial Carpet Business and to improve margins:-

- i. The acquisition of the hand-tufted carpet business from CAMSB in June 2024, which introduced higher-margin, customised products and broadened the Group's customer base and product offerings; and
- ii. The purchase of a robotic tufting machine in January 2025, which automates tufting, increases output and consistency, and enhances production efficiency, and expanded operational capacity, thereby enabling the Group to improve economies of scale, which in turn is expected to improve margins. Further, a second robotic tufting machine has been ordered and is pending delivery, which is expected to further expand capacity.

These initiatives are expected to improve productivity, broaden product offerings and strengthen overall margins. With the expanded capacity, improved economies of scale and ongoing cost-control measures, the Board expects the financial performance of the Commercial Carpet Business to improve moving forward. As the Group pivots towards the Recycling Business moving forward, the Board also opines that the Commercial Carpet Business has the potential to be an additional income stream to support the overall financial performance of the Group.

Taking cognisance of the above and the outlook of the recycling and metal recycling industry as set out in **Sections 5.2 and 5.3** of this Circular, the Board is cautiously optimistic of the prospects of its Recycling Business, which is expected to be the key driver of the Group's long-term growth. The Board opines that by monetising PCCCSB and focusing on the expansion of the Recycling Business, the Group may reallocate its resources from the loss-making business of PCCCSB, in order to expand and enhance the operations of its profitable Recycling Business. Accordingly, the Board is of the opinion that the monetisation of PCCCSB, coupled with the retention of the Commercial Carpet Business, represents an appropriate business strategy for the Group to undertake in order to improve its financial performance moving forward.

5. INDUSTRY OVERVIEW AND OUTLOOK

5.1 Overview and outlook of the Malaysian economy

In 2025, the economy is expected to grow between 4% and 4.8%, underpinned by firm domestic demand. From the demand perspective, private consumption is anticipated to remain resilient, supported by higher disposable income, favourable labour market conditions, targeted assistance programmes and vibrant tourism activities. Investment momentum will be sustained by the realisation of multi-year projects and strong inflows into high-growth segments such as semiconductors and data centres. From a supply perspective, the services and manufacturing sectors will continue to lead growth. The services sector will be driven by robust tourism activities, dynamic retail trade and increased demand for business-related services. Meanwhile, the manufacturing sector will benefit from growing semiconductor demand due to the expansion of the digital economy and the increasing use of AI edge applications as well as strong performance in domestic-oriented industries.

In 2026, Malaysia's economy is projected to expand between 4% and 4.5%, supported by resilient domestic demand and a steady external sector. Growth will be anchored by private consumption, boosted by the implementation of the salary adjustment under Phase 2 of the Public Service Remuneration System ("**SSPA**"), continuation of targeted assistance programmes and robust tourism activities in conjunction with Visit Malaysia 2026 (VM2026). In addition, strong investment performance will be supported by higher capital expenditures, particularly in high-impact strategic sectors. The services and manufacturing will remain key drivers of growth, complemented by sustained construction and agriculture sectors.

In 2026, domestic demand is expected to register a growth of 5.4%, steered by sustained private sector expenditure at 5.7%. Strong consumption and investment activities will keep the private sector's contribution significant at 4.5 ppt to GDP growth. Meanwhile, public expenditure is anticipated to rise by 4.4%, contributing 0.8 ppt to overall growth.

Private consumption is projected to grow by 5.1%, driven by sustained income growth and favourable employment prospects. In addition, spillover effects from the implementation of Phase 2 of the SSPA, Sumbangan Tunai Rahmah (STR) and the BUDI MADANI RON95 (BUDI95) targeted subsidy programme are expected to provide further impetus to household spending, particularly among lower- and middle-income groups. Consumer spending will also be stimulated by higher tourism-related activities alongside major national and international events, including VM2026 and Malaysia Agriculture, Horticulture & Agrotourism Exhibition 2026 as well as the 2026 FIFA World Cup and BWF Thomas & Uber Cup 2026.

Private investment is anticipated to register a growth of 7.8% in 2026, driven by increased capital spending on structures and machinery & equipment in technology-intensive manufacturing and services sectors. The large volume of approved investments is expected to be realised, particularly in semiconductors, renewable energy and data centres. This outlook is reinforced by the strong implementation track record, with the execution of 85.1% of manufacturing projects approved between 2021 and June 2025. Strong global demand for electrical and electronics (E&E), coupled with automation and digitalisation, is expected to further stimulate investment in high-value and innovation-led activities. At the same time, ongoing initiatives such as GEAR-uP and the rollout of national masterplans will strengthen investor confidence and Malaysia's position as a competitive investment destination.

(Source: Economic Outlook 2026, Ministry of Finance Malaysia)

5.2 Overview and outlook of the recycling industry

Waste management is one of the environmental pain points affecting every country worldwide. According to the World Bank's "What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050" report, waste generation across the world is expected to grow roughly by 3.4 billion tonnes per year by 2050.

The amount of waste generated is directly determined by economic activity, consumption and population growth. Unfortunately, the economic development and rising living standards in Malaysia have led to the increase in the quantity and complexity of generated waste. Moreover, industrial diversification and the provision of expanded healthcare facilities have added substantial quantities of industrial hazardous waste and biomedical waste into the waste stream.

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

The 12MP also highlights the importance of establishing a circular economy where businesses are encouraged to adopt this concept in the design, production, logistics, consumption and waste management of their products and services. To accelerate the transition of solid waste management from a linear economy to a circular economy, Malaysia is banking on Waste to Energy ("**WTE**") solutions. The Ministry of Housing and Local Government is planning to establish six WTE plants across Malaysia by 2025. WTE solutions are now recognised as a preferred waste treatment option for residual waste and a sustainable waste management approach in the country. Additionally, the establishment of waste eco-parks, development of waste management technologies and closure of all open landfills are encouraged to achieve Malaysia's commitment to become a net-zero carbon emission country by 2050.

MIDA has been promoting environmental management through recycling since the 1980s as well as green technology projects and services since 2014. The facilitation offered by the Government include Investment Tax Allowance for companies that intend to undertake WTE projects and integrated waste management projects. MIDA also continues to intensify its efforts to assist both local and foreign investors by formulating policies, incentives and providing facilities as well as support services for the green technology industry towards further strengthening Malaysia's green ecosystem, building climate resilience and achieving global sustainable development goals.

(Source: The Preferred Approach for Waste Management in Malaysia, MIDA)

5.3 Overview and outlook of the metal recycling industry

The global metal recycling market size is expected to cross USD143 billion by the end of 2036, growing at a compound annual growth rate ("**CAGR**") of 6% during the forecast period, 2024-2036. In the year 2023, the industry size of metal recycling was over USD70 billion. The market is expected to increase due to the increasing need for metals in various applications and the increasing scarcity of rare earth metals. According to calculations, in the next five years, over 70% of respondents in the automotive sector will see a shortage of metal. Conversely, the chemical and infrastructure sectors will see shortages of roughly 77% and 81%, respectively.

In addition to this, reprocessing of metal waste has been more popular over the past 20 years due to decreased greenhouse gas emissions and efficient energy management, both of which are significant factors anticipated to propel market expansion in the near future. For instance, the net greenhouse gas emissions from human activities increased by 43% between 1990 and 2020. Emissions of carbon dioxide, which account for about three-fourths of all emissions, increased by 51% during that period.

The market is anticipated to expand as a result of the increase in construction activities occurring in several areas, including Asia-Pacific and Europe. The market for metal recycling is growing in demand due to the rapid economic growth brought about by increased industrialization and urbanization. Consequently, increased government and consumer spending on housing and infrastructure as a result of growing urbanization boosts market growth.

Global government programmes that promote and encourage metal recycling have a big effect on the market as a whole. For instance, by establishing challenging goals and encouraging sustainable production and consumption methods, the circular economy package of the European Union seeks to enhance the recycling and reuse of commodities, including metal. All things considered, government initiatives for recycling metal are vital for encouraging environmentally friendly production and consumption methods, cutting waste and its negative effects on the environment, and propelling the world market for recycled metal.

The global metal recycling market is expanding as a result of end-use industries, including manufacturing, construction, and automotive, using metal more and more. Because recycled metal is just as good as virgin metal in terms of quality, cost, and environmental impact, the end-use industries are switching from employing virgin metal to recycled metal because of the previously cited reasons.

The aluminium segment in the metal recycling market is expected to hold the largest share of about 39% during the forecast period. Recycling aluminium is becoming more popular than recycling other metals since it is less harmful to the environment because it uses less energy and emits fewer greenhouse gases. Reusing aluminium helps lower greenhouse gas emissions since it uses 95% less energy than making new aluminium from raw materials. Additional recycling of aluminium is economical since it uses less energy, which lowers production costs. Furthermore, because aluminium is used in so many different industries, including packaging, transportation, and building, demand for metal is rising. Aluminium recycling makes it possible to satisfy this need without using up natural resources. As a result, there has been a notable increase in aluminium recycling in recent years due to a growing understanding of the advantages of recycling aluminium as well as economic and environmental factors.

The metal recycling market in the Asia-Pacific region is attributed to hold the largest global share of about 32% by the end of 2036. Being one of the world's top manufacturers of steel and aluminium, the area is responsible for the market's expansion.

(Source: Metal Recycling Market Size & Share, Forecast Report 2036, November 2023 report by Research Nester)

According to 6Wresearch, Malaysia's metal scrap recycling market is projected to grow at a CAGR of 5.6% during 2022-2028. The government's focus on the expansion of the rail systems in Malaysia in line with government projects such as the Mass Rapid Transit 3 (MRT3) Circle Line project with an approximate investment of USD7.4 billion would increase the generation rate of metal scraps in the country.

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

Malaysia's metal scrap recycling market is currently in the growth stage of the industry life cycle owing to the country's robust automotive sector. A growing amount of construction projects is also expected to contribute towards the growth of the recycling industry in the country.

Copper demand is projected to rise by 16%, reaching 25.5 million tonnes per annum (TPA) by 2030 across the nation and higher copper prices would encourage the demand for recycled copper metal scrap in the coming years. Furthermore, aluminium, due to its excellent scrap value and lower energy needs, is expected to grow significantly during the forecast period.

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

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

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

5.4 Overview and outlook of the carpet market

According to 6Wresearch, Malaysia's carpet market is poised for steady growth rate improvement from 2025 to 2029. The Malaysia carpet market is forecasted to grow by 6.54% in 2025 and increase to up to 8.10% by 2029.

The Malaysia carpet market is driven by interior design trends and the growing demand for home decor products. Consumers are increasingly investing in enhancing the aesthetics of their living spaces, boosting demand for carpets and rugs. The market outlook is positive, with manufacturers offering a wide range of designs and materials to cater to diverse customer preferences. As the real estate and hospitality industries continue to grow in Malaysia, the demand for carpets and decorative rugs for commercial spaces is also expected to contribute to market expansion.

The Malaysia carpet market is expected to witness steady growth in the coming years, driven by several factors. One of the primary drivers is the increasing demand for interior decoration and home improvement. Carpets are a popular choice for enhancing the aesthetics and comfort of residential and commercial spaces. As the real estate sector continues to develop, the demand for carpets in new buildings and renovations is expected to rise. Moreover, the growing trend of customization and the availability of a wide range of carpet designs and materials are attracting consumers. The hospitality industry also contributes to the demand for carpets, as hotels and resorts often use them to enhance guest experiences. Furthermore, the adoption of e-commerce platforms for carpet sales is expanding market reach, making it convenient for consumers to purchase carpets.

The Malaysia carpet market faces unique challenges in its outlook. One significant challenge is the shift in consumer preferences towards hard flooring options like tiles and laminate, reducing demand for carpets. Economic factors can also impact consumer spending on home furnishings, including carpets. Additionally, the market must address concerns related to carpet maintenance and hygiene, as carpets can trap dust and allergens. Competition from imported carpets and alternative flooring solutions further intensifies the competition. To remain competitive, the industry needs to innovate with carpet designs, emphasize the benefits of carpets in terms of comfort and aesthetics, and offer sustainable and easy-to-maintain options.

(Source: Malaysia Carpet Market (2025-2031), May 2022 report by 6Wresearch)

6. RISK FACTORS

6.1 Non completion risk

The Proposed Disposal is conditional upon the fulfilment of the conditions precedent of the SSA as set out in **Appendix I** of this Circular. However, there can be no assurance that the conditions precedent of the SSA will be obtained and/ or satisfied. Notwithstanding the foregoing, PUB will take all reasonable steps to seek to satisfy and/ or procure the waiver (as the case may be) of the conditions precedent of the SSA to facilitate the completion of the Proposed Disposal.

The SSA may be inter alia terminated in the event that any of the conditions precedent are not fulfilled within the time period stipulated in the SSA. Any delay or non-completion of the SSA may delay or preclude the Company from receiving the proceeds arising from the Proposed Disposal.

6.2 Contractual risk

PUB is subject to certain contractual risks including, but not limited to, the representations, warranties, covenants and indemnities which are given or to be given pursuant to the SSA. Nevertheless, PUB shall endeavour to ensure full compliance in relation to the fulfilment of its obligations under the SSA.

6.3 Loss of contribution from PCCCSB

Upon completion of the Proposed Disposal, PCCCSB will cease to be PUB's wholly-owned subsidiary. Moving forward, the Group will not be able to recognise the financial performance of PCCCSB as it will not hold any equity interest in PCCCSB.

Nevertheless, the Proposed Disposal is expected to facilitate the Group to achieve its business plans and objectives as set out in **Section 4** of this Circular, whereby the Proposed Disposal is undertaken to unlock the value of PUB's subsidiary and to enable the Group to focus its resources on the Recycling Business, which has turned around to profitability and is expected to contribute positively to the Group's future revenue and earnings.

