

# PARAGON UNION BERHAD

Company No. 286457-V  
(Incorporated in Malaysia)

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2020

	Individual Quarter		Cumulative Quarter	
	Unaudited Current Period Quarter 31/12/2020 RM'000	Audited Preceding Corresponding Period Quarter 31/12/2019 RM'000	Unaudited Current Period To Date 31/12/2020 RM'000	Audited Preceding Period To Date 31/12/2019 RM'000
Revenue	13,036	14,734	39,446	56,382
Cost of Sales	(12,177)	(12,923)	(35,209)	(49,538)
Gross Profit	859	1,811	4,237	6,844
Operating expenses	(2,237)	(8,652)	(10,654)	(16,947)
Other incomes	839	11,164	1,234	13,193
(Loss)/profit from operations	(539)	4,323	(5,183)	3,090
Finance costs	(512)	(514)	(1,181)	(1,279)
(Loss)/profit before Taxation	(1,051)	3,809	(6,364)	1,811
Taxation	902	878	812	998
(Loss)/profit/ total comprehensive (expenses)/income for the year	(149)	4,687	(5,552)	2,809
(Loss)/profit/total comprehensive (expenses)/income attributable to:				
Owners of the Company	(196)	4,689	(5,597)	2,811
Non-controlling interest	47	(2)	45	(2)
	(149)	4,687	(5,552)	2,809
(Loss)/profit per share (sen)				
- Basic and Diluted	(0.30)	7.25	(8.46)	4.35

(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 31 DECEMBER 2020

	(Unaudited) As at end of Current Quarter 31/12/2020 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	38,061	37,327
	38,061	37,327
<b>Current Assets</b>		
Inventories	22,503	21,082
Trade and Other Receivables	8,080	11,321
Tax recoverable	395	383
Cash and Bank balances	1,707	2,289
	32,685	35,075
<b>TOTAL ASSETS</b>	<b>70,746</b>	<b>72,402</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	69,147	70,000
Share Grant Reserves	194	-
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(3,042)	(4,221)
Accumulated Losses	(24,277)	(18,680)
<b>Equity attributable to equity holders of the company</b>	<b>37,404</b>	<b>42,481</b>
<b>Non-controlling interests</b>	<b>12</b>	<b>(33)</b>
<b>Total Equity</b>	<b>37,416</b>	<b>42,448</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	146	908
Lease Liabilities	1,003	701
Bank Borrowings	11,463	11,408
	12,612	13,017
<b>Current Liabilities</b>		
Trade and Other Payables	8,743	8,050
Lease Liabilities	942	483
Bank Borrowings	11,033	8,366
Tax Payables	-	38
	20,718	16,937
<b>TOTAL LIABILITIES</b>	<b>33,330</b>	<b>29,954</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70,746</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)

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	-	(5,597)	(5,597)	45	(5,552)
Effect on Employees' Share Scheme Vested for the period	(853)	194	-	1,179	-	520	-	520
<b>Balance as at 31 December 2020</b>	69,147	194	(4,618)	(3,042)	(24,277)	37,404	12	37,416
<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)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

