

PARAGON GLOBE BERHAD (“PGB” OR “COMPANY”)

DESIGN-BUILD AND LEASE AGREEMENT BETWEEN ITS WHOLLY-OWNED SUBSIDIARY, PARAGON BIZHUB SDN BHD (“PBSB” OR “LESSOR”) AND PROFIT VELO SDN BHD (“PVSB” OR “LESSEE”)

1. INTRODUCTION

The Board of Directors of PGB (“**Board**”) wishes to announce that its wholly-owned subsidiary, Paragon Bizhub Sdn Bhd (“**PBSB**” or “**Lessor**”) has on 7 June 2023, entered into a Design-Build and Lease Agreement (“**Agreement**”) with Profit Velo Sdn Bhd (“**PVSB**” or “**Lessee**”) to construct and lease a single storey building measuring approximately built-up area of 263.60 square meters together with car parks and such other ancillary structures and landscaping in accordance with the approved building plan and technical specifications (“**Demised Premises**”), held under HS(D) 15022 PTD 14294 Mukim Jeram Batu, Daerah Pontian, Negeri Johor measuring in area approximately 4,041.6791 square meters (“**Land**”).

The Agreement is a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

2. INFORMATION ON THE PARTIES TO THE AGREEMENT

2.1 Paragon Bizhub Sdn Bhd (“**PBSB**” or “**Lessor**”)

PBSB is a private limited company incorporated in Malaysia on 20 December 2017 and having its business address at Level 10-02, Grand Paragon Hotel, No. 18, Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor. The issued and paid-up share capital of PBSB is RM2,500,000.00. PGBG is principally engaged in property development.

2.2 Profit Velo Sdn Bhd (“**PVSB**” or “**Lessee**”)

PVSB is a private limited company incorporated in Malaysia on 28 June 2022 and having its business address at Level 10-01, Grand Paragon Hotel, No. 18, Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor. The issued and paid-up share capital of PVSB is RM100.00. PVSB is principally involved in business of petrol stations/kiosks and convenience stores.

The Director and Substantial Shareholder together with the direct shareholdings of PVSB are as follows: -

	<----- Direct ----->	
Director/Shareholder	No. of shares in PVSB	%
Sindy Tan Pei Chen	100	100

3. SALIENT TERMS OF THE AGREEMENT

- 3.1 Rent per month : Ringgit Malaysia Ten Thousand (RM10,000.00) Only
- 3.2 Term : Twenty (20) years
- 3.3 Further Term : Ten (10) years subject to the terms and conditions to be mutually agreed by the parties
- 3.4 Increase Rent for Term and Further Term : Maximum of 8% for every three (3) preceding years
- 3.5 Commencement Date : The next day immediately following the expiry of the Fit-Out Period OR the day the Lessee commences business at the Demised Premises, whichever is earlier
- 3.6 Expiry Date : Twenty (20) years from Commencement Date
- 3.7 Fit Out Period : Two (2) months from Hand Over Date
- 3.8 Hand Over Date : The date Lessee's acceptance of the delivery of vacant possession of the Demised Premises or the last date of the notification period stated in the notice by the Lessor, whichever is earlier
- 3.9 Payment Terms of Rental : Due and payable on or before seventh (7th) day of each and every succeeding month
- 3.10 Late Penalty Interest ("Interest") : Ten per centum (10%) per annum calculated on daily basis on overdue sum
- 3.11 Security Deposit : Ringgit Malaysia Twenty Thousand (RM20,000.00) only equivalent to two (2) months of the Rent
- 3.12 Utilities Deposit : Ringgit Malaysia Ten Thousand (RM10,000.00) only equivalent to one (1) month of the Rent
- 3.13 The Lessor undertakes to submit and obtain the relevant approvals from the relevant authorities for the construction of the Demised Premises and complete the construction of the Demised Premises in accordance with the approved building plan and the specification as required by the Lessee and thereafter procure the issuance of the Certificate of Completion and Compliance ("CCC") at its own costs and expenses within eighteen (18) months from the date of this Agreement ("**Construction Completion Period**").

3. SALIENT TERMS OF THE AGREEMENT (continued)

3.14 Any defects which become apparent within a period of twenty-four (24) months from the Hand Over Date and due to the Demised Premises not having been constructed in accordance with the plans and specifications and/or due to defective material or workmanship by the Lessor save and except for defects which is due to or arising from the Fit-Out Works or any Alternation Works carried out by the Lessee, its employees, agents and/or servants and/or due to the act, omission or negligence of the Lessee, its employees, agents and/or servants shall be repaired and made good by the Lessor at its own costs and expenses within forty five (45) days of the Lessor having received a written notice thereof from the Lessee. For the avoidance of doubt, in the event of any dispute as to whether or not the defects fall within the ambit of this clause, the decision of the consultant appointed by the Lessor shall be final and binding on each other.

3.15 Notwithstanding any of the provisions stipulated herein, the Lessee hereby unconditionally and irrevocably agrees, covenants and undertakes that in the event the Lessee prior to the expiry of the Term or the Further Term herein, terminates or attempts to terminate this Agreement, then in such an event, the Lessor shall be entitled forthwith to re-enter upon the Demised Premises or any part thereof in the name of the whole and the Deposits and all monies paid by the Lessee hereunder shall be forfeited to the Lessor absolutely and in addition therein the Lessee shall forthwith pay to the Lessor a sum equivalent to the remainder of the Rent for the unexpired period of the Term or the Further Term without prejudice to all other rights and remedies that the Lessor may have against the Lessee in respect of any loss or damages suffered or sustained by the Lessor and in respect of any other rights and remedies against the Lessee for such breach.