6.4 Concentration risk on the Recycling Business

Upon completion of the Proposed Disposal, the Group's revenue and earnings will be increasingly concentrated on its Recycling Business. In view of this, any adverse movements in the supply and selling prices for recyclable materials (including copper and aluminium), variability in the availability and quality of raw materials, changes in environmental, health and safety regulations and licensing requirements, operational disruptions at key facilities, and customer demand fluctuations may adversely affect the performance of the segment and, consequently, the Group's overall financial performance. The Recycling Business is also working-capital intensive, and margins may be affected by procurement costs, processing yields and collection cycles.

Notwithstanding the foregoing, the Group will continue to mitigate these risks by broadening its customer and supplier base, entering into long-term customer and supplier contracts, and strengthening working-capital management. As set out in **Section 3** of this Circular, a portion of the proceeds from the Proposed Disposal has been allocated to working capital to support procurement and operations of the Recycling Business, which is expected to enhance the Group's resilience to short-term variability. Further, as set out in **Section 4** of this Circular, the Group will retain the Commercial Carpet Business, which the Board opines has the potential to provide an additional income stream to support the overall financial performance of the Group.

7. EFFECTS OF THE PROPOSED DISPOSAL

The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of PUB as the Proposed Disposal does not involve any issuance of PUB Shares.

7.1 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2023, the estimated effects of the Proposed Disposal on the NA and gearing level of the Group are set out as follows:-

	Audited FYE December 2023	Subsequent events up to LPD ^{*1}	After the Proposed Disposal
	RM'000	RM'000	RM'000
Share capital	84,902	129,333	129,333
Merger reserves	(4,618)	(4,618)	(4,618)
Revaluation reserves	32,628	32,628	32,628
Accumulated losses	(36,351)	(36,351)	(31,101) ^{*2}
NA	76,561	120,992	126,242
Number of PUB Shares in issue ('000)	83,830	101,118	101,118
NA per PUB Share (RM)	0.91	1.20	1.25
Total borrowings	11,138	11,138	11,138
Gearing level (times)	0.15	0.09	0.09

Notes:-

^{*1} On 30 December 2024, the Company issued 17,288,136 PUB Shares at an issue price of RM2.95 per share, amounting to RM51.00 million, as the full purchase consideration for the Metahub Acquisition.

^{*2} After adjusting for the estimated gain of RM5.25 million upon completion of the Proposed Disposal.

7.2 Earnings and EPS

Upon completion of the Proposed Disposal, PCCCSB will cease to be a wholly-owned subsidiary of PUB. Thereafter, PUB will cease to consolidate the financial results of PCCCSB.

In addition, the Proposed Disposal is expected to result in the Group recognising an estimated net gain of approximately RM5.25 million as set out in **Section 2.6** of this Circular. For illustration purposes, assuming that the Proposed Disposal had been completed on 1 January 2023 (being the beginning of the FYE 31 December 2023), the estimated effects on PUB Group's earnings/ EPS based on its latest audited FYE 31 December 2023 are as follows:-

	Audited FYE 31 December 2023 RM'000	After the Proposed Disposal RM'000
PAT attributable to owners of the Company	9,149	9,149
Less: Deconsolidation of PCCCSB's PAT for the FYE 31 December 2023	-	(9,943)* ¹
Add: Estimated gain upon the completion of the Proposed Disposal	-	5,250* ¹
Estimated PAT attributable to owners of the Company	9,149	4,456
Weighted average no. of PUB Shares in issue ('000)	83,830	83,830
Basic EPS (sen)	0.11	0.05

Note:-

^{*1} For information purposes, PCCCSB contributed a PAT of approximately RM9.94 million (without excluding other income) to the Group's consolidated results for the FYE 31 December 2023, based on the Group's latest audited financial statements.

^{*2} Please refer to **Section 2.6** of this Circular for the computation of estimated gain of approximately RM5.25 million arising from the Proposed Disposal.

7.3 Convertible securities

The Company had on 20 April 2023 established an LTIS, whereby the maximum number of new PUB Shares to be granted or issued pursuant to the exercise of the LTIS options shall not in aggregate exceed 15% of the total issued PUB Shares at any point in time during the duration of the LTIS.

Further, the LTIS shall be in force until 19 April 2028, and may be extended or renewed (as the case may be) for a further period of 5 years or such shorter period, at the sole and absolute discretion of the Board upon recommendation by the LTIS committee, provided always that LTIS shall not in aggregate exceed a duration of 10 years from the date of establishment.

For information purposes, as at the LPD, the Company has not granted any shares or options pursuant to the LTIS.

Save for the LTIS, PUB does not have any outstanding convertible securities as at the LPD.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Disposal is approximately 108.68% computed based on the net profit of PCCCSB against the net profit of PUB Group based on its latest audited financial statements for the FYE 31 December 2023.

9. APPROVALS REQUIRED AND INTER-CONDITIONALITY

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

- i. The Company's shareholders at an EGM to be convened; and
- ii. Any other relevant authority and/ or party, if required.

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

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, whether 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 rationale and effects of the Proposed Disposal, salient terms of the SSA as well as the basis and justification of arriving at the Disposal Consideration, 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 ordinary resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by the first half of 2026.

The tentative timetable in relation to the Proposed Disposal is as follows:-

Date	Events
28 November 2025	• Convening of the EGM to obtain the approval of shareholders of PUB
March 2026	• Fulfilment of all conditions precedent for the SSA for the Proposed Disposal
April 2026	• Completion of review on the Proforma Closing Accounts and assessment of the Final NTA by an Independent Valuer • Completion of the Proposed Disposal

13. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal (being the subject matter of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Dewan Perdana Ballroom at the Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, off Jalan Damansara, 60000 Kuala Lumpur on Friday, 28 November 2025 at 11.00 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.

If you are unable to attend, participate, speak and vote at the EGM you are entitled to appoint a proxy or proxies to attend, participate, speak and vote on your behalf. As such, you are requested to complete, sign and return the Proxy Form in accordance with the instructions contained therein, to the office of the Share Registrar of PUB, situated at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time holding the EGM or at any adjournment thereof. The Proxy Form is enclosed in this Circular. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders of PUB are advised to refer to the appendices set out in this Circular for further information.

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

KOON HOI CHUN
Executive Chairman

The salient terms and conditions of the SSA are as set out below:

(1) Sale and Purchase of the Sale Shares

Upon the terms and subject to the conditions of the SSA and in consideration of the mutual covenants, representations, undertakings and obligations contained therein, the Company as the vendor ("**Vendor**") shall sell and the Purchaser shall purchase the Sale Shares free from all claims, charges, mortgages, liens, options or any other encumbrances and with all the rights, benefits, entitlements and advantages attaching to the Sale Shares.

(2) Disposal Consideration

- (i) The Indicative Disposal Consideration for the purchase of the Sale Shares is RM13,420,238.56 and is arrived at based on the following formula:

$$\text{Indicative Disposal Consideration} = \text{RM6.75 million} + \text{Initial NTA}$$

where:

"*Initial NTA*" means the NTA of PCCCSB, less Excluded Assets & Payments, amounting to RM6,670,238.56 based on the unaudited financial statements for the 18-month FPE 30 June 2025 ("**June Management Accounts**").

"*Excluded Assets & Payments*" means adjustments to the June Management Accounts set out in Schedule 5 of the SSA, which include among others, adjustments relating to excluded expenditure (comprising of building renovation and electrical installation), net book value of the Factory Land, value of the shares in PCM and the proposed dividend and capital repayment to the Vendor.

- (ii) Within fourteen (14) days from the Unconditional Date, the Vendor shall ensure the delivery of the Proforma Closing Accounts to the Purchaser for the Independent Valuation. If the Unconditional Date falls on the first (1st) day and up to the fifteenth (15th) day of the month, the Proforma Closing Accounts shall be prepared as at the close of business on the last day of the preceding calendar month in which the Unconditional Date falls. If the Unconditional Date falls on the sixteenth (16th) day and up to the last day of the month, the Proforma Closing Accounts shall be prepared as at the close of business on the last day of the calendar month in which the Unconditional Date falls.
- (iii) Within fourteen (14) days of the Vendor's delivery of the Proforma Closing Accounts to the Purchaser, the Purchaser shall, at its own cost, engage Morison LC Advisory ("**Reporting Accountants**") to conduct and complete the Independent Valuation to assess the NTA of the Company as recorded in the Proforma Closing Accounts for the purpose of determining the Final NTA (as defined in Section 3(iv) below).
- (iv) The Parties will mutually agree on the Final NTA for the purposes of calculating the Final Disposal Consideration upon completion of the Independent Valuation.

(3) Payment of Disposal Consideration

The Disposal Consideration shall be paid by the Purchaser to the Vendor in the following manner:

- (i) Deposit

Prior to the date of the SSA, the Vendor's solicitors, acting as stakeholder of the Vendor, have received a sum amounting to RM500,000 from the Purchaser as a demonstration of its commitment ("**Commitment Fee**").

Upon execution of the SSA, the Purchaser shall pay to the Vendor's solicitors, acting as stakeholder of the Vendor, a further sum of RM1,000,000 so that the total deposit paid by the Purchaser to the Vendor's solicitors, acting as stakeholder of the Vendor, shall amount to RM 1,500,000 ("**Deposit**"). For avoidance of doubt, the Commitment Fee shall form part of the Deposit.

(ii) Conditional Tranche Balance Price

In the event the consent or approval in writing of Maybank for the discharge of the land charge over the Factory Land ("**Discharge of the Factory Land Charge**") cannot be obtained, within five (5) Business Days upon fulfilment of conditions precedent in Sections 4(a) and 4(b) below, whichever is later, the Purchaser shall pay RM8,000,000 to the Vendor's Solicitors, acting as stakeholder of the Vendor, as part payment of the purchase price for the Sale Shares ("**Conditional Tranche Balance Price**").

(iii) First Tranche Balance Price

Within five (5) business days upon receipt of the Proforma Closing Accounts, the Purchaser shall pay an amount equivalent to 80% of the Proforma Disposal Consideration less the Deposit and, if applicable, the Conditional Tranche Balance Price ("**First Tranche Balance Price**") to the Vendor's solicitors, acting as stakeholder of the Vendor.

The Proforma Disposal Consideration shall be calculated based on the following formula:

$$\text{Proforma Disposal Consideration} = \text{Indicative Disposal Consideration} + (\text{Proforma NTA} - \text{Initial NTA})$$

where:

"Proforma NTA" means the NTA of PCCCSB, determined based on the Proforma Closing Accounts.

(iv) Second Tranche Balance Price

Within five (5) business days upon completion of the Independent Valuation and the Parties having agreed on the Final NTA, the Purchaser shall pay an amount equivalent to the Final Disposal Consideration less the aggregate sum paid of the First Tranche Balance Price, Deposit and, if applicable, the Conditional Tranche Balance Price ("**Second Tranche Balance Price**") to the Vendor's solicitors, acting as stakeholder of the Vendor.

In the event that the Second Tranche Balance Price is a negative amount (i.e., the aggregate sum paid of the First Tranche Balance Price, Deposit and, if applicable, the Conditional Tranche Balance Price exceeds the Final Disposal Consideration), the Vendor shall refund the excess amount to the Purchaser within five (5) business days of such determination.

The Final Disposal Consideration for the disposal of the Sale Shares shall be calculated based on the following formula:

$$\text{Final Disposal Consideration} = \text{Proforma Disposal Consideration} + (\text{Final NTA} - \text{Proforma NTA})$$

where:

"Final NTA" means the net tangible asset of PCCCSB determined based on the Proforma Closing Accounts and subject to any adjustment(s), as mutually agreed between the Parties, the agreement of which shall not be unreasonably withheld, arising from the Independent Valuation.

(4) Conditions Precedent

- (i) The sale and purchase of the Sale Shares is conditional upon the following conditions precedent ("**Conditions Precedent**") being obtained, procured and/or fulfilled (unless waived in accordance with the SSA) within 6 months from the date of the SSA, subject to any extension as permitted under the SSA, as set out in Section 5 below ("**Conditional Period**"):
- (a) the approval of the shareholders of the Vendor at a general meeting for the Proposed Disposal;
 - (b) the approval of the shareholders of the Purchaser at a general meeting for the Proposed Disposal;
 - (c) the consent or approval in writing of Maybank for the Discharge of the Factory Land Charge on such reasonable conditions as the bank may impose, provided that PUB shall use its reasonable endeavours to obtain such consent without requiring any replacement security, failing which, the Purchaser shall provide such guarantee, letter of comfort or other security as may be necessary;
 - (d) disposal of the Factory Land by PCCCSB and of all the shares held by PCCCSB in PCM at the cost of the Vendor;
 - (e) the repayment and settlement of all intercompany loans and amounts owing by PCCCSB from the amounts payable to related parties via selective capital reductions, declarations of dividends or such other method as determined by the Vendor;
 - (f) the written consent of Mitsubishi HC Capital Sdn. Bhd. and BMW Credit (M) Sdn. Bhd. (collectively, the "**HP Financiers**") to release, remove or replace the corporate guarantees given by the Vendor for hire purchase financings of PCCCSB, on such reasonable conditions as the HP Financiers may impose, provided that the Vendor shall use its reasonable endeavours to obtain such consent without replacement security, failing which, the Purchaser shall provide such guarantee, letter of comfort or other security as required; and
 - (g) the written consent of CIMB Bank Berhad to release, remove or replace the corporate guarantees given by PCCCSB for trade facilities of PCM and PCD ("**CIMB Trade Facilities**"), on such reasonable conditions as CIMB Bank Berhad may impose, provided that the Vendor shall use its reasonable endeavours to obtain such consent without replacement security, failing which, the Vendor shall provide such guarantee, letter of comfort or other security as required.
- (ii) In the event the consent or approval in writing of Maybank for the Discharge of the Factory Land Charge cannot be obtained pursuant to the condition precedent in Section 4(i)(c) above and subject to the Purchaser having paid the Conditional Tranche Balance Disposal Consideration to the Vendor's solicitors, acting as stakeholder of the Vendor, it shall be an additional condition precedent of the sale and purchase of the Sale Shares that the Vendor shall fully redeem the trade facility currently granted by Maybank for the benefit of PCCCSB.
- (iii) The sale and purchase of the Sale Shares shall become unconditional on the Unconditional Date.
- (iv) After the sale and purchase of the Sale Shares becomes unconditional, the Parties shall proceed to complete the sale and purchase of the Sale Shares under the SSA subject to and in accordance with Section 6 below.

