

Announcement

NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) : FUND RAISING PARAGON UNION BERHAD ("PUB" OR THE "COMPANY") PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF PUB (EXCLUDING TREASURY SHARES) IN ACCORDANCE WITH A GENERAL MANDATE PURSUANT TO SECTION 75 AND SECTION 76 OF THE COMPANIES ACT 2016 ("PROPOSED PRIVATE PLACEMENT")

Type	Announcement
Subject	NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) FUND RAISING
Description	PARAGON UNION BERHAD ("PUB" OR THE "COMPANY") PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF PUB (EXCLUDING TREASURY SHARES) IN ACCORDANCE WITH A GENERAL MANDATE PURSUANT TO SECTION 75 AND SECTION 76 OF THE COMPANIES ACT 2016 ("PROPOSED PRIVATE PLACEMENT")

This announcement is dated 23 August 2021 ("**Announcement**").

On behalf of the Board of Directors of PUB ("**Board**"), AmInvestment Bank Berhad ("**AmInvestment Bank**") wishes to announce that PUB is proposing to undertake a private placement of up to 20% of the total number of issued shares of PUB ("**PUB Shares**" or "**Shares**") (excluding treasury shares) in accordance with a general mandate pursuant to Section 75 and Section 76 of the Companies Act 2016 ("**Act**").

Kindly refer to the attachment for the details of the Proposed Private Placement.

Please refer attachment below.

Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
Date Announced	23 Aug 2021
Category	General Announcement for PLC
Reference Number	GA1-23082021-00067

PARAGON UNION BERHAD (“PUB” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF PUB (EXCLUDING TREASURY SHARES) IN ACCORDANCE WITH A GENERAL MANDATE PURSUANT TO SECTION 75 AND SECTION 76 OF THE COMPANIES ACT 2016 (“PROPOSED PRIVATE PLACEMENT”)

This announcement is dated 23 August 2021 (“**Announcement**”).

1. INTRODUCTION

On behalf of the Board of Directors of PUB (“**Board**”), AmlInvestment Bank Berhad (“**AmlInvestment Bank**”) wishes to announce that PUB is proposing to undertake a private placement of up to 20% of the total number of issued shares of PUB (“**PUB Shares**” or “**Shares**”) (excluding treasury shares) in accordance with a general mandate pursuant to Section 75 and Section 76 of the Companies Act 2016 (“**Act**”).

At PUB’s annual general meeting (“**AGM**”) held on 31 May 2021, PUB had obtained its shareholders’ approval for the following:-

- (i) to issue up to 20% of the total number of PUB Shares (excluding treasury shares) in accordance with the general mandate pursuant to Section 75 and Section 76 of the Act and shall be in force until 31 December 2021 or a later date allowed by the relevant authorities at that point in time; and
- (ii) with effect from 1 January 2022 or a later date allowed by the relevant authorities at that point in time, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) provided that the aggregate number of shares to be issued pursuant to the approval obtained from the shareholders on 31 May 2021 does not exceed 10% of the total number of the issued shares (excluding treasury shares) of PUB for the time being,

(collectively to be referred to as “**General Mandate**”).

2. PROPOSED PRIVATE PLACEMENT

2.1 Size of the Proposed Private Placement

The Board proposes for the size of the Proposed Private Placement to be up to 20% of the total number of issued shares (excluding treasury shares) as at 20 August 2021 (being the latest practicable date prior to this Announcement (“**LPD**”)) of PUB, at an issue price to be determined and announced later. As such, based on 69,148,260 PUB Shares (excluding 851,740 PUB Shares held in treasury) in issue as at LPD, the size of the Proposed Private Placement is up to 13,829,652 new PUB Shares (“**Placement Shares**”).

The Proposed Private Placement will be undertaken in accordance with the General Mandate obtained from the shareholders of PUB at its AGM convened on 31 May 2021. The General Mandate is in force until PUB’s next AGM (unless revoked or varied by the shareholders at a general meeting prior to the next AGM) or expiry of the period within which the next AGM of PUB is required to be held, whichever earlier.

2.2 Placement arrangement

The Placement Shares will only be placed to independent third-party investor(s) to be identified at a later date in accordance with Section 6.04(c) of the Listing Requirements. The Placement Shares are not intended to be placed to the following persons:-

- (i) a director, major shareholder, chief executive officer of PUB or the holding company of PUB ("**Interested Person**");
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to the prevailing market conditions and timing of identification of the investor(s), the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, to provide PUB with the flexibility to secure investor(s). As such, there could potentially be several price fixing dates depending on the number of tranches and the timing of implementation of the Proposed Private Placement.

PUB believes that the investor(s) may be identified and procured either over a period of time or simultaneously. The details of investor(s) and the number of Placement Shares to be placed to each investor in accordance with Paragraph 6.15 of the Listing Requirements will be submitted to Bursa Securities before the listing of the Placement Shares to be issued pursuant to the Proposed Private Placement.

