

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FORTH QUARTER ENDED 31 DECEMBER 2019

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PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FORTH QUARTER ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	Unaudited Current Period Quarter 31/12/2019 RM'000	Audited Preceding Corresponding Period Quarter 31/12/2018 RM'000	Unaudited Current Period To Date 31/12/2019 RM'000	Audited Preceding Period To Date 31/12/2018 RM'000
Revenue	14,734	13,243	56,382	51,455
Cost of Sales	(12,923)	(11,009)	(49,497)	(43,339)
Gross Profit	1,811	2,234	6,885	8,116
Operating expenses	(8,363)	(4,264)	(16,725)	(12,817)
Other incomes	10,902	3,927	12,998	4,177
Profit/(loss) from operations	4,350	1,897	3,158	(524)
Finance costs	(514)	(337)	(1,279)	(953)
Profit/(loss) before Taxation	3,836	1,560	1,879	(1,477)
Taxation	878	550	998	550
Profit/(loss)/total comprehensive income/(expenses) for the period	4,714	2,110	2,877	(927)
Profit/(loss) /total comprehensive income/(expenses) attributable to:				
Owners of the Company	4,716	2,113	2,879	(924)
Non-controlling interest	(2)	(3)	(2)	(3)
	4,714	2,110	2,877	(927)
Profit/(loss) per share (sen)				
- Basic and Diluted	7.29	3.27	4.45	(1.43)

(The Condensed Consolidated Statement of Profit or loss and other Comprehensive Income should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	(Unaudited) As at end of Current Quarter 31/12/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	37,327	26,995
	37,327	26,995
Current Assets		
Inventories	21,082	22,225
Trade and Other Receivables	11,326	13,737
Tax recoverable	383	174
Cash and Bank balances	2,850	750
	35,641	36,886
TOTAL ASSETS	72,968	63,881
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(4,221)	(4,221)
Accumulated Losses	(18,612)	(21,491)
Equity attributable to equity holders of the company	42,549	39,670
Non-controlling interests	(33)	(31)
Total Equity	42,516	39,639
Non-Current Liabilities		
Deferred Tax Liabilities	908	1,866
Finance Lease Liabilities	701	1,180
Bank Borrowings	11,368	1,579
	12,977	4,625
Current Liabilities		
Trade and Other Payables	7,875	6,862
Finance Lease Liabilities	594	627
Bank Borrowings	8,968	12,128
Tax Payables	38	-
	17,475	19,617
TOTAL LIABILITIES	30,452	24,242
TOTAL EQUITY AND LIABILITIES	72,968	63,881
Net Assets Per Share (RM)	0.66	0.61

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FORTH QUARTER ENDED 31 DECEMBER 2019(UNAUDITED)

	← Attributable to Owners of the Company →				Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Accumulated Losses RM'000			
Balance as at 1 January 2019	70,000	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639
Profit/Total comprehensive incomes for the financial year	-	-	-	2,879	2,879	(2)	2,877
Balance as at 31 December 2019	70,000	(4,618)	(4,221)	(18,612)	42,549	(33)	42,516
Balance as at 1 January 2018	70,000	(4,618)	(4,221)	(20,567)	40,594	(28)	40,566
Loss/Total comprehensive expenses for the financial year	-	-	-	(924)	(924)	(3)	(927)
Balance as at 31 December 2018	70,000	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FORTH QUARTER ENDED 31 DECEMBER 2019