(5) Non-Satisfaction / Waiver of Conditions Precedent

- (i) The Vendor agrees that the Purchaser may in their sole discretion and at any time and to the extent permissible by law, proceed with waiving, in whole or in part and conditionally or unconditionally, any one or more of such Conditions Precedent in writing (save and except the Condition Precedent in Section 4(i)(a) and Section 4(i)(b)) above or extend the Conditional Period for such further period, subject to the mutual written agreement of the Parties.
- (ii) In the event the approval of the shareholders of the Vendor or the Purchaser (as the case may be) at a general meeting for the Proposed Disposal cannot be obtained within three (3) months from the date of the SSA, the parties agree that the Conditional Period shall be extended by such number of days as is required by the Vendor or the Purchaser (as the case may be) to fulfil such condition precedent or a period of three (3) months, whichever is longer ("**Shareholders' Approval Period**").
- (iii) In the event the Conditions Precedent are not satisfied, waived or extended on or before the last day of the Conditional Period (which shall be, inclusive of, where applicable, the Shareholders' Approval Period), the parties agree that the Conditional Period shall be automatically extended by a period of three (3) months ("**Extended Conditional Period**"). Subsequent to the Extended Conditional Period, any further extension of the Conditional Period shall be subject to the mutual agreement of the parties in writing.
- (iv) If the Conditions Precedent are not satisfied, waived or extended on or before the last day of the Conditional Period, the Extended Conditional Period or such other period as mutually agreed by the Parties in writing, the Purchaser may by written notice to the Vendor, in their sole discretion, terminate the SSA (save and except for the clauses relating to confidentiality, survival of rights, duties and obligations, costs and expenses, governing laws and dispute resolution, binding effect, notices, waiver of rights, and delivery by e-mail, collectively the "**Surviving Provisions**") and thereafter, the Vendor shall refund all monies received from the Purchaser to the Purchaser in full within five (5) business days from the date of such written notice.
- (v) If any of the Conditions Precedent are conditionally waived, in whole or in part, by the Purchaser in accordance with this Section 5, the Vendor shall do and perform, or cause to be done and performed, all such acts and things to fulfil such Conditions Precedent in accordance with the conditions imposed by the Purchaser.

(6) Completion

Completion of the sale and purchase of the Sale Shares under the SSA shall take place at the office of PCCCSB within 5 business days after the completion of the Independent Valuation or such other dates as may be agreed between parties ("**Completion Date**") or such other date as may be agreed in writing between the Purchaser and the Vendor.

Subject to the fulfilment or waiver of the Conditions Precedent, PUB shall on the Completion Date deliver the following to the Purchaser:

- (i) the original share certificates in respect of all the Sale Shares held by the Vendor, if any;
- (ii) a certified copy of the directors' resolution of the PCCCSB,
 - (a) duly approving the transfer of the Sale Shares and the Purchaser being registered as shareholder of PCCCSB;
 - (b) duly approving the cancellation of the share certificate(s) issued in the name of the Vendor in respect of the Sale Shares, if any;

- (c) authorising the issue of new share certificates, if any, in respect of the Sale Shares in favour of the Purchaser;
- (d) effecting the appointment of such persons as the Purchaser may nominate as new directors of PCCCSB (as may be notified in writing to the Vendor no less than three (3) days prior to the Completion Date), subject to their consent to act as directors;
- (e) revoking each existing mandate given by PCCCSB for the operation of its bank accounts and giving authority to persons nominated by the Purchaser (as may be notified in writing to the Vendor no less than three (3) days prior to the Completion Date);
- (f) accepting the resignation of the secretary of PCCCSB and appointing a secretary nominated by the Purchaser as the new company secretary of PCCCSB;
- (g) acknowledging the resignation of the existing directors of PCCCSB;
- (iii) written resignations of each of the directors (including alternate directors, if any) of PCCCSB from his or her office as a director to take effect on the Completion Date, with acknowledgements signed by each of them in a form and on terms acceptable to the Purchaser to the effect that they have no claims against PCCCSB;
- (iv) written confirmation that the documents below are available in the registered address or office of PCCCSB:
 - (a) minute books, statutory books and registers, certificates of incorporation, books of account, trading and financial records, taxation returns, constitutions, seals, licenses, permits, records and certificates;
 - (b) financial, accounting and tax records of PCCCSB;
 - (c) documents relating to the ownership and use of assets or property of PCCCSB including any title document, registered Intellectual Property rights, security interest, lease, licence, agreement, consent and insurance; and
 - (d) publicity materials, price list catalogues, instruction manuals, drawings, specifications and other technical/sales matters which relate to the businesses of PCCCSB for the proper operation and commissioning of the equipment.
- (v) a tenancy agreement for continued occupation of the Factory Land by the Purchaser at an agreed rental of RM 1.50 per square feet upon terms and conditions acceptable to the Parties. The tenancy shall commence immediately upon Completion, and there shall be a grace period of one (1) month from the commencement date during which no rent shall be payable by the Purchaser. For the avoidance of doubt, the grace period applies only to the payment of rent. All other expenses, including utility charges and security fees, remains due and payable by the Purchaser.
- (vi) to the extent that the CIMB Trade Facilities remain outstanding and have not been redeemed or replaced by PCM and PCD as at Completion, the Vendor shall provide and enter into such security and collateral agreements with CIMB Bank Berhad to release, remove and replace the corporate guarantees provided by PCCCSB.

Subject to the fulfilment or waiver of the Conditions Precedent, the Purchaser shall on the Completion Date deliver the following to the Vendor:

- (i) subject to compliance by the Vendor of its obligations above, the Purchaser shall pay the Final Disposal Consideration.

- (ii) to the extent that the Hire Purchase Facilities remain outstanding and have not been discharged by PCCCSB as at the Completion, the Purchaser shall enter into such security or collateral agreements with the HP Financiers to release, remove and replace the corporate guarantees provided by the Vendor.

If the Vendor or the Purchaser fails to comply with any of their respective completion obligations in this Section 6, the Purchaser, in the case of non-compliance by the Vendor, or the Vendor, in the case of non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the other:

- (i) to terminate the SSA (other than the Surviving Provisions) without liability on its part; or
- (ii) to effect Completion so far as practicable having regard to the defaults which have occurred;
- (iii) to fix a new date for Completion (being not more than thirty (30) business days after the date set for Completion) in which case the provisions of this Clause 6 shall apply to Completion as so deferred but provided such deferral may only occur once.

(7) Post-Completion Obligations

The Parties agree to undertake the following obligations within twelve (12) months from the Completion Date:

- (i) The Vendor will procure the transfer of the employees listed in Schedule 3 of the SSA from the employment of PCCCSB ("**Excluded Employees**"). The Vendor agrees to fully reimburse the Purchaser for all expenses, including salary, statutory contributions and insurance, where applicable, incurred by the Purchaser for the continued employment of the Excluded Employees up until the date when the Excluded Employees are transferred out from PCCCSB.
- (ii) The Purchaser shall procure and complete the change of name of PCCCSB to remove reference to "Paragon" and cease all use of any and all materials bearing the word, name or mark of "Paragon", or any similar word or name, in its business activities. On request, the Purchaser shall provide the Vendor with a confirmation letter that this obligation has been complied with.

(8) Termination

- (i) Occurrence of any of the following events on or prior to the Completion shall constitute a termination event if the breach is capable of remedy but has not been remedied by the defaulting party to the satisfaction of the non-defaulting party within thirty (30) days from the date of receipt of the non-defaulting party's written notice of such breach by the defaulting party ("**Termination Events**"):
 - (a) **Receiver:** a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of a party or of PCCCSB; or
 - (b) **Arrangements:** save and except as stated in the SSA, pursuant to the acquisition and disposal of the Sale Shares, a party or PCCCSB enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or

- (c) **Winding-Up:** an application, petition or order is made for the winding-up or dissolution of a party or PCCCSB, or a resolution is passed or any steps are taken to pass a resolution for the winding-up or dissolution of a party or PCCCSB, otherwise than for the purpose of an amalgamation or reconstruction which has prior written consent of the other party; or
- (d) **Cessation of Business:** PCCCSB ceases or threatens to cease carrying on a substantial portion of its business; or
- (e) **Breach of Vendor's Warranties:** there has been a breach of any of the Vendor's warranties and if such breach is capable of being remedied, is not remedied within 30 days of its receipt of notice from the Purchaser (or such extended period as may be allowed by the Purchaser); or
- (f) **Breach of Undertakings or Obligations:** there has been a breach of the covenants, undertakings or obligations under the SSA by a party and if such breach is capable of being remedied, is not remedied within thirty (30) days of its receipt of notice from the other non-defaulting party (or such extended period as may be allowed by the other non-defaulting party); or
- (g) **Material Adverse Event:** save as already disclosed or provided to the Purchaser in the data room made available to the Purchaser up to 15 July 2025 for the purposes of the due diligence on PCCCSB, the occurrence of any occurrence, condition, change, event, circumstance or other material matter which results in either:
 - (aa) a major failure or changes to the business of PCCCSB which would materially impact the business and financial condition of PCCCSB;
 - (bb) PCCCSB has borrowed or incurred or taken any additional borrowings or has any major commitment or contingent liabilities;
 - (cc) The Vendor is not the legal and beneficial owner of the Sale Shares;
 - (dd) PCCCSB is not carrying out the business in accordance with Malaysian laws and regulations applicable to it and such non-compliance is expected to have a material adverse effect upon its continued operations;
 - (ee) there is material litigation instigated against PCCCSB which is within the reasonable knowledge of the Vendor and has not otherwise been disclosed to the Purchaser; or
 - (ff) PCCCSB enters into a material contract not otherwise disclosed to the Purchaser and which is not in the ordinary course of business of PCCCSB for an amount exceeding RM 300,000.
- (ii) **Termination:** Upon the occurrence of any of the Termination Events, where the defaulting party is the Vendor and/or PCCCSB, as applicable, the Purchaser may give a notice in writing to terminate the SSA. Upon the occurrence of any of the Termination Events where the defaulting party is the Purchaser, the Vendor may give a notice in writing to terminate the SSA. Upon termination by the Purchaser in accordance with the SSA, the Vendor's solicitors, as stakeholder, and/or the Vendor shall refund all monies received from the Purchaser together with any fines, penalties or interests pursuant to the SSA to the Purchaser in full within five (5) business days from the date of such written notice.
- (iii) **Remedies:**
 - (a) If the notice of termination is given by the Purchaser, the Purchaser shall be entitled to all rights and remedies available to the Purchaser including but not limited to the full refund of all monies paid.

APPENDIX I – SALIENT TERMS OF THE SSA

- (b) If the notice of termination is given by the Vendor, the Vendor shall be entitled to all rights and remedies available to the Vendor.
- (c) In the event of any late payment of amounts due under the SSA, there shall be an interest at the rate of 8% per annum on such amount due and owing by a party, calculated on a daily pro-rated basis from the due date to the date of payment.
- (iv) **Specific Performance:** Either of the Vendor or the Purchaser shall be entitled to claim specific performance of the SSA against the other party and for this purpose the Vendor and the Purchaser hereby agree that an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the Purchaser's or the Vendor's default in the performance of the terms and conditions of the SSA.

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APPENDIX II – INFORMATION ON PCCCSB

1. HISTORY AND BUSINESS

PCCCSB was incorporated in Malaysia on 31 October 1983 under the Companies Act 1965 and is deemed registered under the Act as a private limited company. PCCCSB is principally involved in the business of manufacturing, wholesaling, marketing, distributing or otherwise selling car carpets and/ or automotive noise, vibration and harshness components.

Further, since 1994, being the year in which PCCCSB became a wholly-owned subsidiary of PUB, PCCCSB has been operating from its production facility located on Lot 14 and Lot 11A, Jalan CJ 1/1, Cheras Jaya, Selangor, which has a total built-up area of approximately 118,936 square feet. The facility is utilised to carry out the manufacturing processes required for its operations as well as for the onward sale of its products to its customers. Pursuant to the terms of the SSA, PCCCSB will undertake the Divestment of Factory Land to PUB Group prior to the completion of the Proposed Disposal.

PCCCSB derives its revenue entirely from the sale of car carpets and noise, vibration, and harshness ("NVH") components to customers in the automotive industry. The breakdown of PCCCSB's revenue by product type for the past three audited FYEs up to 31 December 2023 and the unaudited 18-month FPE 30 June 2025 is set out as follows:-

Product type	<-----Audited FYE 31 December----->						Unaudited 18-month	
	2021		2022		2023		FPE 30 June 2025	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Car carpets	19,077	56.09	28,818	56.70	26,918	56.62	34,683	49.29
NVH components	14,917	43.91	21,992	43.30	20,632	43.38	35,706	50.71
Total	33,994	100.00	50,810	100.00	47,550	100.00	70,389	100.00

For information purposes, PCCCSB derives its revenue solely from customers in Malaysia. Further, the raw materials required for its manufacturing activities, such as felts and needle-punch carpets, are mainly procured from local suppliers in Malaysia as well as overseas suppliers from China, India, Germany and Taiwan, based on customer specifications.

The production capacity and utilisation rate of PCCCSB's manufacturing activities for the past three financial years up to the FYE 31 December 2023 are set out as follows:-

	<-----Audited FYE 31 December----->		
	2021	2022	2023
<u>Car carpets</u>			
Annual production capacity (units)* ¹	1,090,716	1,375,656	1,642,574
Annual production output (units)	985,790	1,253,400	1,464,988
Utilisation rate (%)	90.38	91.11	89.19
<u>NVH components</u>			
Annual production capacity (units)* ²	1,594,915	2,094,203	1,839,133
Annual production output (units)	1,367,085	2,019,050	1,348,655
Utilisation rate (%)	85.72	96.41	73.33

Notes:-

^{*1} Annual production capacity refers to the maximum number of car carpets that can be produced in a year, expressed in units. This is calculated based on 2 working shifts (of which a single shift is 7.5 hours) and 26 working days per month.

