

# PARAGON UNION BERHAD

Company No. 286457-V  
(Incorporated in Malaysia)

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period	Preceding	Current Period	Preceding Period
	Quarter	Corresponding	To Date	To Date
	30/09/2020	Period Quarter	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	12,336	14,232	26,410	41,648
Cost of Sales	(10,036)	(12,459)	(23,032)	(36,615)
Gross Profit	2,300	1,773	3,378	5,033
Operating expenses	(3,462)	(2,468)	(8,417)	(8,452)
Other incomes	150	812	395	2,186
(Loss)/profit from operations	(1,012)	117	(4,644)	(1,233)
Finance costs	(125)	(224)	(669)	(765)
Loss before Taxation	(1,137)	(107)	(5,313)	(1,998)
Taxation	(60)	(24)	(90)	120
Loss/ total comprehensive expenses for the period	(1,197)	(131)	(5,403)	(1,878)
Loss/total comprehensive expenses attributable to:				
Owners of the Company	(1,195)	(128)	(5,401)	(1,875)
Non-controlling interest	(2)	(3)	(2)	(3)
	(1,197)	(131)	(5,403)	(1,878)
Loss per share (sen)				
- Basic and Diluted	(1.81)	(0.20)	(8.16)	(2.90)

(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 2019 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 30 SEPTEMBER 2020

	(Unaudited) As at end of Current Quarter 30/09/2020 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2019 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	37,732	37,327
	37,732	37,327
<b>Current Assets</b>		
Inventories	21,423	21,082
Trade and Other Receivables	8,358	11,321
Tax recoverable	-	383
Cash and Bank balances	1,352	2,289
	31,133	35,075
<b>TOTAL ASSETS</b>	<b>68,865</b>	<b>72,402</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	69,146	70,000
Share Grant Reserves	248	-
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(3,041)	(4,221)
Accumulated Losses	(24,081)	(18,680)
<b>Equity attributable to equity holders of the company</b>	<b>37,654</b>	<b>42,481</b>
<b>Non-controlling interests</b>	<b>(35)</b>	<b>(33)</b>
<b>Total Equity</b>	<b>37,619</b>	<b>42,448</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	999	908
Finance Lease Liabilities	1,853	701
Bank Borrowings	11,117	11,408
	13,969	13,017
<b>Current Liabilities</b>		
Trade and Other Payables	8,113	8,050
Finance Lease Liabilities	210	483
Bank Borrowings	8,954	8,366
Tax Payables	-	38
	17,277	16,937
<b>TOTAL LIABILITIES</b>	<b>31,246</b>	<b>29,954</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>68,865</b>	<b>72,402</b>
<b>Net Assets Per Share (RM)</b>	<b>0.57</b>	<b>0.66</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD (286457-V)

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020(UNAUDITED)

	← Attributable to Owners of the Company →					Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Grant Reserve RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Accumulated Losses RM'000			
<b>Balance as at 1 January 2020</b>	70,000	-	(4,618)	(4,221)	(18,680)	42,481	(33)	42,448
Loss/Total comprehensive expenses for the period	-	-	-	-	(5,401)	(5,401)	(2)	(5,403)
Effect on Employees' Share Scheme Vested for the period	(854)	248	-	1,180	-	574	-	574
<b>Balance as at 30 September 2020</b>	69,146	248	(4,618)	(3,041)	(24,081)	37,654	(35)	37,619
<b>Balance as at 1 January 2019</b>	70,000	-	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639
Profit/Total comprehensive incomes for the financial year	-	-	-	-	2,811	2,811	(2)	2,809
<b>Balance as at 31 December 2019</b>	70,000	-	(4,618)	(4,221)	(18,680)	42,481	(33)	42,448

(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 2019 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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