	(Unaudited) 12 Months Current Period to date 31/12/2019 RM'000	(Audited) 12 Months Preceding Period to date 31/12/2018 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	1,879	(1,477)
Adjustments for:		
Depreciation of property, plant and equipment	2,794	2,917
Loss on disposal of property, plant and equipment	-	(56)
Property, plant and equipment written off	-	92
Impairment loss on trade receivables	408	136
Impairment loss on other receivables	-	45
Reversal of impairment loss on trade receivables	(144)	(203)
Reversal of impairment loss on other receivables	-	(3,500)
Impairment loss on inventories	1,489	180
Inventories written off	2,472	373
Interest expenses	1,279	953
Interest income	-	(5)
Operating profit/(loss) before working capital changes	<u>10,177</u>	<u>(545)</u>
Changes in working capital:		
Inventories	(2,818)	(3,620)
Trade & other receivables	2,147	4,567
Trade & other payables	1,013	(1,234)
Cash generated from/(used in) operations	<u>10,519</u>	<u>(832)</u>
Interest paid	(1,279)	(953)
Interest received	-	5
Tax paid	-	(260)
Tax refund	171	2
Net cash generated from/(used in) operating activities	<u>9,411</u>	<u>(2,038)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(13,126)	(1,424)
Proceeds from disposal of property, plant and equipment	-	173
Net cash used in investing activities	<u>(13,126)</u>	<u>(1,251)</u>
Cash flows from financing activities		
Net Addition/(Repayment) of term loans	9,263	(524)
(Repayment)/Net addition of banker's acceptance	(1,345)	163
Net addition/(Repayment) of usance letter of credit	945	(225)
Repayment of finance lease liabilities	(513)	(592)
Net cash generated from/(used in) financing activities	<u>8,350</u>	<u>(1,178)</u>
Net changes in cash and cash equivalents	4,635	(4,467)
Cash and cash equivalent at beginning of period	<u>(8,695)</u>	<u>(4,228)</u>
Cash and cash equivalent at end of period	<u>(4,060)</u>	<u>(8,695)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	2,850	750
Bank overdraft	(6,910)	(9,445)
Cash and cash equivalents at end of the period	<u>(4,060)</u>	<u>(8,695)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Selected Explanatory Notes:

- **Part A – Explanatory Notes Pursuant to MFRS 134 (Interim Financial Reporting)**
- **Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad**

Part A - Explanatory Notes Pursuant to MFRS134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting”, paragraph 9.22 and Part A of Appendix 9B of the Main Market Listing Requirements (“Main LR”) Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the Group’s audited Financial Statements for the financial year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

A2. Accounting policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018. The adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments to accounting standards that are effective for the Group and the Company’s financial year beginning on or after 1 January 2019 are as follows:-

- MFRS 16, “Leases”
- Amendments to MFRS 3, “Business Combinations” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- Amendments to MFRS 11, “Joint Arrangement” (Annual Improvement to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, “Income Taxes” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 119, “Employee Benefits”(Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, “Borrowing Costs” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23, “Uncertainty over Income Tax Treatments”

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- Amendments to References to the Conceptual Framework in MFRS Standards:
 - Amendments to MFRS2, “Share Based Payments”
 - Amendments to MFRS 3, “Business Combinations”
 - Amendments to MFRS 6, “Exploration for and Evaluation of Mineral Resources”
 - Amendments to MFRS 14, “Regulatory Deferral Accounts”
 - Amendments to MFRS 101, “Presentation of Financial Statements”
 - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
 - Amendments to MFRS 134, “Interim Financial Reporting”
 - Amendments to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
 - Amendments to MFRS 138, “Intangible Assets”
 - Amendments to IC Interpretation 12, “Service Concession Arrangements”
 - Amendments to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
 - Amendments to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
 - Amendments to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
 - Amendments to IC Interpretation 132, “Intangible Assets-Web Site Costs”
- Amendments to MFRS 3, “Business Combinations” (Definition of a Business)
 - Amendments to MFRS Standards arising from Definition of Material:
 - Amendments to MFRS 101, “Presentation of Financial Statements”
 - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Accounting Estimates and Errors”
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
 - Amendments to MFRS 7, “Financial Instruments Disclosures”
 - Amendments to MFRS 9, “Financial Instruments”
 - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

Annual periods beginning on/after 1 January 2021

- MFRS 17, “Insurance Contracts”

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

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A3. Qualification of Annual Financial Statements

There has not been any qualification made by the auditors on the annual financial statements of the Group for the financial year ended 31 December 2018.

A4. Seasonal or cyclical factors

The Group's business operation results were not materially affected by any seasonal or cyclical factors during the current quarter under review and financial year to date.