^{*2} Annual production capacity refers to the maximum number of NVH components, including but not limited to, hot or cold mould and child part die-cut, that can be produced in a year, expressed in units. This is calculated based on 2 working shifts (of which a single shift is 7.5 hours) and 26 working days per month.

APPENDIX II – INFORMATION ON PCCCSB

For information purposes, the major component of PCCCSB's assets is PPE amounting to RM35.29 million, which constitutes approximately 59.05% of its total assets of RM59.74 million as at the FYE 31 December 2023. These assets predominantly consist of the Factory Land and the buildings that constitute it, as well as production machinery and tooling equipment used in the business of PCCCSB. For further information, the breakdown of PCCCSB's assets based on its latest audited financial statements is set out as follows:-

Assets	Audited FYE 31 December 2023
	RM'000
PPE	35,288
Investment in subsidiary companies	8,695
Inventories	7,121
Trade receivables	5,838
Other receivables, deposits and prepayments	1,865
Cash and bank balances	933
Total	59,740

For information purposes, PCCCSB has a research and development ("R&D") department that conducts testing and verification works to ensure products meet customer requirements. The R&D involves testing and verification activities and does not cover product innovation or new product development. Further, PCCCSB's R&D department comprises 9 employees as at the LPD, with R&D expenditure of approximately RM0.08 million during the FYE 31 December 2023.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PCCCSB is RM25.68 million comprising 22,750,000 ordinary shares in PCCCSB. Further, PCCCSB does not have any convertible securities as at the LPD.

3. DIRECTORS AND SHAREHOLDERS

As at the LPD, PCCCSB is a wholly-owned subsidiary of PUB and the details of the directors of PCCCSB are as follows:-

Directors	Nationality
Koon Hoi Chun	Malaysian
Wong Ee-Coln	Malaysian

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APPENDIX II – INFORMATION ON PCCCSB

4. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, PCCCSB has 1 direct subsidiary and 1 indirect subsidiary, the details of which are as follows:-

Company	Date/ place of incorporation	Effective equity interest %	Share capital RM'000	Principal activities
PCM	4 August 1992/ Malaysia	100.00	10,500	Manufacturing and trading in car carpets and commercial carpets
<u>Subsidiary of PCM</u>				
PCD	21 July 1987/ Malaysia	100.00	6,050	Distribution and trading of commercial carpets

For the avoidance of doubt, PCCCSB does not have any joint ventures or associate companies as at the LPD.

5. MATERIAL CONTRACTS

As at the LPD, PCCCSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

6. MATERIAL LITIGATION

As at the LPD, PCCCSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the director of PCCCSB confirms that there are no proceedings pending or threatened against PCCCSB, or any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of PCCCSB.

7. MATERIAL COMMITMENTS

As at the LPD, the directors of PCCCSB confirms that there are no material commitments incurred or known to be incurred by PCCCSB which, upon becoming enforceable, may have a material impact on the financial results/ position of PCCCSB.

8. CONTINGENT LIABILITIES

As at the LPD, the directors of PCCCSB confirms that there are no contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of PCCCSB.

APPENDIX II – INFORMATION ON PCCCSB

9. SUMMARY OF FINANCIAL INFORMATION

A summary of PCCCSB's financial information based on its audited financial statements for the past 3 financial years up to the FYE 31 December 2023 and the unaudited 18-month FPE 30 June 2025, is as follows:-

	Audited FYE 31 December			Unaudited 18-month FPE
	2021	2022	2023	30 June 2025
	RM'000	RM'000	RM'000	RM'000
Revenue	33,994	50,810	47,550	70,389
PBT/ (LBT)	(7,599)	(1,132)	9,943	(394)
PAT/ (LAT)	(7,599)	(1,132)	9,943	(394)
Shareholders' funds/ NA	(5,659)	12,210	37,700	41,243
Total borrowings	3,886	6,005	5,894	12,792
Total number of issued shares ('000)	3,750	22,750	22,750	22,750
Current assets	17,930	18,086	15,758	17,470
Current liabilities	45,832	28,472	14,997	18,416
Cash and cash equivalents	157	117	933	503
PBT/ (LBT) margin (%)	(22.35)	(2.23)	20.91	0.56
PAT/ (LBT) margin (%)	(22.35)	(2.23)	20.91	0.56
EPS/ (LPS) (RM)	(2.03)	(0.05)	0.44	(0.02)
NA per share (RM)	(1.51)	0.54	1.66	1.81
Current ratio (times)	0.39	0.64	1.05	0.95
Gross gearing (times)	-	0.49	0.16	0.31
Net gearing (times)	-	0.48	0.13	0.30

For the FYE 31 December 2021 to FYE 31 December 2023, there was no:-

- accounting policy adopted by PCCCSB which is peculiar to PCCCSB because of the nature of its business or the industry it is involved in; and
- audit qualification of the financial statements of PCCCSB for the financial years under review.

For information purposes, save for the following, no exceptional or extraordinary items were recorded during the FYE 31 December 2021 to FYE 31 December 2023, and the 18-month FPE 30 June 2025. For the FYE 31 December 2023, PCCCSB recorded an exceptional gain of RM11.45 million arising from the disposal of PPE.

Commentary on PCCCSB's financial performance based on its audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2023 and the unaudited 18-month FPE 2025 are set out below.

FYE 31 December 2022 vs FYE 31 December 2021

For the FYE 31 December 2022, PCCCSB recorded revenue of RM50.81 million, which represents an increase of RM16.82 million or approximately 49.46% as compared to the preceding financial year (FYE 31 December 2021: RM33.99 million). The increase in revenue was mainly due to the increase in car carpet manufacturing activities in the FYE 31 December 2022 following the upliftment of the Movement Control Order ("MCO"). In the FYE 31 December 2021, PCCCSB's production had been significantly constrained under the MCO, resulting in lower orders from OEM. In contrast, during the FYE 31 December 2022, car manufacturers increased production to address backlog orders, which in turn drove higher demand for PCCCSB's products.

APPENDIX II – INFORMATION ON PCCCSB

Further, PCCCSB recorded a LAT of RM1.13 million for the FYE 31 December 2022, which represents an improvement of RM6.47 million as compared to the LAT of RM7.60 million in the preceding financial year. The lower LAT position was in conjunction with the increase in PCCCSB's revenue for the FYE 31 December 2022.

FYE 31 December 2023 vs FYE 31 December 2022

For the FYE 31 December 2023, PCCCSB recorded revenue of RM47.55 million, which represents a decrease of RM3.26 million or approximately 6.42% as compared to the preceding financial year (FYE 31 December 2022: RM50.81 million). The decrease in revenue was mainly due to the normalisation of demand for PCCCSB's products in the FYE 31 December 2023, from the level of exceptional demand in the FYE 31 December 2022.

Notwithstanding the decline in revenue, PCCCSB recorded a PAT of RM9.94 million for the FYE 31 December 2023, which represents an increase of RM11.08 million as compared to the preceding financial year (FYE 31 December 2022: LAT of RM1.13 million). The turnaround to PAT was mainly attributable to one-off income derived from the gain on disposal of PPE of RM11.45 million recorded in the FYE 31 December 2023.

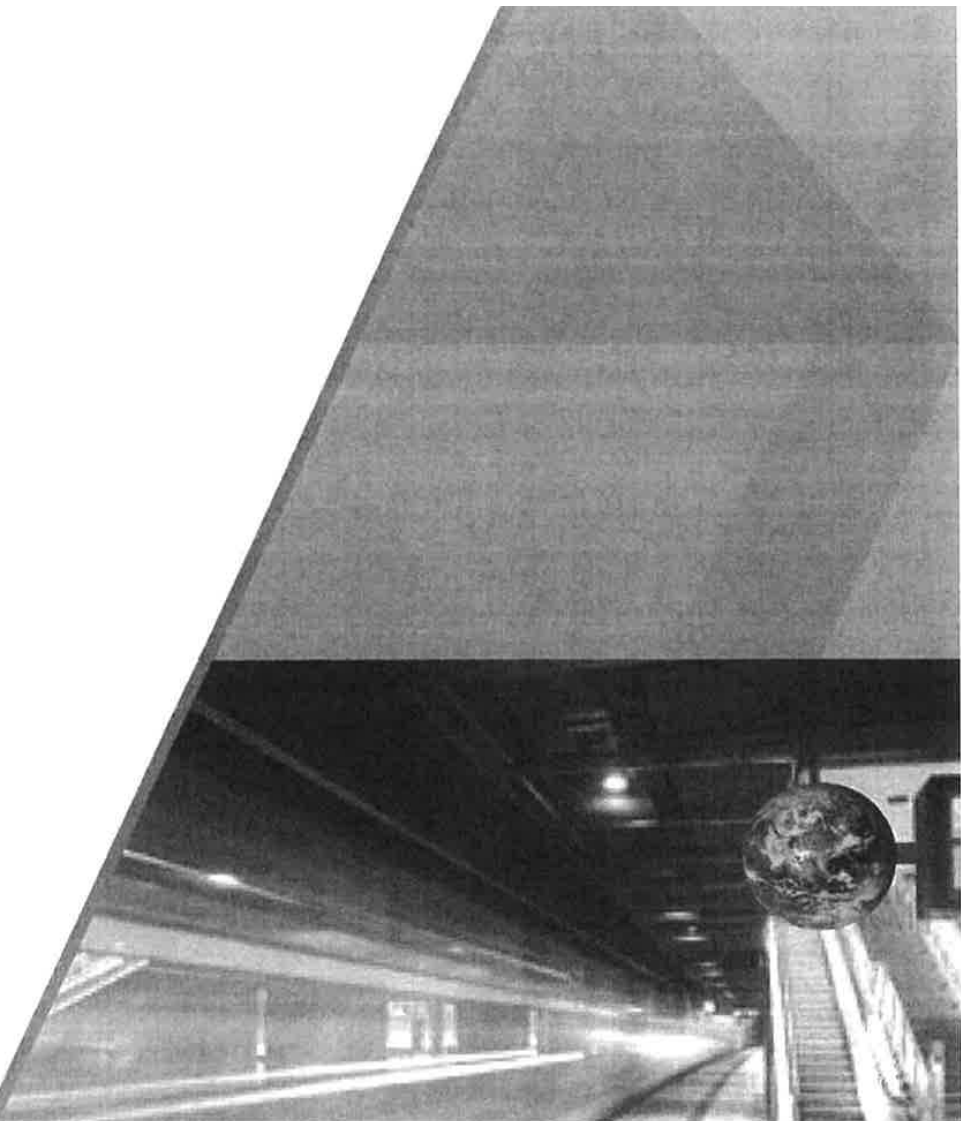
18-month FPE 30 June 2025 vs FYE 31 December 2023

For the 18-month FPE 30 June 2025, PCCCSB recorded revenue of RM70.39 million, or RM46.93 million on an annualised basis, which represents a decrease of RM0.62 million or approximately 1.30% as compared to the preceding financial year (FYE 31 December 2023: RM47.55 million). The marginal decrease in revenue was mainly due to lower production by OEM car manufacturers in response to weaker domestic demand and increased competition from Completely Built-Up ("CBU") vehicle importers, which in turn reduced orders for PCCCSB's products.

Further, for the 18-month FPE 30 June 2025, PCCCSB recorded a LAT of RM0.39 million, which translates to approximately RM0.26 million on an annualised basis, compared to the PAT of RM9.94 million in the preceding FYE 31 December 2023. The LAT position was mainly due to the absence of exceptional income in the 18-month FPE 30 June 2025, as the PAT in the FYE 31 December 2023 had been supported by a one-off income of RM11.45 million from the disposal of PPE. The LAT in the 18-month FPE 30 June 2025 was further affected by reduced OEM orders and increased competition from CBU vehicle imports.

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**10. AUDITED FINANCIAL STATEMENTS OF PCCCSB FOR THE FYE 31 DECEMBER 2023
WITH THE NOTES AND AUDITOR' REPORT**



**Paragon Car Carpets &
Components Sdn. Bhd.**

(Incorporated in Malaysia, Registration No. 198301013594
(108988-M))

Financial Statements
31 December 2023



your business solution partner

Kreston John & Gan

Chartered Accountants • AF 0113

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**Paragon Car Carpets &
Components Sdn. Bhd.**

(Incorporated in Malaysia, Registration No. 198301013594
(108988-M))

Financial Statements
31 December 2023

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Financial Statements

31 December

2023

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Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Directors' Report

for the financial year ended 31 December 2023

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

Principal activities

The principal activities of the Company are manufacturing and trading in car carpets and automotive components, whilst the principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

Results

	RM
Profit for the financial year after taxation	9,942,790

Dividend

No dividend has been paid, declared or proposed since the end of the previous financial year.

The directors do not recommend any dividend for the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the financial statements.

Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making allowance for doubtful debts and were of the opinion that it had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Company misleading.

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Directors' Report

for the financial year ended 31 December 2023

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

- a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

Changes of circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transactions or event of a material and unusual nature.

There have not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the current financial year.

Shares and debentures

The Company did not issue any shares or debentures during the financial year.

Directors of the Company

The directors of the Company in office at any time during the financial year and since the end of the financial year are:

Koon Hoi Chun

Wong Ee-Coln

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Directors' Report

for the financial year ended 31 December 2023

Directors' interests

The interests of Koon Hoi Chun and Wong Ee-Coln who held office at the end of the financial year in the share capital of the Company or its related corporations pursuant to Section 59 of the Companies Act, 2016 are not disclosed as the Company is a wholly owned subsidiary company of the immediate holding company and such information is disclosed in the statutory financial statements of the immediate holding company.

Directors' benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' remuneration

None of the directors or past directors of the Company have received any remuneration from the Company during the financial year.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

Indemnifying directors, officers or auditors

No indemnities have been given to or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

Ultimate holding company

The directors regard AKK Capital Sdn. Bhd., a company incorporated and domiciled in Malaysia as the ultimate holding company.