	(Unaudited) 9 Months Current Period to date 30/9/2020 RM'000	(Unaudited) 9 Months Preceding Period to date 30/9/2019 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(5,313)	(1,998)
Adjustments for:		
Depreciation of property, plant and equipment	1,700	1,089
Impairment loss on trade receivables	-	(240)
Doubtful debt written back	(45)	-
Inventories written back	(317)	(90)
Interest expenses	669	765
Effect on Employees' Share Scheme	574	-
Operating loss before working capital changes	<u>(2,732)</u>	<u>(474)</u>
Changes in working capital:		
Inventories	(24)	(3,880)
Trade & other receivables	3,008	2,654
Trade & other payables	<u>63</u>	<u>(2,128)</u>
Cash generated from/(used in) operations	315	(3,828)
Interest paid	(669)	(765)
Tax paid	<u>-</u>	<u>(175)</u>
<b>Net cash used in operating activities</b>	<u>(354)</u>	<u>(4,768)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	<u>(2,105)</u>	<u>(474)</u>
<b>Net cash used in investing activities</b>	<u>(2,105)</u>	<u>(474)</u>
<b>Cash flows from financing activities</b>		
(Repayment)/addition of term loans	(1,032)	2,715
Repayment of banker's acceptance	(494)	(91)
Addition of usance letter of credit	1,541	1,294
Addition/(repayment) of finance lease liabilities	<u>880</u>	<u>(500)</u>
<b>Net cash generated from financing activities</b>	<u>895</u>	<u>3,418</u>
<b>Net changes in cash and cash equivalents</b>	(1,564)	(1,824)
<b>Cash and cash equivalent at beginning of period</b>	<u>(2,598)</u>	<u>(5,785)</u>
<b>Cash and cash equivalent at end of period</b>	<u>(4,162)</u>	<u>(7,609)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	1,352	118
Bank overdraft	<u>(5,514)</u>	<u>(7,727)</u>
Cash and cash equivalents at end of the period	<u>(4,162)</u>	<u>(7,609)</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 2019 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 2019. 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 2019.

#### **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 2019. 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 2020 are as follows:-

- 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”

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- 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***

- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform – Phase 2:
  - Amendments to MFRS 4, “Insurance Contracts”
  - Amendments to MFRS 7, “Financial Instruments: Disclosures”
  - Amendments to MFRS 9, “Financial Instruments”
  - Amendments to MFRS 16, “Leases”
  - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

***Annual periods beginning on/after 1 January 2022***

- Amendments to MFRS 3, “Business Combinations” (Reference to the Conceptual Framework)
- Amendments to MFRS 116, “Property, Plant and Equipment” (Proceeds before Intended Use)
- Amendments to MFRS 137, “Provision, Contingent Liabilities and Contingent Assets” (Onerous Contracts – Cost of Fulfilling a Contract)
- Annual Improvement to MFRS Standards 2018 – 2020:
  - Amendments to MFRS 101, “First-time Adoption of Malaysian Financial Reporting Standards”
  - Amendments to MFRS 9, “Financial Instruments”
  - Amendments to Illustrative Examples accompanying MFRS 16, “Leases”
  - Amendments to MFRS 141, “Agriculture”

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*Annual periods beginning on/after 1 January 2023*

- MFRS 17, “Insurance Contracts”
- Amendments to MFRS 17, “Insurance Contracts”
- Amendments to MFRS 101, “Presentation of Financial Statements” (Classification of Liabilities as Current or Non-current)

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

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

**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 2019.

**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 period 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 period to date save and except for the Covid-19 Pandemic; the MCO & EMCO imposed.

**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**

On 31 July 2020, the Company has utilized part of its existing treasury shares for the Proposal Employees’ Share Scheme and has granted 4,449,960 units of treasury shares at a reference price of RM 0.22 per share of which 1,480,600 units of the said treasury shares have vested to the eligible staffs during the quarter.

**A8. Dividends paid**

There was no dividend paid during the current quarter under review and financial period 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	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	22,718	33,679	3,692	7,969	26,410	41,648
Segment results	(946)	287	(2,474)	(2,806)	(3,420)	(2,519)
Unallocated income					395	2,186
Unallocated expenses					(2,288)	(1,665)
Consolidated loss before taxation					(5,313)	(1,998)

**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 save and except for the Covid-19 Pandemic; the MCO & EMCO imposed.