A5. Unusual items due to their nature, size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group during the current quarter under review and financial year to date.

A6. Material changes in estimates

There was no material changes in estimates of amounts reported in the previous financial years which have a material impact in the current quarter under review.

A7. Issuances, cancellation, repurchase, resale and repayment of debts and equity

There was no issuances and repayment of debt and equity securities, share buy-back, share cancellations and resale of treasury shares in the current quarter under review and financial year to date.

A8. Dividends paid

There was no dividend paid during the current quarter under review and financial year to date.

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A9. Segment Information

Segmental information in respect of the Group's business segments is as follows:-

	Automotive		Commercial		Consolidated	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	42,566	36,230	13,816	15,225	56,382	51,455
Segment results	(4,544)	(859)	(7,132)	(2,164)	(11,676)	(3,023)
Unallocated income					12,998	4,177
Unallocated income/ (expenses)					557	(2,631)
Consolidated profit/(loss) before taxation					1,879	(1,477)

A10. Valuation of property, plant & equipment

The property, plant and equipment of the Group are stated at cost less accumulated depreciation and accumulated impairment losses. There were no revaluation of property, plant and equipment for the current quarter and financial year ended 31 December 2019.

A11. Subsequent material events

There were no material events subsequent to the end of the current quarter under review.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year ended 31 December 2019.

A13. Changes in contingent assets or contingent liabilities

There were no material changes to the contingent assets or contingent liabilities disclosed since the last annual financial report for the financial year ended 31 December 2018 up to the date of issue of this quarterly report.

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Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of performance

Group Performance

Description	Current Period to date 31/12/2019 RM'000	Preceding Period To date 31/12/2018 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	56,382	51,455	4,927	9.58
Profit/(loss) before tax	1,879	(1,477)	3,356	

The Group recorded a revenue of RM 56.382million for the current period as compared to RM 51.455million in the previous corresponding period, representing improved of RM 4.927million. This is mainly due to improvement of sales generated for Automotive Sector of RM 6.336million but partly offset by deterioration of sales in Commercial Sector of RM 1.409million.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/12/2019 RM'000	Immediate Preceding Quarter 30/09/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	14,734	14,232	502	3.53
Profit before tax	3,836	77	3,759	

The Group revenue has improved by RM 502k due to increased in sales performance for Commercial Sector in the quarter.

The Group registered a profit before tax in current quarter of RM 3.836mil compared with immediate preceding quarter profit of RM 77k mainly due to recognition of other income from settlement of material litigation of RM 10.80million but partly offset by recognition of stock impairment and stock written off RM 3.961million.

B3. Current Year Prospects

Generally, the market would likely be experiencing a cautious attitude due to the anticipated economic slowdown as a whole.

B4. Explanatory notes on variances with profit forecasts or profit guarantee

Not applicable as the Group did not make any profit forecast for the current financial year in any public document.

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B5. Taxation

Description	Current Period To-Date 31 December 2019 RM'000	Preceding Year To-Date 31 December 2018 RM'000
Current Tax	(41)	89
Deferred Tax	(957)	(639)
Total	(998)	(550)

B6. Corporate proposals

As of 31 December 2019, there was no corporate proposal announced.

B7. Profit before taxation

Profit before taxation is derived after (crediting)/ or charging:

Description	Current Period Quarter 31 Dec 2019 RM'000	Current Period To-Date 31 Dec 2019 RM'000
Other Income	(10,902)	(12,998)
Impairment & written off on inventories	3,961	3,961
Interest expense	514	1,279
Depreciation of property, plant & equipment	1,705	2,794
Impairment loss on trade receivables	408	408

B8. Details of treasury shares

The Company did not buy-back, cancel or resell any of its own shares during the quarter under review and financial period to date. As at end of the reporting quarter, the number of treasury shares held by the company is 5,301,700 ordinary shares.