Immediate holding company

The directors regard Paragon Union Berhad, a company incorporated in Malaysia and quoted on the Main Market of the Bursa Malaysia Securities Berhad, as the immediate holding company.

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Directors' Report

for the financial year ended 31 December 2023

Auditors

- a) The auditor's remuneration of the Company for the financial year ended 31 December 2023 is RM40,000.
- b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors



Koon Hoi Chun



Wong Ee-Coin

Kuala Lumpur,
Date: 25 April 2024



Independent Auditors' Report

to member of Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paragon Car Carpets & Components Sdn. Bhd., which comprise the statement of financial position as at 31 December 2023 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 8 to 57.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Kreston John & Gan

Chartered Accountants • AF 0113

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Independent Auditors' Report

to member of Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditors' Report

to member of Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

A handwritten signature in black ink, appearing to read 'Kreston John & Gan'.

Kreston John & Gan
(AF 0113)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Yong Chung Sin'.

Yong Chung Sin
Approval No: 02892/04/2026 J

Kuala Lumpur,
Date:

25 APR 2024

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statement of Financial Position

31 December 2023

	Note	2023 RM	2022 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	35,288,141	17,211,209
Investment in subsidiary companies	5	8,694,584	5,694,584
Total Non-Current Assets		43,982,725	22,905,793
Current Assets			
Inventories	6	7,121,376	7,783,932
Trade receivables	7	5,838,492	6,364,109
Other receivables, deposits and prepayments	8	1,864,906	2,386,702
Amount owing from a related company	9	-	1,288,633
Tax recoverable		-	145,831
Cash and bank balances	29	932,957	116,797
Total Current Assets		15,757,731	18,086,004
Total Assets		59,740,456	40,991,797
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	10	25,678,750	25,678,750
Revaluation reserve	11	15,547,771	-
Accumulated losses		(3,526,350)	(13,469,140)
Total Equity		37,700,171	12,209,610
Non-Current Liabilities			
Lease liabilities	12	1,602,112	309,702
Bank borrowings	13	-	-
Deferred tax liabilities	16	5,441,343	-
Total Non-Current Liabilities		7,043,455	309,702
Current Liabilities			
Trade payables	17	2,745,465	3,573,313
Other payables and accruals	18	3,146,041	5,811,185
Amount owing to immediate holding company	19	4,813,898	3,494,423
Amount owing to a subsidiary company	20	-	9,897,785
Lease liabilities	12	1,022,210	293,814
Bank borrowings	13	3,269,216	5,401,965
Total Current Liabilities		14,996,830	28,472,485
Total Liabilities		22,040,285	28,782,187
Total Equity and Liabilities		59,740,456	40,991,797

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2023

	Note	2023 RM	2022 RM
Revenue	21	47,549,728	50,809,717
Cost of sales		(43,133,036)	(45,084,249)
Gross profit		4,416,692	5,725,468
Other operating income	22	14,024,887	968,000
Selling and distribution costs		(1,368,785)	(1,476,181)
Administrative expenses		(6,572,597)	(5,811,040)
Profit/(Loss) before operation		10,500,197	(593,753)
Finance costs	23	(557,407)	(538,211)
Profit/(Loss) before taxation	24	9,942,790	(1,131,964)
Taxation	26	-	-
Profit/(Loss) for the financial year		9,942,790	(1,131,964)
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss :-</i>			
Revaluation surplus on land and buildings		20,989,114	-
Tax effects relating to			
Revaluation of land and buildings		(5,441,343)	-
Total comprehensive income/(loss)		25,490,561	(1,131,964)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statement of Changes in Equity

for the financial year ended 31 December 2023

	Note	Non-Distributable Share capital RM	Revaluation reserve RM	Distributable Accumulated losses RM	Total RM
At 1 January 2022		6,678,750	-	(12,337,176)	(5,658,426)
Issuance of share		19,000,000	-	-	19,000,000
Total comprehensive loss for the financial year		-	-	(1,131,964)	(1,131,964)
At 31 December 2022		25,678,750	-	(13,469,140)	12,209,610
Revaluation surplus on land and buildings		-	15,547,771	-	15,547,771
Total comprehensive income for the financial year		-	-	9,942,790	9,942,790
At 31 December 2023		25,678,750	15,547,771	(3,526,350)	37,700,171

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statements of Cash Flows

for the financial year ended 31 December 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit/Loss before taxation		9,942,790	(1,131,964)
Adjustments for:			
Depreciation of property, plant and equipment		2,145,665	1,677,645
Finance costs		557,407	538,211
Finance income		-	(790)
Impairment loss on inventories		-	123,786
Reversal of impairment loss on trade receivables		-	(556,655)
Written off property, plant and equipment		714,749	-
Gain on disposal of property, plant and equipment		(11,450,671)	-
Operating profit before changes in working capital		1,909,940	650,233
Changes in working capital:			
Inventories		662,556	(736,077)
Trade receivables		(525,617)	718,085
Other receivables, deposits and prepayments		(521,796)	987,606
Trade payables		(827,848)	(548,287)
Other payables and accruals		(2,665,144)	1,072,809
Amount owing from a related company		1,288,633	(733,234)
Amount owing to immediate holding company		1,319,475	224,108
Amount owing to subsidiary companies		(9,897,785)	(2,041,536)
Cash used in operations		(9,257,586)	(406,293)
Interest paid		(557,407)	(538,211)
Interest received		-	790
Tax refunded		145,831	-
Net cash used in operating activities		(9,669,162)	(943,714)
Cash flow from investing activities			
Purchase of property, plant and equipment	27	(1,166,230)	(1,023,683)
Investment in subsidiaries	5	(3,000,000)	-
Proceeds from disposal of property, plant and equipment		15,507,495	-
Net cash generated from/(used in) investing activities		11,341,265	(1,023,683)
Balance carried forward		1,672,103	(1,967,397)

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statements of Cash Flows

for the financial year ended 31 December 2023

	Note	2023 RM	2022 RM
Balance brought forward		1,672,103	(1,967,397)
Cash flow from financing activities			
Net (repayment)/drawdown of bank borrowings	28	(328,393)	305,830
Repayment of lease liabilities	28	(818,029)	(515,607)
Drawdown of lease liabilities		2,094,835	-
Net cash generated from/(used in) financing activities		948,413	(209,777)
Net increase/(decrease) in cash and cash equivalents		2,620,516	(2,177,174)
Cash and cash equivalents at the beginning of the financial year		(3,426,575)	(1,249,401)
Cash and cash equivalents at the end of the financial year	29	(806,059)	(3,426,575)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Notes to the Financial Statements

31 December 2023

1. General information

Paragon Car Carpets & Components Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia.

The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business : Lot 14, Jalan Satu
Kawasan Perindustrian Cheras Jaya
Batu 11
43200 Cheras, Selangor.

Registered office : B-21-1, Level 21,
Tower B, Northpoint Midvalley City
No. 1 Medan Syed Putra
59200 Kuala Lumpur.

The principal activities of Company are manufacturing and trading in car carpets and automotive components. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

These financial statements were authorized for issued by the Board of Directors on 25 April 2024.

2. Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The Company has applied the following accounting standards, interpretations and amendments to the MFRSs for the financial year beginning on 1 January 2023 : -

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendment to MFRS 17, Insurance Contracts and Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Error - Definition of Accounting Estimates
- Amendment to MFRS 112, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Paragon Car Carpets & Components Sdn. Bhd.
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Notes to the Financial Statements

31 December 2023

2. Basis of preparation of financial statements (Cont'd.)

a) Statement of compliance (Cont'd.)

The following are accounting standards, amendments and interpretations of the MFRSs framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 7, Financial Instruments : Disclosures – Supplier Finance Arrangements
- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabilities with Covenants.
- Amendments to MFRS 107, Statement of Cash Flows – Supplier Finance Arrangements

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above the accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is Company's functional currency.

Paragon Car Carpets & Components Sdn. Bhd.
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Notes to the Financial Statements

31 December 2023

2. Basis of preparation of financial statements (Cont'd.)

d) Use of estimates and judgements

The preparation of these financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets are disclosed in Note 3(b)(iii). The long-term leasehold land is depreciated over the unexpired lease period. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Allowance for inventory write down

Allowance for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices and expected costs of sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(iii) Measurement of expected credit loss allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

Paragon Car Carpets & Components Sdn. Bhd.
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Notes to the Financial Statements

31 December 2023

3. Material accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Company, unless otherwise stated.

a) Investment in subsidiary company

Investment in subsidiary company is carried at cost less accumulated impairment losses. On disposal of investments in subsidiary, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(iii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

a. Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, a foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(f)(i)) where the effective interest rate is applied to the amortised cost.

b. Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(e)(i)) where the effective interest rate is applied to the amortised cost.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Company irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss under the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

c. Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This include derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 3(f)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a. Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- i. if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii. a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or
- iii. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

The categories of financial liabilities at initial recognition are as follows: (Cont'd.)

a. Fair value through profit or loss (Cont'd.)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

b. Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting in the current year.

Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to pay for it on the trade date; and
- b. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

- a. The amount of the loss allowance; and
- b. The amount initially recognised loss, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Company revalues its leasehold land and building every years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. At such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all the order cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

c) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leasehold land is depreciated over the period of the lease. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of the property, plant and equipment are as follows:

Factory buildings and building improvements	50 years
Plant and machinery	6 to 30 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	3 to 10 years
Electrical installation and renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

d) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less than estimated costs of completion and the estimated costs necessary to make the sale.

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3. Material accounting policies (Cont'd.)

e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

f) Impairment of assets

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without under cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

f) Impairment of assets (Cont'd.)

(i) Financial assets (Cont'd.)

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

f) Impairment of assets (Cont'd.)

(ii) Other assets (Cont'd.)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

g) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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3. Material accounting policies (Cont'd.)

g) Leases (Cont'd.)

(ii) Recognition and initial measurement

a. As a lessee

The Company had included its right-of-use assets within property, plant and equipment.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company incremental borrowing rate. Generally, the Company uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

g) Leases (Cont'd.)

(ii) Recognition and initial measurement (Cont'd.)

a. As a lessee (Cont'd.)

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with leases as an expense on a straight-line basis over the lease term.

b. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

a. As a lessee

The right-of-use asset is a subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

g) Leases (Cont'd.)

(iii) Subsequent measurement (Cont'd.)

a. As a lessee (Cont'd.)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b. As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

h) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

i) Equity instruments (Cont'd.)

(ii) Ordinary shares

Ordinary shares are classified as equity.

j) Revenue

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria are met:

- the customer simultaneously receives and consumes the benefits provided as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

a. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the control of the goods have been transferred to the customer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

j) Revenue (Cont'd.)

(ii) Other income

a. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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Notes to the Financial Statements

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3. Material accounting policies (Cont'd.)

m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

n) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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Notes to the Financial Statements

31 December 2023

3. Material accounting policies (Cont'd.)

n) Fair value measurements (Cont'd.)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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	←-----At valuation-----→	-----At cost----->	
	Leasehold land RM	Factory buildings and building improvements RM	Plant and machinery RM
			Motor vehicles RM
			Furniture, fittings and equipment RM
			Electrical installation and renovation RM
			Right-of-use assets RM
			Total RM
Costs			
At 1 January 2022	5,950,000	8,400,344	12,868,876
Additions	-	-	307,336
Written off	-	-	-
Transfer to plant and machinery	-	-	969,332
			(969,332)
At 31 December 2022	5,950,000	8,400,344	14,145,544
Additions	-	-	1,091,317
Revaluation	11,570,000	5,736,314	-
Written off	-	-	(3,336,894)
Disposal	(2,720,000)	(2,936,658)	(701,102)
			(145,540)
At 31 December 2023	14,800,000	11,200,000	11,198,865
			213,640
			7,776,107
			3,596,114
			4,494,569
			53,279,295

APPENDIX II – INFORMATION ON PCCCSB

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Notes to the Financial Statements

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4. Property, plant and equipment (Cont'd.)

	At valuation ----->		At cost ----->					
	Leasehold land RM	Factory buildings and building improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Right-of-use assets RM	Total RM
Accumulated depreciation								
At 1 January 2022	1,729,897	3,629,319	10,421,614	289,145	13,537,946	4,437,114	132,810	34,177,845
Charge for the financial year	74,094	184,372	192,205	24,716	889,827	186,784	125,647	1,677,645
Written off	-	-	-	-	(342,867)	-	-	(342,867)
Transfer to plant and machinery	-	-	76,454	-	-	-	(76,454)	-
At 31 December 2022	1,803,991	3,813,691	10,690,273	313,861	14,084,906	4,623,898	182,003	35,512,623
Charge for the financial year	48,690	137,212	247,212	24,718	958,894	56,817	672,122	2,145,665
Revaluation	(1,019,529)	(2,663,271)	-	-	-	-	-	(3,682,800)
Written off	-	-	(3,287,430)	-	(7,641,739)	-	-	(10,929,169)
Disposal	(833,152)	(1,287,632)	(478,814)	(145,540)	-	(2,310,027)	-	(5,055,165)
At 31 December 2023	-	-	7,171,241	193,039	7,402,061	2,370,688	854,125	17,991,154
Carrying amount								
At 31 December 2022	4,146,009	4,586,653	3,455,271	45,319	1,715,606	1,572,345	1,690,006	17,211,209
At 31 December 2023	14,800,000	11,200,000	4,027,624	20,601	374,046	1,225,426	3,640,444	35,288,141

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Notes to the Financial Statements

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4. Property, plant and equipment (Cont'd.)