2.3 Basis of pricing

The issue price of the Placement Shares shall be fixed by the Board at a later date after the receipt of all relevant approvals for the Proposed Private Placement based on the prevailing market conditions and the 5-day volume weighted average market price ("**VWAP**") of PUB Shares.

The Placement Shares will not be priced at more than 10% discount to the 5-day VWAP of PUB Shares immediately preceding to the price-fixing date for the Placement Shares.

For information only, the 5-day VWAP of PUB Shares of up to and including LPD is RM1.3353. *(Source: Bloomberg)*

2.4 Ranking of Placement Shares

The Placement Shares shall, upon allotment and issuance, carry the same rights with the then existing PUB Shares, save and except that the Placement Shares will not be entitled to any dividend, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment of the said Placement Shares.

2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

3. UTILISATION OF PROCEEDS

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price and actual number of Placement Shares to be issued.

Assuming an issue price of RM1.202 (being 9.98% discount to the 5-day VWAP of PUB Shares up to LPD of RM1.3353) for each Placement Share, PUB is expected to raise gross proceeds of up to RM16.62 million, which are expected to be used in the following manner:-

Details utilisation of proceeds	Notes	Estimated timeframe for utilisation from the listing of each tranche of Placement Shares	RM'000
Repayment of bank overdraft	(a)	Within 12 months	7,600
General working capital	(b)	Within 12 months	8,890
Estimated expenses in relation to the Proposed Private Placement	(c)	Within 1 month	133
Total proceeds			16,623

Notes:-

(a) As at 31 July 2021, the Group's total borrowings amounted to RM22.3 million. The repayment of the bank overdraft amounting up to RM7.6 million is expected to result in interest savings of approximately RM529,750 per annum based on the average interest rate of approximately 6.97%.

(b) The proceeds earmarked for the general working capital of the Group are intended to be used as follows:-

Working capital	Percentage of the proceeds to be utilised (%)
Payment of trade and other payables	70
Staff salaries	20
Utilities, transportation costs, day-to-day operating expenses and other miscellaneous items*	10
	100

Note:-

* The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual administrative requirements of the Group at the relevant time.

(c) Includes professional fees, fees payable to authorities and other incidental expenses for the Proposed Private Placement.

In the event the gross proceeds raised are less than RM16.62 million, the proceeds will be utilised in the following priority:-

- (i) estimated expenses for the Proposed Private Placement;
- (ii) repayment of bank overdraft; and
- (iii) general working capital.

If the gross proceeds raised from the Proposed Private Placement are more than RM16.62 million, all excess shall be utilised for the Group's general working capital.

Pending utilisation of the proceeds from the Proposed Private Placement, the proceeds will be placed in interest-bearing deposits with financial institutions or in short-term money market instruments.

4. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The principal activities of PUB Group are investment holding and the manufacturing and sale of car carpets, car components, commercial carpets and property development.

The last 20 months has been challenging for PUB Group in view of the COVID-19 pandemic. For the financial year ended ("**FYE**") 31 December 2020, the Group recorded audited revenue of RM39.4 million and loss after tax and minority interest ("**LATMI**") of RM5.7 million as compared to the revenue of RM56.4 million and profit after tax and minority interest ("**PATMI**") of RM2.8 million for the FYE 31 December 2019. The Proposed Private Placement is expected to raise gross proceeds of up to RM16.62 million, which shall be utilised to address the immediate financial requirements of PUB Group.

PUB did not undertake any fund-raising exercise in the past 12 months prior to the date of this Announcement.

4.1 Steps or actions which have been taken/will be taken to improve the financial conditions of PUB Group

The Group's significantly lower revenue of RM39.4 million for FYE 31 December 2020 (2019: RM56.4 million) was mainly due to the unprecedented outbreak of the COVID-19 pandemic which had adversely affected the sales, operating cost and financial performance of the Group. As at LPD, the Group is largely relying on the implementation of secured projects and the successful tenders in both automotive and commercial sections.

The Board is of the view that the Group's outlook and market competitiveness would remain challenging in the near future. The Group's cost of production in particular raw material prices, had escalated drastically in the recent years and this had affected the Group's price competitiveness. To improve performance and maintain competitiveness in the market, the Group will continue to undertake the following measures:-

- (i) cost rationalisation exercise which include, amongst others, cost reduction and process re-engineering;
- (ii) engaging in business development and product expansion to enhance market share; and
- (iii) growing its order book from leveraging on existing automotive customers base through introduction of new models.

4.2 Adequacy of the Proposed Private Placement in addressing PUB's financial concerns

The proceeds from the Proposed Private Placement are to address the Group's financial requirements over the next 12 months. The Proposed Private Placement will not be sufficient to address the Group's financial concerns as the estimated gross proceeds of up to approximately RM16.62 million (as illustrated in Section 3 above) to be raised would not be sufficient to meet the Group's funding requirements in the long-term or immediately turn around the Group's financial performance.