**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 2019 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 30/09/2020 RM'000	Preceding Period To date 30/09/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	26,410	41,648	(15,238)	(36.59)
Loss before tax	(5,313)	(1,998)		

The Group recorded a revenue of RM 26.410million for the current period as compared to RM 41.648million in the previous corresponding period, representing decreased of RM 15.238million. This is mainly due to decreased of sales in both Automotive Sector & Commercial Sector as a result of outbreak of Covid-19 Pandemic; MCO & EMCO imposed by Government.

**B2. Comparison with preceding quarter's result**

**Group Performance**

Description	Current Quarter 30/09/2020 RM'000	Immediate Preceding Quarter 30/06/2020 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	12,336	5,501	6,835	124.25
Loss before tax	(1,137)	(1,765)		

The Group revenue has increased by RM 6.835million due to increased in sales performance for both Automotive Sector and Commercial Sector in the quarter. The Group registered a loss before tax in current quarter of RM 1.137mil compared with immediate preceding quarter loss of RM 1.765million mainly due to better sales activities and sales recognition of higher margin products.

**B3. Current Year Prospects**

Generally, the market would likely be experiencing a cautious attitude and anticipated an economic slowdown as a whole. Going forward, we anticipate revenue will be in recovering stage but at a slower pace.

**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 period in any public document.

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**B5. Taxation**

There was no provision for taxation for the current quarter under review.

**B6. Corporate proposals**

As of 30 September 2020, there was no corporate proposal announced.

**B7. Loss before taxation**

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

Description	Current Period Quarter 30 Sep 2020 RM'000	Current Period To-Date 30 Sep 2020 RM'000
Other Income	(30)	(33)
Stock written off recovery	(75)	(317)
Bad debt recovery	(45)	(45)
Interest expense	125	669
Depreciation of property, plant & equipment	537	1,700
Share vested under Employee Share Scheme(ESS)	1,180	1,180
Share grant reserve under Employee Share Scheme(ESS)	248	248
Share capital movement under Employee Share Scheme(ESS)	(854)	(854)

**B8. Details of treasury shares**

The Company has proposed to utilized its existing treasury shares for the Establishment of Employees' Share Scheme of up to 5,301,700 Ordinary Shares in the Company.

On 31 July 2020, the Company has granted 4,449,960 units of treasury shares at a reference price of RM 0.22 per share of which 1,480,600 units of the said treasury shares have vested to the eligible staffs during the quarter.

As at end of the reporting quarter, the number of treasury shares held by the company is 3,821,100 units.

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**B9. Group borrowings**

The total group borrowings as at 30 Sep 2020 were as follows:

	As at 30 Sep 2020 RM'000	As at 30 Sep 2019 RM'000
Short Term (current)		
Secured: Bills payable	2,407	2,249
Bank Overdrafts	5,514	7,727
Term Loan	1,033	683
Sub-Total	8,954	10,659
Long Term (non-current)		
Secured: Term Loan	11,117	5,891
Total	20,071	16,550

**B10. Changes in material litigation**

There was no material litigation for the current quarter under review.

**B11. Dividends payable**

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

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**B12. Loss per share**

The basic loss per share (“LPS”) is derived by dividing the loss after taxation and loss attributable to owner of the Company by weighted average number of 66,178,900 (preceding year to date 31 December 2019 : 64,698,300) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 3,821,100 (preceding year to date 31 December 2019 : 5,301,700) units held by the Company:-

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 Sep 2020	Preceding Period Quarter 30 Sep 2019	Current Year To-Date 30 Sep 2020	Preceding Year To-Date 30 Sep 2019
<b>i)Earnings</b>				
Loss attributable to owner of the company (RM'000)	(1,195)	(128)	(5,401)	(1,875)
<b>ii)Weighted average number of ordinary shares</b>				
Weighted average number of shares in issue ('000)	66,179	64,698	66,179	64,698
Basic loss per share (sen)	(1.81)	(0.20)	(8.16)	(2.90)

The diluted loss 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 26<sup>th</sup> November 2020.