- a) The remaining period of the lease term of the leasehold land is 66 years (2022 – 67 years).
- b) The carrying amount of property, plant and equipment of the Company have been pledged to licensed banks as securities for credit facilities granted to subsidiary companies as disclosed in Note 14 and 15 to the financial statements are as follows:

	2023 RM	2022 RM
Leasehold land	14,800,000	4,146,009
Factory buildings	11,200,000	4,586,653
	<u>26,000,000</u>	<u>8,732,662</u>

- c) The carrying amount of property, plant and equipment acquired under hire purchase financing are as follows:

	2023 RM	2022 RM
Plant and machinery	<u>3,640,444</u>	<u>1,690,007</u>

5. Investment in subsidiary companies

	2023 RM	2022 RM
In Malaysia		
Unquoted shares, at cost	6,600,001	6,600,001
Addition	3,000,000	-
Less: Accumulated impairment losses	(905,417)	(905,417)
	<u>8,694,584</u>	<u>5,694,584</u>

Movement of accumulated impairment losses as follows:

	2023 RM	2022 RM
At 1 January/31 December	<u>905,417</u>	<u>905,417</u>

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Notes to the Financial Statements

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5. Investment in subsidiary companies (Cont'd.)

The details of the subsidiaries are as follows:

<u>Name of entity</u>	<u>Principal place of business/Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest</u>	
			2023 %	2022 %
Paragon Carpetmaker Sdn. Bhd.	Malaysia	Manufacturing and trading in car carpets and commercial carpets	100	100
<i>Subsidiary company of Paragon Carpetmaker Sdn. Bhd.</i>				
Paragon Carpet Distributor Sdn. Bhd.	Malaysia	Distribution and trading of commercial carpets	100	100

The Company is a subsidiary of Paragon Union Berhad, a company incorporated and domiciled in Malaysia which produces consolidated financial statements. Accordingly, by virtue of the exemption in paragraph 4(a) of MFRS 10, *Consolidated Financial Statements*, consolidated financial statements has not been prepared.

6. Inventories

	2023 RM	2022 RM
At cost		
Raw material	5,956,029	6,423,330
Work-in-progress	556,747	655,757
Finished goods	732,386	828,631
	<u>7,245,162</u>	<u>7,907,718</u>
Less: Impairment losses	(123,786)	(123,786)
	<u>7,121,376</u>	<u>7,783,932</u>

Movement of allowance for accumulated impairment losses are as follows:

	2023 RM	2022 RM
At 1 January	123,786	1,958,337
Addition	-	123,786
Written off	-	(1,958,337)
At 31 December	<u>123,786</u>	<u>123,786</u>

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7. Trade receivables

The Company's normal trade credit terms range from 30 to 90 days (2022 – 30 to 60 days). Other credit terms are assessed and approved on a case-to-case basis.

8. Other receivables, deposits and prepayments

	2023 RM	2022 RM
Other receivables	392,032	493,674
Deposits	72,120	75,410
Prepayments	1,400,754	1,817,618
	<u>1,864,906</u>	<u>2,386,702</u>

9. Amount owing from a related company

Amount owing from a related company is non-trade in nature, interest-free and repayable on demand by cash and cash equivalents.

10. Share capital

	2023 Number of shares	2022 Number of shares	2023 RM	2022 RM
Issued and fully paid:				
At 1 January	22,750,000	3,750,000	25,678,750	6,678,750
Issuance of share	-	19,000,000	-	19,000,000
At 31 December	<u>22,750,000</u>	<u>22,750,000</u>	<u>25,678,750</u>	<u>25,678,750</u>

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

11. Reserve

	2023 RM	2022 RM
Revaluation surplus	20,989,114	-
Deferred tax (Note 16)	(5,441,343)	-
	<u>15,547,771</u>	<u>-</u>

The revaluation reserves of the Company represent surplus on revaluation of leasehold land and buildings, net of deferred tax effect.

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12. Lease liabilities

	2023 RM	2022 RM
Minimum lease payments:		
- not later than one year	1,165,958	329,080
- between one to five years	1,696,395	328,316
	<u>2,862,353</u>	<u>657,396</u>
Less: Future interest charges	(238,031)	(53,880)
Present value of lease liabilities	<u>2,624,322</u>	<u>603,516</u>
Repayable as follows:		
- current	1,022,210	293,814
- non-current	1,602,112	309,702
	<u>2,624,322</u>	<u>603,516</u>
	2023 %	2022 %
Effective interest rate	2.54 – 6.76	2.55 – 6.10

13. Bank borrowings

	2023 RM	2022 RM
Current		
Bank overdrafts	1,739,016	3,543,372
Bankers' acceptance	-	247,000
Usance letter of credit	1,530,200	1,611,593
	<u>3,269,216</u>	<u>5,401,965</u>
Total borrowings		
<u>Secured</u>		
Bank overdrafts (Note 14)	1,739,016	3,543,372
Bankers' acceptance (Note 15)	-	247,000
Usance letter of credit (Note 15)	1,530,200	1,611,593
	<u>3,269,216</u>	<u>5,401,965</u>

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13. Bank borrowings (Cont'd.)

The effective interest rates for the Company is as follows:

	2023 %	2022 %
Bank overdrafts	6.90	6.90
Bankers' acceptance	-	2.80
Usance letter of credit	1.51 – 5.35	1.51 – 5.35

14. Bank overdrafts

Secured

The bank overdrafts are secured by the following:

- corporate guarantee by the Company;
- legal charge over the investment properties of the holding company; and
- legal charge over the factory building of the Company as disclosed in Note 4 to the financial statements.

15. Bankers' acceptance and usance letter of credit

Secured

The bankers' acceptance and usance letter of credit are secured by the following:

- corporate guarantee by holding company; and
- legal charge over the factory building of the Company as disclosed in Note 4 to the financial statements.

16. Deferred tax liabilities

	2023 MYR	2021 MYR
At 1 January	-	-
Recognised in revaluation reserve (Note 11)	(5,441,343)	-
At 31 December	(5,441,343)	-

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16. Deferred tax liabilities (Cont'd.)

The components of deferred tax assets and liabilities during the financial year are as follows:

	2023 MYR	2022 MYR
<u>Deferred tax liability</u>		
Surplus on revaluation	(5,441,343)	-
<u>Deferred tax assets</u>		
Unutilised tax losses	7,279,607	-
Unabsorbed capital allowances	7,667,258	-
Offset	(14,946,865)	-
	-	-
	(5,441,343)	-

17. Trade payables

The Company's normal trade credit terms range from 30 to 90 days (2022 – 30 to 90 days).

The currency exposure profiles of trade payables are as follows:

	2023 RM	2022 RM
Ringgit Malaysia	2,186,486	2,779,702
Chinese Renminbi	135,927	419,147
United State Dollar	292,751	188,231
Euro	-	74,090
Thailand Baht	130,301	112,143
	2,745,465	3,573,313

18. Other payables and accruals

	2023 RM	2022 RM
Other payables	3,110,691	5,755,243
Accruals	35,350	55,942
	3,146,041	5,811,185

19. Amount owing to immediate holding company

Amount owing to immediate holding company is non-trade in nature, interest-free and repayable on demand on cash by cash equivalents.

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20. Amount owing to a subsidiary company

Amount owing to a subsidiary company is non-trade in nature, interest-free and repayable on demand by cash and cash equivalents.

21. Revenue

	2023 RM	2022 RM
Revenue recognised from contract with customers		
- Sale of goods	47,549,728	50,809,717

Breakdown of revenue recognised from contracts with customers is as follows:

	2023 RM	2022 RM
Major segments:		
- automotive	47,549,728	50,809,717
Geographical market:		
- Malaysia	47,549,728	50,809,717
Timing of revenue recognition:		
- at a point in time	47,549,728	50,809,717

22. Other operating income

	2023 RM	2022 RM
Gain on disposal of property, plant and equipment	11,450,671	-
Interest income	-	790
Insurance	756,759	167,254
Reversal of impairment loss on trade receivables	-	556,655
Rental income	10,500	-
Sales of scrap	1,806,957	243,301
	14,024,887	968,000

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23. Finance costs

	2023 RM	2022 RM
Interest expenses on:		
Bank overdrafts	342,560	289,464
Bankers' acceptance	12,007	17,213
Lease liabilities	142,949	57,660
Usance letter of credit	59,891	98,994
Term loan	-	74,880
	<u>557,407</u>	<u>538,211</u>

24. Profit/(Loss) before taxation

	2023 RM	2022 RM
This is arrived at after charging:		
Auditors' remuneration		
- Current year	40,000	27,000
- Prior year	12,400	-
Depreciation of property, plant and equipment	2,145,665	1,677,645
Impairment loss on inventories	-	123,786
Realised loss on foreign exchange	20,851	12,883
Fixed asset written off	714,749	-
Staff costs (Note 25)	9,587,627	7,939,265
and crediting:		
Interest income	-	(790)
Reversal of impairment loss on trade receivables	-	(556,655)
	<u>-</u>	<u>(556,655)</u>

25. Staff costs

	2023 RM	2022 RM
Salaries, allowance and bonus	8,924,819	7,589,780
Employees Provident Fund	541,205	252,047
Employment Insurance System and Social Security Costs	121,603	97,438
	<u>9,587,627</u>	<u>7,939,265</u>

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26. Taxation

	2023 RM	2022 RM
Malaysian income tax		
- over provision in prior year	-	-

Income tax is calculated at the Malaysian statutory tax rates of 24% (2022 – 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:

	2023 %	2022 %
Applicable tax rate	24	24
Non-deductible expenses	8	*
Non-taxable income	(28)	*
Deferred tax assets not recognised	(4)	(24)
Effective tax rate	-	-

* Less than 1%

27. Addition on property, plant and equipment

	2023 RM	2022 RM
Addition on property, plant and equipment (Note 4)	4,005,065	1,215,692
Less: Acquire under lease agreements (Note 28)	(2,838,835)	(192,009)
Cash payments	1,166,230	1,023,683

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28. Changes in liabilities arising from financing activities

The table below details changes in the liabilities of the Company arising from financing activities, including both cash and non-cash changes as follows:

	Lease liabilities RM	Bank borrowings (excluding bank overdrafts) RM	Total RM
At 1 January 2022	927,114	1,552,763	2,479,877
Acquisition of new lease	192,009	-	192,009
Net changes from financing cash flows	(515,607)	305,830	(209,777)
At 31 December 2022	603,516	1,858,593	2,462,109
Acquisition of new lease	2,838,835	-	2,838,835
Net changes from financing cash flows	(818,029)	(328,393)	(1,146,422)
At 31 December 2023	2,624,322	1,530,200	4,154,522

29. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the followings amounts:

	2023 RM	2022 RM
Cash and bank balances	932,957	116,797
Bank overdrafts	(1,739,016)	(3,543,372)
	(806,059)	(3,426,575)

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30. Financial instruments

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Financial assets measured at amortised cost ("FAAC"); and
- (ii) Financial liabilities measured at amortised cost ("FLAC").

	Carrying amount RM	FAAC RM	FLAC RM
2023			
Financial assets			
Trade receivables	5,838,492	5,838,492	-
Other receivables and deposits	464,152	464,152	-
Cash and bank balances	932,957	932,957	-
	<u>7,235,601</u>	<u>7,235,601</u>	<u>-</u>
Financial liabilities			
Trade payables	(2,745,465)	-	(2,745,465)
Other payables and accruals	(3,146,041)	-	(3,146,041)
Amount owing to immediate holding company	(4,813,898)	-	(4,813,898)
Lease liabilities	(2,624,322)	-	(2,624,322)
Bank borrowings	(3,269,216)	-	(3,269,216)
	<u>(16,598,942)</u>	<u>-</u>	<u>(16,598,942)</u>
2022			
Financial assets			
Trade receivables	6,364,109	6,364,109	-
Other receivables and deposits	569,084	569,084	-
Cash and bank balances	116,797	116,797	-
	<u>7,049,990</u>	<u>7,049,990</u>	<u>-</u>
Financial liabilities			
Trade payables	(3,573,313)	-	(3,573,313)
Other payables and accruals	(5,811,185)	-	(5,811,185)
Amount owing to immediate holding company	(3,494,423)	-	(3,494,423)
Amount owing to a subsidiary company	(9,897,785)	-	(9,897,785)
Lease liabilities	(603,516)	-	(603,516)
Bank borrowings	(5,401,965)	-	(5,401,965)
	<u>(28,782,187)</u>	<u>-</u>	<u>(28,782,187)</u>

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30. Financial instruments (Cont'd.)

b) Financial risk management

The Company have exposure to the following risks from its use of financial instruments as follows:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers. There are no significant changes as compared to prior years.

Trade receivables

Risk management objectives, policies and processes from managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit valuations are performed on customers requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect or recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial period.

Exposure to credit risk, credit quality and collateral

At the end of each reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Concentration of credit risk

As at 31 December 2023, the Company has significant concentration of credit risk in the form of outstanding balance of approximately RM5,128,886 due from top five trade receivables which represents 88% of the trade receivables of the Company.

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31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Concentration of credit risk (Cont'd.)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

The Company uses an allowance matrix to measure the expected credit losses ("ECLs") of trade receivables for all segments, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature:

	Gross RM	Loss allowance RM	Net RM
2023			
Neither past due nor individually impaired	4,335,539	-	4,335,539
Past due but not individually impaired:			
- 1 – 30 days	1,183,751	-	1,183,751
- 31 – 60 days	304,956	-	304,956
- 61 – 365 days	14,246	-	14,246
	<u>5,838,492</u>	<u>-</u>	<u>5,838,492</u>

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30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature: (Cont'd.)