Moving forward, the Group is confident to turn around the financial results of the Group as and when the economy recovers.

4.3 Value creation and impact of the Proposed Private Placement to PUB and its shareholders

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it enables the Company to raise funds expeditiously for its immediate funding needs as compared to securing external bank borrowings which may increase the Group's existing financial obligations in terms of interest costs and principal repayments. The Board also notes that other forms of equity fund-raising exercise such as rights issue will entail a longer implementation process and is relatively more expensive to implement.

The Proposed Private Placement will strengthen the financial position of the Group and capital base of the Company.

However, the consolidated earnings per share ("**EPS**")/loss per share ("**LPS**") of the Group is expected to be diluted as a result of the increased number of Shares arising from the Proposed Private Placement. The effects of the Proposed Private Placement on the share capital, net assets ("**NA**") and gearing, earnings and EPS, and substantial shareholders' shareholdings of the Group are set out in Section 6 of this Announcement.

5. PROSPECTS AND OUTLOOK

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order ("**FMCO**"). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the second quarter of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumer related activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for electrical & electronical ("**E&E**") products, continued to remain robust.

Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the Employees Provident Fund ("**EPF**") i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure.

Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2021)

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the Movement Control Order (“MCO”). However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees’ contributions to the EPF and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

5.2 Overview and prospect of the manufacturing sector in Malaysia

The manufacturing sector contracted by 8.7% during the first half of 2020, as almost all industry operations were temporarily halted, following supply chain disruptions amid the MCO. Within the export-oriented industries, the E&E cluster was severely affected as global demand decelerated sharply. Domestic-oriented industries also recorded sluggish growth, with transport equipment; and non-metallic mineral products, basic metal and fabricated metal products segments registering a double-digit contraction.

Nonetheless, the manufacturing sector is expected to improve by 2.4% in the second half of 2020, as industrial activities resume operations in line with the gradual lifting of the MCO. Within the export-oriented industries, the E&E segment is projected to improve following rising demand for computer and electronic products. Chemical and rubber products are anticipated to continue to record high growth, benefitting from higher demand for rubber gloves and pharmaceutical products. Within the domestic-oriented industries, the food products and transport equipment segments are expected to rebound, supported by higher demand. Overall, for the year, the manufacturing sector is expected to decline by 3%.

The manufacturing sector is forecast to rebound by 7% in 2021, driven by steady improvement in both the export- and domestic-oriented industries.

(Source: Economic Outlook 2021, Ministry of Finance)

Growth in the manufacturing sector expanded by 26.6% (1Q 21: 6.6%). On a seasonally adjusted, quarter-on-quarter basis however, manufacturing growth declined by 1.5%. This was a result of the imposition of MCO 3.0 which impacted demand domestically for products in the consumer- and construction-related clusters. Demand conditions for export-oriented industry remained resilient amid the continued global tech upcycle and recovery in global growth. Manufacturing growth was further impacted by the FMCO Phase 1, which limited operations to only essential sectors and those in the global value chain.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2021)

5.3 Future plans and prospects of PUB Group

Because of the negative impact and uncertainties generated by the COVID-19 pandemic and the associated movement control orders, the Group had difficulty in replenishing its orderbook with new orders/projects as its clients mostly in the automotive and hospitality industry are adversely affected. The Group believes that as the Government's COVID-19 vaccination drive progresses over time economic activities should increase and this should include improved demand for the automotive and hospitality industries, thereby presenting earnings opportunities for the Group.

The Group remains cautiously optimistic on Malaysian economy and anticipates revenue will recover but at a slower pace.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

For illustration purpose only, the proforma effects below have assumed an indicative issue price per Placement Share of RM1.202, being a 9.98% discount to the 5-day VWAP of PUB Shares up to and including LPD of RM1.3353.

6.1 Share capital

The effects of the Proposed Private Placement on the issued share capital of PUB as at LPD are as follows:-

	No. of Shares	RM
Existing as at LPD (excluding 851,740 treasury shares)	69,148,260	69,146,888
New PUB Shares to be issued pursuant to the Proposed Private Placement (up to 20% of existing shares in issue)	13,829,652	16,623,242
Total enlarged share capital	82,977,912	85,770,130

6.2 EPS

The Proposed Private Placement is not expected to have a material effect on the earnings of PUB for the financial year ending 31 December 2021.

The Proposed Private Placement will result in an immediate dilution in PUB's EPS as a result of the increase in the number of PUB Shares in issue upon completion of the Proposed Private Placement.

Moving forward, the Proposed Private Placement is expected to contribute positively to the consolidated earnings of PUB Group as and when the benefits of the proposed utilisation of proceeds as detailed in Section 3 above are realised.