3.16 The Lessor agrees to make the title available to the Lessee for the said purpose and consents to the Lessee registration of the Lease.

4. BASIS OF AND JUSTIFICATION OF ARRIVING AT THE RENTAL RATE

The rental rate of Ringgit Malaysia Ten Thousand (RM10,000.00) only arising from the Agreement for the twenty (20) years' lease was arrived after thorough negotiations on a "willing buyer willing seller" basis.

The rental rate was determined by way of benchmarking with the prevailing average rental rates of buildings to third parties at the same location.

5. RATIONALE OF THE AGREEMENT

The Agreement guarantees PBSB a steady stream of rental income over twenty (20) years ("Term") at a steady rental rate with an option to renew thereafter for a further term of ten (10) years ("Further Term") at an increased rental rate of maximum 8% for every three (3) years for the Term and Further Term.

6. RISK IN RELATION TO THE AGREEMENT

The risk factors in relation to the Agreement include, but are not limited to, the following:

(a) Investment risk

The Company will be subject to inherent risks associated as a lessor such as general economic downturn of the global and/or the Malaysian economy throughout the Term and Further Term of the Agreement.

(b) Political, economic, market and regulatory risks

Any adverse changes in the political situation and economic uncertainties in Malaysia could materially and adversely affect the financial performance of our Group despite our Group taking necessary measures, including but not limited to, keeping abreast with local policies and laws as well as seeking professional legal advice prior to committing to new projects.

Any change in the political situation and/or government policies in Malaysia may also affect the business of our Group. Political or regulatory changes such as introduction of new laws and regulations which impose and/or increase restrictions on imports, imposition of capital controls, changes in interest rates or taxes, changes in political state, fiscal and monetary policies will impact our Group's business, financial condition, results of operations and prospects.

Our Group will monitor the key development in the abovementioned political, economic and regulatory conditions and take measures to mitigate such risks by reviewing our Group's business strategies in relation to the changes in political, economic and regulatory conditions.

7. EFFECTS OF THE AGREEMENT

3.1 Share Capital and Substantial Shareholders' Shareholding

The Agreement will not have any effect on the share capital and/or substantial shareholders' shareholdings in PGB.

3.2 Earnings and Earnings per Share ("EPS")

The Agreement is not expected to have any material effect on the earnings and EPS of PGB for the financial year ended 31 March 2023 and financial year ending 31 March 2024 respectively but is expected to contribute positively to the future earnings and EPS of PGB.

3.3 Net Assets ("NA") per Share and Gearing

The Agreement is not expected to have any material effect on the NA per share and gearing ratio of PGB for the financial year ending 31 March 2024.

8. PERCENTAGE RATIO OF THE AGREEMENT

The highest percentage ratio applicable to the Agreement pursuant to Paragraph 10.02(g) of the Listing Requirements is 1.02%, computed based on the aggregate rental receivable under Agreement over the term of twenty (20) years compared to the audited consolidated NA of PGB for the financial year ended 31 March 2022.

9. APPROVAL/ CONSENT REQUIRED FOR THE AGREEMENT

The Agreement is not subject to the approval from the shareholders and relevant authorities. The Agreement is also not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

10. TRANSACTIONS WITH THE RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Saved as disclosed below, there are no other transactions with the Related Parties for the preceding 12 months from date of this announcement.

Date	Title
13 October 2022	Appointment Of its Wholly-Owned Subsidiary Company, PGBG Construction Sdn Bhd (PGBG) as A Main Building Works and Associated Infrastructure Contractor for Construction of One Unit Single Storey Detached Factory, One Unit Guard House, One Unit Garbage House and One Pump House Held Under Lot 68929 (PTD Lama 11668), Jalan Industri 6, Industrial Area Pekan Nenas, Mukim Jeram Batu, Daerah Pontian, Johor (“Proposed Construction”).

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Sindy Tan Pei Chen is the sister to Dato’ Sri Edwin Tan Pei Seng and Dato’ Sri Godwin Tan Pei Poh. She does not hold any shareholdings in the Company. She is the director of PVSB.

12. STATEMENT BY AUDIT COMMITTEE

The Audit Committee has considered all aspects of the Agreement and is of the opinion that the Agreement is: -

- (i) In the best interest of the Company;
- (ii) Fair, reasonable and on normal commercial terms; and
- (iii) Not detrimental to the interest of the non-interested shareholders.

In forming its view and opinion, the Audit Committee has considered, amongst others, the rationale and financial effects of the Agreement as disclosed in Section 5 and 7 above.

13. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors having considered all the aspects of the Agreement, are of the opinion that the Agreement is: -

- (i) In the best interest of the Company;
- (ii) Fair, reasonable and on normal commercial terms; and
- (iii) Not detrimental to the interest of the non-interested shareholders

In forming its view and opinion, the Board of Directors have considered, amongst others, the rationale and financial effects of the Agreement as disclosed in Section 5 and 7 above.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office at Level 10-02, Grand Paragon Hotel, No. 18, Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor during normal business hours for three (3) months from the date of this announcement.

This announcement is dated 7 June 2023.