	Gross RM	Loss allowance RM	Net RM
2022			
Neither past due nor individually impaired	4,266,724	-	4,266,724
Past due but not individually impaired:			
- 1 – 30 days	1,057,062	-	1,057,062
- 31 – 60 days	971,229	-	971,229
- 61 – 365 days	69,094	-	69,094
	<u>6,364,109</u>	<u>-</u>	<u>6,364,109</u>

The movements in the allowance for impairment in respect of trade receivables during the financial year are as follows:

	Lifetime ECL RM	Credit impaired RM	Total RM
At 1 January 2022	33,520	534,453	567,973
Reversal of impairment loss on trade receivables no longer required	(33,520)	(534,453)	(567,973)
At 31 December 2022	-	-	-
Reversal of impairment loss on trade receivables no longer required	-	-	-
At 31 December 2023	-	-	-

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Notes to the Financial Statements

31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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Notes to the Financial Statements

31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
2023							
<i>Non-derivative financial liabilities</i>							
Trade payables	2,745,465	-	2,745,465	2,745,765	-	-	-
Other payables	3,146,041	-	3,146,041	3,146,041	-	-	-
Amount owing to immediate holding company	4,813,898	-	4,813,898	4,813,898	-	-	-
Lease liabilities	2,624,322	2.54 – 6.76	2,862,353	1,165,958	1,020,678	675,717	-
Bank borrowings	3,269,216	1.51 – 6.90	3,269,216	3,269,216	-	-	-
Financial guarantee	18,300,000	-	18,300,000	18,300,000	-	-	-
	34,898,942		35,136,973	33,440,878	1,020,678	675,717	-

APPENDIX II – INFORMATION ON PCCCSB

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31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (Cont'd.)

2022	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
<i>Non-derivative financial liabilities</i>							
Trade payables	3,573,313	-	3,573,313	3,573,313	-	-	-
Other payables	5,811,185	-	5,811,185	5,811,185	-	-	-
Amount owing to immediate holding company	3,494,423	-	3,494,423	3,494,423	-	-	-
Amount owing to a subsidiary company	9,897,785	-	9,897,785	9,897,785	-	-	-
Lease liabilities	603,516	2.55 – 6.10	657,396	329,080	181,562	146,754	-
Bank borrowings	5,401,965	1.51 – 6.90	5,401,965	5,401,965	-	-	-
Financial guarantee	18,300,000	-	18,300,000	18,300,000	-	-	-
	<u>47,082,187</u>		<u>47,136,067</u>	<u>46,807,751</u>	<u>181,562</u>	<u>146,754</u>	<u>-</u>

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31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows. Other than foreign exchange rate risk and interest rate risk, the Company is not exposed to other prices risk.

Currency risk

The Company is exposed to foreign currency risk on sales, purchases, assets and liabilities that are denominated in a currency other than Ringgit Malaysia. The currencies giving risk to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), EURO ("EUR") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The exposure to currency risk is monitored by the management and it is not expected to have a material impact on the financial performance of the Company.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period are as follows:

	2023 RM	2022 RM
<i>Balance recognised in the statement of financial position</i>		
Denominated in RMB		
- Trade payables	(135,927)	(419,147)
Denominated in USD		
- Trade payables	(292,751)	(188,231)
- Cash and cash equivalents	9,534	9,534
	(283,217)	(178,697)
Denominated in EUR		
- Trade payables	-	(74,090)
Denominated in THB		
- Trade payables	(130,301)	(112,143)

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Notes to the Financial Statements

31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(iii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Currency risk sensitivity analysis

A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonable possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

	2023		2022	
	Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
RMB	(5,165)	(5,165)	(15,928)	(15,928)
USD	(10,762)	(10,762)	(6,790)	(6,790)
EUR	-	-	(2,815)	(2,815)
THB	(4,951)	(4,951)	(4,261)	(4,261)

A 5% weakening of RM against the above foreign currencies at the end of the reporting period would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Short-term investments such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

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31 December 2023

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(iv) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	2023		2022	
	RM	%	RM	%
Fixed rate instruments				
Lease liabilities	2,624,322	2.54 – 6.76	603,516	2.55 – 6.10
Floating rate instruments				
Bank overdrafts	1,739,016	6.90	3,543,372	6.90
Bankers' acceptance	-	-	247,000	2.80
Usance letter of credit	1,530,200	1.51 – 5.35	1,611,593	1.51 - 5.35

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Company's profit net of tax would have been RM24,846 (2022 – RM41,055) respectively higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Notes to the Financial Statements

31 December 2023

30. Financial instruments (Cont'd.)

c) Fair value information

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted prices in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial statements not carried at fair value in the statements of financial position:

	2023		2022	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Lease liabilities	2,624,322	2,862,353	603,516	657,396

- (i) the carrying amount of cash and cash equivalents and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.
- (ii) the carrying amount of long-term bank borrowings carried on the statements of financial position reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.
- (iii) the aggregate fair value of the other financial assets and liabilities carried on the statement of financial position approximates the carrying value and the Company does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

31. Capital management

The primary objective of capital management is to ensure that an entity maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure to safeguard its ability to continue as a going concern in order to maintain investor, creditors and market confidence and to sustain future business development. The Company's overall strategy remains unchanged from the previous financial year.

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Notes to the Financial Statements

31 December 2023

31. Capital management (Cont'd.)

The Company monitors the capital using gearing ratio, which is net of bank borrowings divided by equity attributable to owners of the Company.

	2023 RM	2022 RM
Bank borrowings	3,269,216	5,401,965
Lease liabilities	2,624,322	603,516
Less: Cash and bank balances	(932,957)	(116,797)
Net bank borrowings	4,960,581	5,888,684
Equity attributable to owners of the Company	37,700,171	12,209,610
Gearing ratio	13.16%	48.23%

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Company.

The Company has related party transactions with their directors and key management personnel.

Significant related party transactions

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Company are show below. The related party balances are shown in Note 9, 19 and 20 to the financial statements.

	2023 RM	2022 RM
Purchases from a subsidiary company	3,730,334	6,537,960
Management fee paid/payable to immediate holding company	-	328,500

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Notes to the Financial Statements

31 December 2023

32. Related parties (Cont'd.)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibilities for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the directors of the Company and certain member of senior management of the Company.

The remuneration paid to key management personnel during the financial year are as follows:

	2023 RM	2022 RM
Senior management of the Company		
Salaries and other emoluments	375,000	-
Estimated monetary value of benefits-in-kind	6,5000	-
	<u>381,500</u>	<u>-</u>

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Koon Hoi Chun and Wong Ee-Coln, being two of the directors of Paragon Car Carpets & Components Sdn. Bhd., do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 8 to 57 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Company at 31 December 2023 and of the results and the cash flows of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors



Koon Hoi Chun



Wong Ee-Coln

Kuala Lumpur
Date: 25 April 2024

Paragon Car Carpets & Components Sdn. Bhd.
(Incorporated in Malaysia, Registration No. 198301013594 (108988-M))

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Tan Teck Khong, MIA No. 33013, being the officer primarily responsible for the financial management of Paragon Car Carpets & Components Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 8 to 57, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur this 25 April 2024



Tan Teck Khong
(MIA No. 33013)

Before me,



Unit C-6-1, Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

Commissioner for Oaths



14 October 2025

The Board of Directors
Paragon Union Berhad
Lot 14, Jalan CJ 1/1
Kawasan Perindustrian Cheras Jaya
Batu 11
43200 Cheras
Selangor

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
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Bangsar South City
59200 Kuala Lumpur, Malaysia

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Dear Sirs,

PARAGON UNION BERHAD ("PUB" OR THE "COMPANY") AND ITS SUBSIDIARIES ("GROUP")

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of PUB and its subsidiaries (the "Group") as at 31 December 2023 for which the Directors of PUB ("Directors") are solely responsible. The Pro Forma Consolidated Statements of Financial Position consists of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 have been compiled by the Directors to illustrate the impact of the Proposed Disposal of PUB of 100% equity interest in Paragon Car Carpets & Components Sdn. Bhd. ("PCCCSB") by an indicative disposal consideration of RM13.42 million to be satisfied entirely via cash (Collectively hereinafter referred to as the "Proposed Disposal") on the Group's financial statements as at 31 December 2023, as if the Proposed Disposal had taken place on 31 December 2023.

As part of this process, information about PUB's financial position has been extracted by the Directors from the audited consolidated financial statements of the Group for the financial year ended 31 December 2023, which were reported by us to the members of PUB on 31 December 2023 without any modification.

PARAGON UNION BERHAD

Report on the Compilation of the Pro Forma Consolidated
Statements of Financial Position as at 31 December 2023



Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position based on the Applicable Criteria.

Our Independence and Quality Management

We are independent in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with By-Laws and the IESBA Code.

Our firm applies *International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position in providing this opinion, we do not accept any responsibility for such reports or opinion beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statements of Financial Position is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

PARAGON UNION BERHAD

Report on the Compilation of the Pro Forma Consolidated
Statements of Financial Position as at 31 December 2023



Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis as described in the notes thereon on the pro forma consolidated statements of financial position and in accordance with the requirements of the Applicable Criteria.

PARAGON UNION BERHAD

Report on the Compilation of the Pro Forma Consolidated
Statements of Financial Position as at 31 December 2023



Other matters

This report has been prepared solely for the board of directors. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

Kuala Lumpur

APPENDIX III – REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PUB GROUP AS AT 31 DECEMBER 2023 TOGETHER WITH THE NOTES

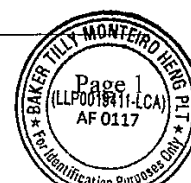
PARAGON UNION BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

The Pro Forma Consolidated Statements of Financial Position of Paragon Union Berhad (“PUB” or the “Company”) and its subsidiaries (the “Group”) as at 31 December 2023 as set out below for which the directors of PUB (“Directors”) are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2023 had the Proposed Disposal as described in Note 2 been effected on that date, and should be read in conjunction with the accompanying notes to the Pro Forma Consolidated Statements of Financial Position.

	Pro Forma I		
	Audited Consolidated Statement of Financial Position as at 31 December 2023 RM'000	After the subsequent events RM'000	After the Proposed Disposal RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	74,379	127,288	112,751
Goodwill	-	18,307	18,307
Total non-current assets	74,379	145,595	131,058
Current assets			
Inventories	17,010	24,660	17,356
Trade receivables	9,085	14,471	9,350
Other receivables	2,771	2,699	1,937
Tax recoverable	66	66	66
Fixed deposit with licensed bank	3,300	3,300	3,300
Cash and bank balances	1,223	870	22,390
Total current assets	33,455	46,066	54,399
TOTAL ASSETS	107,834	191,661	185,457

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023**



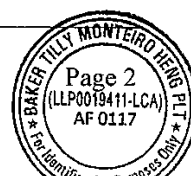
APPENDIX III – REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PUB GROUP AS AT 31 DECEMBER 2023 TOGETHER WITH THE NOTES

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

		Pro Forma I	
	Audited Consolidated Statement of Financial Position as at 31 December 2023 RM'000	After the subsequent events RM'000	After the Proposed Disposal RM'000
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	84,902	129,333	129,333
Merger reserves	(4,618)	(4,618)	(4,618)
Revaluation reserve	32,628	32,628	32,628
Accumulated losses	(36,351)	(36,351)	(31,134)
	76,561	120,992	126,209
Non-controlling interests	-	25,099	25,099
TOTAL EQUITY	76,561	146,091	151,308
Non-current liabilities			
Lease liabilities	650	650	-
Bank borrowings	4,993	4,993	4,993
Deferred tax liability	11,251	18,678	16,721
Total non-current liabilities	16,894	24,321	21,714
Current liabilities			
Trade payables	4,733	10,628	7,480
Other payables	4,152	4,748	2,621
Current tax liability	-	129	129
Lease liabilities	270	270	-
Bank borrowings	5,224	5,474	2,205
Total current liabilities	14,379	21,249	12,435
TOTAL LIABILITIES	31,273	45,570	34,149
TOTAL EQUITY AND LIABILITIES	107,834	191,661	185,457

Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023



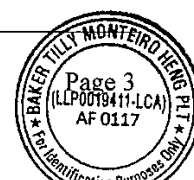
APPENDIX III – REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PUB GROUP AS AT 31 DECEMBER 2023 TOGETHER WITH THE NOTES

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

	Pro Forma I		
	Audited Consolidated Statement of Financial Position as at 31 December 2023 RM'000	After the subsequent events RM'000	After the Proposed Disposal RM'000
Number of ordinary shares in issue ('000)	83,830	101,118	101,118
Net assets ("NA") attributable to the owners of the Company (RM'000)	76,561	120,992	126,209
NA per share attributable to the owners of the Company (RM)	0.91	1.20	1.25
Interest-bearing borrowings (RM'000)	10,217	10,467	7,198
Gearing (times)	0.13	0.09	0.06

Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023



PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

1. Basis of Preparation

- 1.1 The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023, for which the Directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2023 had the Proposed Disposal as described in Note 2 been effected on that date, and should be read in conjunction with the accompanying notes to the Pro Forma Consolidated Statements of Financial Position.
- 1.2 The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards.
- 1.3 The audited consolidated financial statements of PUB for the financial year ended 31 December 2023 were reported by the auditors to the members of PUB on 31 December 2023, without any modification.

2. The Proposed Disposal

- 2.1 The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 have been compiled by the Directors to illustrate the impact of the Proposed Disposal of PUB of 100% equity interest in Paragon Car Carpets & Components Sdn. Bhd. ("PCCCSB") by an indicative disposal consideration of RM13.42 million to be satisfied entirely via cash on the Group's financial statements as at 31 December 2023, as if the Proposed Disposal had taken place on 31 December 2023, which consists of the following:
- (i) **Divestment of PCCCSB's subsidiaries** - PUB shall acquire from PCCCSB its entire equity interest in Paragon Carpetmaker Sdn Bhd ("PCM"), PCCCSB's wholly-owned subsidiary, which in turn holds 100% equity interest in Paragon Carpet Distributor Sdn Bhd ("PCD") ("Divestment of Subsidiaries"). The investment in PCM (together with PCD) has a net book value of approximately RM8.69 million as at 30 June 2025 and is intended to be disposed to PUB for a consideration of RM15.85 million, resulting in a net increase of approximately RM6.84 million to PCCCSB's net tangible assets ("NTA"). Upon completion of the Divestment of Subsidiaries, PCM and PCD shall become wholly-owned subsidiaries of PUB;

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

2. The Proposed Disposal

2.1 The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 have been compiled by the Directors to illustrate the impact of the Proposed Disposal of PUB of 100% equity interest in Paragon Car Carpets & Components Sdn. Bhd. ("PCCCSB") by an indicative disposal consideration of RM13.42 million to be satisfied entirely via cash (Collectively hereinafter referred to as the "Proposed Disposal") on the Group's financial statements as at 31 December 2023, as if the Proposed Disposal had taken place on 31 December 2023, which consists of the following: (continued)

(ii) **Divestment of factory land** - PUB shall acquire from PCCCSB the leasehold industrial land together with the buildings erected thereon, held under HSM 4050, PT No. 7637, Tempat Cheras Jaya, Mukim Cheras, Daerah Ulu Langat, Negeri Selangor, measuring approximately 8,094 square metres (equivalent to 87,124 square feet), with a total built up area of 76,963 square feet ("Factory Land") ("Divestment of Factory Land"). The Factory Land has a net book value of approximately RM25.77 million as at 30 June 2025 and is intended to be disposed to PUB for a consideration of RM26.00 million, resulting in a gain of approximately RM0.23 million. After taking into account the related revaluation surplus (net of deferred tax liabilities), the overall net effect is expected to increase PCCCSB's NTA by approximately RM0.23 million.