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B9. Group borrowings

The total group borrowings as at 31 December 2019 were as follows:

	As at 31 Dec 2019 RM'000	As at 31 Dec 2018 RM'000
Short Term (current)		
Secured: Bills payable	2,058	2,458
Bank Overdrafts	6,910	9,445
Term Loan	-	225
Sub-Total	8,968	12,128
Long Term (non-current)		
Secured: Term Loan	11,368	1,579
Total	20,336	13,707

B10. Changes in material litigation

Paragon Union Berhad("PUB" or "the Company") v Prestamewah Development Sdn. Bhd.("PDSB") and Liw Jun Wai("LJW") & Others

Further to the announcements made since FYE 2009 till FYE 2017 in relation to the company's action against PDSB & LJW and others, the Company wishes to further highlight the below further development :-

On 9 March 2018, the Court fixed for Decision Date on 16 March 2018 and the Court dismissed the appeal in part but allowed a restitution and thereby ordered the Respondents, PDSB and LJW to refund the sum of RM 18,000,000.00 to PUB.

On 18 April 2018, the Company has filed the Notice of Motion for Leave to Appeal to the Federal Court against the decision of Court of Appeal on 16 March 2018 inter alia held that Company's agreement and other agreements entered by various parties are unenforceable. Case Management has fixed on 3 May 2018.

On 7 May 2018, the above mentioned Notices of Motion for Leave to Appeal has fixed for Hearing on 30 August 2018 and parties are to file Written Submissions on or by 16 August 2018.

Subsequently on 10 August 2018, in view of the re-arrangement of the case, the abovementioned Notices of Motion for Leave to appeal have been rescheduled for Hearing on 5 November 2018. The Notice of Motion for Leave had been further rescheduled to 8 April 2019 and 15 July 2019 respectively.

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On 18 February 2019, PUB; PDSB & LJW (“the parties”) has executed the Settlement Agreement and the parties had agreed to a reduced sum of RM 13,500,000.00(PDSB’s portion) and RM 3,000,000.00(LJW’s portion) in which the total settlement sum of RM 16,500,000.00 as the full and final settlement of the Judgement of the Court of Appeal dated 16 March 2018 which ordered that PDSB & LJW to refund the sum of RM 18,000,000.00 to PUB.

Below are the salient terms as per the Settlement Agreement:-

- Upon execution of Settlement Agreement, PUB to receive RM 3,100,000.00 in cash term; PDSB’s portion RM 100,000.00 and LJW’s portion RM 3,000,000.00.
- PUB to receive the balance settlement sum of RM 2,400,000.00 in six equal post-dated cheques in the amount of RM 400,000.00 each from PDSB.
- PDSB shall cause the registered proprietor to transfer free of encumbrances 3 units of 3 storey factory at the agreed sum of RM 11,000,000.00.

On 15 July 2019, Federal Court dismissed the abovementioned Notice of Motion for Leave to Appeal against the decision of Court of Appeal on 16 March 2018 inter alia held that Company’s agreement and other agreements entered by various parties are unenforceable.

Up to the financial year ended 2019, the abovesaid Settlement Agreement has been executed as per the salient terms.

B11. Dividends payable

The Board does not recommend any dividend in the current quarter and financial year to date.

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B12. Earnings per share

The basic earning/(loss) per share (“EPS”) is derived by dividing the profit/(loss) after taxation and profit/(loss) attributable to owner of the Company by weighted average number of 64,698,300 (preceding year to date 31 December 2018 : 64,698,300) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 5,301,700 units held by the Company:-

	Individual Quarter		Cumulative Period	
	Current Period Quarter 31 Dec 2019	Preceding Period Quarter 31 Dec 2018	Current Year To-Date 31 Dec 2019	Preceding Year To-Date 31 Dec 2018
i)Earnings				
Profit/(loss) attributable to owner of the company (RM'000)	4,716	2,113	2,879	(924)
ii)Weighted average number of ordinary shares				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic earning/(loss) per share (sen)	7.29	3.27	4.45	(1.43)

The diluted earnings per share is not disclosed as the Group does not have any dilutive potential ordinary shares.

B13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27th February 2020.