	(Unaudited) 12 Months Current Period to date 31/12/2020 RM'000	(Audited) 12 Months Preceding Period to date 31/12/2019 RM'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(6,364)	1,811
Adjustments for:		
Depreciation of property, plant and equipment	2,087	2,702
Gain on disposal of property, plant and equipment	(150)	
Property, plant and equipment written off	-	12
Impairment loss on trade receivables	228	496
Doubtful debt written back	(188)	-
Other receivables written off	-	200
Reversal of impairment loss on trade receivables	-	(174)
Reversal of impairment loss on other receivables	-	(13,045)
Impairment loss on inventories	-	1,489
Inventories written off	-	2,472
Interest expenses	1,181	1,279
Interest income	-	(1)
Effect on Employees' Share Scheme	520	-
Operating loss before working capital changes	<u>(2,686)</u>	<u>(2,759)</u>
Changes in working capital:		
Inventories	(1,421)	(2,817)
Trade & other receivables	3,201	4,138
Trade & other payables	693	1,187
Cash generated from/(used in) operations	<u>(213)</u>	<u>(251)</u>
Interest paid	(1,181)	(1,279)
Interest received	-	1
Tax paid	-	(175)
Tax refund	-	46
<b>Net cash used in operating activities</b>	<u>(1,394)</u>	<u>(1,658)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(2,985)	(2,246)
Proceeds from disposal of property, plant and equipment	314	-
<b>Net cash used in investing activities</b>	<u>(2,671)</u>	<u>(2,246)</u>
<b>Cash flows from financing activities</b>		
Repayment of term loans	(986)	(2,048)
Drawdown of term loans	-	13,773
Repayment of banker's acceptance	(229)	(1,346)
Addition of usance letter of credit	1,993	945
Addition/(repayment) of lease liabilities	761	(624)
Net increase in fixed deposit pledged	(727)	(700)
<b>Net cash generated from financing activities</b>	<u>812</u>	<u>10,000</u>
<b>Net changes in cash and cash equivalents</b>	(3,253)	6,096
<b>Cash and cash equivalent at beginning of period</b>	<u>(2,598)</u>	<u>(8,694)</u>
<b>Cash and cash equivalent at end of period</b>	<u>(5,851)</u>	<u>(2,598)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	1,707	2,289
Bank overdraft	(6,831)	(4,187)
Fixed deposits with licensed bank	(727)	(700)
Cash and cash equivalents at end of the period	<u>(5,851)</u>	<u>(2,598)</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 2020.

**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 nationwide MCO & EMCO imposed; as well as the Subsequent material events as shown in Part A11.

**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 had utilized part of its existing treasury shares for the Employees’ Share Scheme (“ESS”) and has granted 4,449,960 units of treasury shares at a reference price of RM 0.22 per share (“Scheme Shares”) of which 1,480,600 units of the Scheme Shares have vested to the eligible staffs during the financial year.

The Company received the Notice of Unconditional Mandatory Take-Over Offer on 22 January 2021, this has triggered Paragraph 15 of the ESS By-Laws to vest the remaining unvested Scheme Shares immediately. The remaining 2,969,360 units of unvested Scheme Shares have been vested on 15 February 2021 to the eligible staffs.



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**A8. Dividends paid**

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

**A9. Segment Information**

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

	Automotive		Commercial		Consolidated	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	32,312	42,566	7,134	13,816	39,446	56,382
Segment results	(2,271)	(4,421)	(2,647)	(7,267)	(4,918)	(11,688)
Unallocated income/(expense)					(1,446)	13,499
Consolidated (Loss)/profit before taxation					(6,364)	1,811

**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 2020.

**A11. Subsequent material events**

The Company had on 22 January 2021 received the Notice of Unconditional Mandatory Take-Over Offer from Hong Leong Investment Bank Berhad on behalf of AKK Capital Sdn Bhd ('Offeror'), notifying that on even date, Offeror had entered into an unconditional Share Sale Agreements to acquire a total of 39,979,794 ordinary shares in Paragon Union Berhad ("PUB Shares"), representing approximately 60.41% equity interest in Paragon Union Berhad from Asia Avenue Sdn Bhd, Tan Choon Hock, Kong Say Thor, Lee Poh Ting and Lee Poh Yee, for a total cash consideration of RM21,988,886.70 or RM0.55 per PUB Share via direct business transaction ("Share Acquisition"). The Shares Acquisition has dealt and completed on 25 January 2021.

Following the Shares Acquisition, the resultant collective shareholding of the Offeror and the Ultimate Offeror namely Mr. Koon Hoi Chun will be 60.41%. Accordingly, pursuant to Section 218(2) of the Capital Markets and Services Act 2007 ("CMSA") and Paragraph 4.01(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia ("SC") ("Rules"), the

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**A11. Subsequent material events(continue)**

Offeror and the Ultimate Offeror is obliged to extend an Unconditional Mandatory Take-Over Offer to acquire all the remaining shares (excluding the treasury shares) which are not already held by the Offeror and the Ultimate Offeror (“Holders”) (“Offer Shares”) for a cash offer price of RM0.55 per Offer Shares (“Offer”).

On 26 January 2021, the Board announced that it does not intend to seek an alternative person to make a take-over offer for the Offer Shares and that Malacca Securities Sdn Bhd has been appointed to act as the Independent Adviser to advise the Board and the Holders, and to provide its comments, opinion, information and recommendation on the Offer. Malacca Securities Sdn Bhd had on 27 January 2021, declared to the SC its independence from any conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer.