Following the Divestment of Factory Land, the Parties have agreed that certain expenditures relating to electrical and installation works, and building renovation incurred by PCCCSB in respect of the Factory Land, amounting to approximately RM1.15 million as at 30 June 2025, will be written off and excluded from PCCCSB's NTA in arriving at the Disposal Consideration ("Excluded Expenditure"); and

(iii) **Dividend and capital repayment** - The Parties agree that, prior to the completion of the Proposed Disposal, PCCCSB will undertake a special dividend and capital repayment to PUB ("Dividend and Capital Repayment"). The aggregate value of the Dividend and Capital Repayment is expected to be approximately RM40.50 million, determined based on the consideration of the Divestment of Factory Land (i.e. RM26.00 million), the consideration of Divestment of Subsidiaries (i.e. RM15.85 million), and PCCCSB's net intercompany balances of approximately RM1.36 million owing to PUB as at 30 June 2025. For clarity, the settlement of intercompany balances between PCCCSB and PUB is a condition precedent under the SSA.

(Collectively hereinafter referred to as the "Proposed Disposal").

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3. Pro Forma Consolidated Statements of Financial Position

- 3.1.1 The audited consolidated statements of financial position of the Group as at 31 December 2023 had been adjusted for the following significant transactions prior to the Pro Forma I:

Subsequent events

Acquisition of assets

On 7 December 2023, Paragon Carpet Art Sdn. Bhd., a wholly-owned subsidiary of PUB has entered into asset purchase agreement with Carpet Art Manufacturing Sdn. Bhd.. The acquisition of assets was completed on 5 June 2024.

The acquisition of assets has the following impact on the audited consolidated statements of financial position of the Group as at 31 December 2023:

	Increase	
	Effects on Total	Effects on Total
	Assets	Equity and
	RM'000	Liabilities
	RM'000	RM'000
Property, plant and equipment	7	-
Inventories	2,435	-
Trade receivables	175	-
Other receivables	(250)	-
Cash and bank balances	(2,250)	-
Other payables	-	117
	117	117

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3. Pro Forma Consolidated Statements of Financial Position (Continued)

- 3.1.1 The audited consolidated statements of financial position of the Group as at 31 December 2023 had been adjusted for the following significant transactions prior to the Pro Forma I: (continued)

Subsequent events (continued)

Acquisition of Metahub Industries Sdn. Bhd. (“Metahub”)

Paragon Metal Sdn. Bhd., a wholly-subsiary of PUB, had on 27 May 2024 entered into a conditional share sale and purchase agreement with Incredible Ark Sdn Bhd and Ung Yoke Hong, for the proposed acquisition of 510,000 ordinary shares in Metahub, representing 51.00% equity interest in Metahub, for a purchase consideration of RM51.00 million, to be satisfied wholly via the issuance of new ordinary shares in PUB at the issue price of RM2.95 per share. The acquisition of Metahub has been deemed completed on 30 December 2024.

The acquisition of Metahub has the following impact on the audited consolidated statements of financial position of the Group as at 31 December 2023:

The goodwill on consolidation arising from the Metahub acquisition is summarised below:

	RM'000
Purchase consideration as per Metahub SSA	44,431
Less: Fair value of identifiable net assets of Metahub as at 30 December 2024 *	(51,223)
Less: Non-controlling interests at date of acquisition	25,099
Goodwill on consolidation	18,307

The fair value identifiable net assets of Metahub are based on the management financial statements of Metahub as at 30 December 2024.

The purchase consideration for the Metahub Acquisition of RM44.43 million will be debited to investment in subsidiaries, which will be funded via issuance of 17,288,136 Shares at actual share price on acquisition date.

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3. Pro Forma Consolidated Statements of Financial Position (Continued)

- 3.1.1 The audited consolidated statements of financial position of the Group as at 31 December 2023 had been adjusted for the following significant transactions prior to the Pro Forma I: (continued)

Subsequent events (continued)

Acquisition of Metahub Industries Sdn. Bhd. (“Metahub”) (continued)

The Metahub Acquisition will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023:

	Increase	
	Effects on Total	Effects on Total
	Assets	Equity and
	RM'000	Liabilities
	RM'000	RM'000
Property, plant and equipment	52,902	-
Goodwill	18,307	
Inventories	5,215	-
Trade receivables	5,211	-
Other receivables	178	-
Cash and bank balances	1,897	-
Share capital	-	44,431
Non-controlling interests	-	25,099
Deferred tax liabilities	-	7,427
Trade payables	-	5,895
Other payables	-	479
Current tax liability	-	129
Bank borrowings	-	250
	83,710	83,710

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023**



PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3. Pro Forma Consolidated Statements of Financial Position (Continued)

3.1.2 Pro Forma I

Pro Forma I incorporates the cumulative effects of subsequent events as described in Note 3.1.1.

On 10 September 2025, PUB has entered into a conditional share sale agreement with Oceancash Pacific Berhad for the proposed disposal of 22,750,000 shares in PCCCSB, representing 100% equity interest in PCCCSB for an indicative disposal consideration of RM13.42 million to be adjusted in accordance with the terms of the SSA, and to be satisfied entirely via cash.

The PCCCSB disposal will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023:

	Increase/(Decrease)	
	Effects on Total	Effects on Total
	Assets	Equity and
	RM'000	Liabilities
	RM'000	RM'000
Property, plant and equipment	(14,537)	-
Inventories	(7,304)	-
Trade receivables	(5,121)	-
Other receivables	(762)	-
Cash and bank balances	21,520	-
Trade payables	-	(3,148)
Other payables	-	(2,127)
Lease liabilities, current	-	(270)
Borrowings, current	-	(3,269)
Lease liabilities, non-current	-	(650)
Deferred tax liabilities	-	(1,957)
Retained earnings	-	5,217
	(6,204)	(6,204)

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

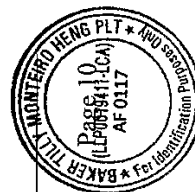
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

4. Movements in Share Capital and Reserves

The pro forma effects of the Proposed Disposal on the issued share capital and reserves of the Company is as follows:

	← Share Capital →			Revaluation Accumulated		Non-controlling interests	Total equity
	Number of shares '000	Amount RM'000	Merger reserve RM'000	reserve RM'000	losses RM'000		
Audited as at 31 December 2023	83,830	84,902	(4,618)	32,628	(36,351)	-	76,561
Arising from the subsequent events	17,288	44,431	-	-	-	25,099	69,530
After the subsequent events	101,118	129,333	(4,618)	32,628	(36,351)	25,099	146,091
Arising from Proposed Disposal	-	-	-	-	5,217	-	5,217
As per Pro Forma I	101,118	129,333	(4,618)	32,628	(31,134)	25,099	151,308

Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023



APPENDIX III – REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PUB GROUP AS AT 31 DECEMBER 2023 TOGETHER WITH THE NOTES

PARAGON UNION BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

5. Movements in Cash and Bank Balances

	RM'000
Audited as at 31 December 2023	1,223
Arising from the subsequent events	(353)
After the subsequent events	870
Arising from Proposed Disposal	21,520
As per Pro Forma I	22,390

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2023**



**APPENDIX III – REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION OF PUB GROUP AS AT 31 DECEMBER 2023
TOGETHER WITH THE NOTES**

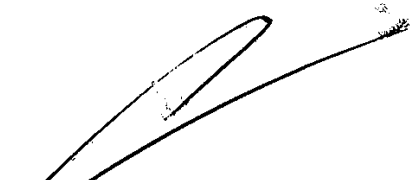
PARAGON UNION BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of Paragon Union Berhad in accordance
with a resolution dated **23 SEP 2023**



.....
Koon Hoi Chun
Director


.....
Wong Ee-Coln
Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making 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 herein misleading.

The information on OPB pursuant to the Proposed Disposal was extracted from publicly available documents and/ or information obtained from the representatives of OPB and the responsibility of the Board is limited to ensuring that the information thereon is accurately reproduced in this Circular.

2. CONSENT

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

Baker Tilly Monteiro Heng PLT has given and has not subsequently withdrawn its written consent to the inclusion of its name, the reporting accountant's letter on the proforma consolidated statements of financial position of PUB Group as at 31 December 2023, and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser for the Proposed Disposal.

Baker Tilly Monteiro Heng PLT has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Reporting Accountant for the Proposed Disposal.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Board is not aware of any material litigation, claims or arbitration, proceedings pending or threatened against the Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of the Group.

5. MATERIAL COMMITMENT

As at the LPD, the Board confirms that there are no material commitments incurred or known to be incurred by the Group that has not been provided for which, may have a material impact on the financial results/ position of the Group.

6. CONTINGENT LIABILITIES

As at the LPD, the Board confirms that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of PUB 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) from the date of this Circular up to and including the date of the EGM:-

- i. Constitutions of PUB and PCCCSB;
- ii. Audited consolidated financial statements of PUB Group for the past 2 financial years up to the FYE 31 December 2023 and the latest unaudited accounts for the 18-month FPE 30 June 2025;
- iii. Audited financial statements of PCCCSB for the past 2 financial years up to the FYE 31 December 2023 and PCCCSB's 18 months management accounts as at 30 June 2025;
- iv. Reporting accountant's letter on the proforma consolidated statements of financial position of PUB Group as at 31 December 2023 together with the notes;
- v. Letters of consent and declaration of conflict of interest referred to in **Sections 2 and 3 of Appendix IV** above respectively; and
- vi. SSA as referred to in **Appendix I** of this Circular.



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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of Paragon Union Berhad ("**PUB**" or the "**Company**"), which will be held at Dewan Perdana Ballroom at the Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, off Jalan Damansara, 60000 Kuala Lumpur on Friday, 28 November 2025 at 11.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification the resolution as set out in this notice.

ORDINARY RESOLUTION

PROPOSED DISPOSAL BY PUB OF 100% EQUITY INTEREST IN PARAGON CAR CARPETS & COMPONENTS SDN BHD ("PCCCSB") FOR AN INDICATIVE DISPOSAL CONSIDERATION OF RM13.42 MILLION TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED DISPOSAL")

"THAT, subject to the approvals from all relevant authorities and/ or parties being obtained in respect of the Proposed Disposal, approval be and is hereby given for PUB to dispose of 22,750,000 shares in PCCCSB, representing 100% equity interest in PCCCSB for an indicative disposal consideration of RM13.42 million to be adjusted in accordance with the terms of the SSA, and to be satisfied entirely via cash.

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 17 October 2025, and the Board of Directors of the Company ("**Board**") be and is hereby empowered and 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, expedient and/ or appropriate in the best interest of the Company.

AND THAT the Board of Directors of PUB be and is hereby authorised and empowered to give full effect to the Proposed Disposal with full power to deal with all matters incidental, ancillary to and/ or relating thereto and take all such steps and to execute and deliver and/ or caused to be executed and delivered all the necessary documents, including the SSA, corporate guarantee and all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations and/ or guarantees to or with any party or parties, and to do all acts, deeds and things as they may consider necessary or expedient or in the best interest of the Company with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Disposal."

By Order of the Board

TAN TONG LANG (MAICSA 7045482) (SSM PC NO. 202208000250)
LIM WEN THENG (MAICSA 7073397) (SSM PC NO. 202308000441)
Company Secretaries

Kuala Lumpur
17 October 2025

Notes:-

1. *A member entitled to participate and vote at the meeting is entitled to appoint up to two (2) proxies to participate and vote in his/her stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. 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.*
2. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 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.*
3. *If the member is a corporation, the Proxy Form must be executed under its seal or signed by an officer or attorney so authorised.*
4. *The instrument appointing a proxy must be deposited to the office of 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 not less than forty eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*
5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 November 2025 (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.*



PARAGON UNION BERHAD

PARAGON UNION BERHAD

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

PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We, _____ (FULL NAME IN BLOCK LETTERS)

NRIC/Passport No./Company Registration No. _____

of _____

(FULL ADDRESS)

contact no. _____ email address _____ being a member/ members of **Paragon Union Berhad** ("PUB" or the "Company") hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company which will held at Dewan Perdana Ballroom at the Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, off Jalan Damansara, 60000 Kuala Lumpur on Friday, 28 November 2025 at 11.00 a.m., or at any adjournment thereof.

PROXY 1	
Full Name (in capital letters):	NRIC/Passport No.:
Full Address:	Contact No.:
	Email Address:

*and/or

PROXY 2	
Full Name (in capital letters):	NRIC/Passport No.:
Full Address:	Contact No.:
	Email Address:

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the EGM of the Company.

**Strike out whichever is not applicable*

I/We direct my/our proxy to vote for or against the resolution to be proposed at the EGM as indicated hereunder:-

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED DISPOSAL		

Dated this.....day of.....2025.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

.....
Signature/Common Seal of Member(s)

No. of Shares	
Proxy 1	_____ %
Proxy 2	_____ %
Total	_____ 100%

Notes:-

1. *A member entitled to participate and vote at the meeting is entitled to appoint up to two (2) proxies to participate and vote in his/her stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. 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.*
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AFFIX
STAMP

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

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