On 15 February 2021, Offer Documents has been circulated out to the Holders by Offeror to acquire the Offer Shares for a cash offer price of RM0.55 per Offer Shares.

On 25 February 2021, Independent Advice Circular (“IAC”) has circulated out to the Holders with the relevant information on the Offer and the Directors’ view and recommendation on the Offer together with the recommendation of Independent Adviser. IAC state as Not Fair & Not Reasonable and recommend Holders to reject the Offer.

**A12. Changes in the composition of the Group**

In view of the receipt of Notice of Unconditional Mandatory Take-Over Offer dated 22 January 2021; details as mentioned in Part A11, Asia Avenue Sdn Bhd ceased to be Paragon Union Berhad’s holding company in place of AKK Capital Sdn Bhd.

**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 31/12/2020 RM'000	Preceding Period To date 31/12/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	39,446	56,382	(16,936)	(30.04)
(Loss)/profit before tax	(6,364)	1,811		

The Group recorded a revenue of RM 39.446million for the current period as compared to RM 56.382million in the previous corresponding period, representing decreased of RM 16.936million. 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 which badly affected Group performance as a whole.

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

**Group Performance**

Description	Current Quarter 31/12/2020 RM'000	Immediate Preceding Quarter 30/09/2020 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	13,036	12,336	700	5.67
Loss before tax	(1,051)	(1,137)		

The Group revenue has increased slightly by RM 0.7million due to increased in sales performance for Commercial Sector in the quarter.

The Group registered a loss before tax in current quarter of RM 1.051mil compared with immediate preceding quarter loss of RM 1.137million mainly due to better sales activities with lesser expenses incurred in the quarter.

**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.

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**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.

**B5. Taxation**

Description	Current Period To-Date 31 December 2020 RM'000	Preceding Year To-Date 31 December 2018 RM'000
Current Tax	(50)	(41)
Deferred Tax	(762)	(957)
Total	(812)	(998)

**B6. Corporate proposals**

As of 31 December 2020, there was no corporate proposal announced. Save and except for the Subsequent material events as shown in Part A11.

**B7. Loss before taxation**

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

Description	Current Period Quarter 31 Dec 2020 RM'000	Current Period To-Date 31 Dec 2020 RM'000
Other Income	(588)	(621)
Bad debt recovery	(143)	(188)
Compensation on legal proceedings	(275)	(275)
Interest expense	512	1,181
Impairment loss on trade receivables	228	228
Depreciation of property, plant & equipment	387	2,087
Gain on disposal of property, plant & equipment	(150)	(150)

**B8. Details of treasury shares**

The Company had utilized its existing treasury shares for the Establishment of Employees' Share Scheme ("ESS") 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 ("Scheme Shares") of which 1,480,600 units of the Scheme Shares have vested to the eligible staffs during the financial year.

Subsequent to the financial year end, the Company received the Notice of Unconditional Mandatory Take-Over Offer on 22 January 2021, this has triggered

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**B8. Details of treasury shares (continue)**

Paragraph 15 of the ESS By-Laws to vest the remaining unvested Scheme Shares immediately. The remaining 2,969,360 units of unvested Scheme Shares have been vested on 15 February 2021 to the eligible staffs.

Up to the date of issue of this quarterly report, the number of treasury shares held by the company is 851,740 units.

**B9. Group borrowings**

The total group borrowings as at 31 Dec 2020 were as follows:

	As at 31 Dec 2020 RM'000	As at 31 Dec 2019 RM'000
Short Term (current)		
Secured: Bills payable	3,540	2,058
Bank Overdrafts	6,831	4,187
Term Loan	662	2,121
Sub-Total	11,033	8,366
Long Term (non-current)		
Secured: Term Loan	11,463	11,408
Total	22,496	19,774

**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)/profit per share**

The basic (loss)/profit per share (“LPS”) is derived by dividing the (loss)/profit after taxation and (loss)/profit 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 31 Dec 2020	Preceding Period Quarter 31 Dec 2019	Current Year To-Date 31 Dec 2020	Preceding Year To-Date 31 Dec 2019
<b>i) Earnings</b>				
(Loss)/profit attributable to owner of the company (RM'000)	(196)	4,689	(5,597)	2,811
<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)/profit per share (sen)	(0.30)	7.25	(8.46)	4.35

The diluted (loss)/profit 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> February 2021.