6.3 NA, NA per Share and gearing

The proforma effects of the Proposed Private Placement on the NA, NA per Share and gearing of PUB based on the audited consolidated financial statements of PUB as at 31 December 2020 are as follows:-

	Audited as at 31 December 2020	After Proposed Private Placement
	RM'000	RM'000
Share capital	69,147	85,770
Merger reserves	(4,618)	(4,618)
Treasury shares	(3,042)	(3,042)
Executives' share scheme reserve	194	194
Accumulated losses	(24,416)	⁽ⁱⁱⁱ⁾ (24,549)
Equity attributable to owners of Company/NA	37,265	53,755
Non-controlling interests	12	12
Total equity	37,277	53,767
Number of issued shares ('000) ⁽ⁱ⁾	69,148	82,978
NA per share (RM)	0.539	0.648
Total bank borrowings ⁽ⁱⁱ⁾	21,325	^(iv) 13,725
Gearing ratio (times)	0.57	0.26

Notes:-

(i) Excluding 851,740 treasury shares.

(ii) Excluding lease liabilities.

(iii) After deducting estimated expenses of RM132,722 for the Proposed Private Placement.

(iv) Assuming RM7.60 million of the proceeds from the Proposed Private Placement is utilised for the repayment of bank overdraft as set out in Section 3 above.

6.4 Substantial shareholders' shareholdings

Assuming that none of the new investors will emerge as substantial shareholder upon completion of the Proposed Private Placement, the effects of the Proposed Private Placement on the substantial shareholders' shareholdings in PUB as at LPD are as follows:-

Substantial shareholders	As at LPD				After Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
AKK Capital Sdn Bhd	39,979,794	57.82	-	-	39,979,794	48.18	-	-
Koon Hoi Chun	-	-	*39,979,794	57.82	-	-	*39,979,794	48.18

Note:-

* Deemed interest by virtue of his substantial shareholdings in AKK Capital Sdn Bhd.

6.5 Convertible securities

As at LPD, PUB does not have any convertible securities in issue. However, the Company has in effect an employee share option scheme of which it has no outstanding option that are exercisable.

7. APPROVALS REQUIRED

The Proposed Private Placement is subject to approvals being obtained from the following:-

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities/parties, if required.

PUB had obtained the approval of its shareholders at its AGM convened on 31 May 2021 pursuant to Section 75 and Section 76 of the Act that empower the Board to issue new PUB Shares from time to time and upon such terms and conditions for such purposes as the Board may deem fit provided that the aggregate number of PUB Shares to be issued does not exceed:-

- (i) 20% of the issued share capital of PUB (excluding treasury shares) and shall be in force until 31 December 2021 or a later date allowed by the relevant authorities at the point in time; and
- (ii) 10% of the issued share capital of PUB (excluding treasury shares) with effect from 1 January 2022 or a later date allowed by the relevant authorities at the point in time to maintain the 20% limit.

The approval is valid until the Company's next AGM (unless revoked or varied by shareholders at a general meeting prior to the next AGM). Accordingly, the Proposed Private Placement will be undertaken under the existing General Mandate.

The Proposed Private Placement is not conditional upon any other proposal undertaken or to be undertaken by PUB.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

None of the directors, major shareholders, chief executive officer of PUB and/or persons connected with them have any interest, direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

The Board after having considered all aspects of the Proposed Private Placement (including but not limited to the terms, rationale and financial effects of the Proposed Private Placement), is of the opinion that the Proposed Private Placement is in the best interest of PUB.

10. APPLICATION TO THE RELEVANT AUTHORITIES

Application to the relevant authorities for the Proposed Private Placement is expected to be submitted within one (1) month from the date of this Announcement.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Private Placement to be completed by the fourth quarter of the calendar year 2021.

12. ADVISER AND PLACEMENT AGENT

PUB has appointed AmInvestment Bank as the Principal Adviser and Placement Agent for the Proposed Private Placement.

APPENDIX I – FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF PUB GROUP

A summary of the financial performance and financial position of PUB Group based on its audited consolidated financial statements for FYE 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:-

FYE 31 December	Audited		
	2018	2019	2020
	RM'000	RM'000	RM'000
<u>Financial Performance</u>			
Revenue	51,455	56,382	39,446
(Loss)/Profit attributable to:-			
Owners of Company	(925)	2,811	(5,736)
Non-controlling interests	(2)	(2)	45
(Loss)/Profit after tax (“LAT”)/ (“PAT”)	(927)	2,809	(5,691)
Earnings per ordinary share (sen)	(1.43)	4.34	(8.23)
<u>Financial Position</u>			
Share capital	70,000	70,000	69,147
Merger reserves	(4,618)	(4,618)	(4,618)
Treasury shares	(4,221)	(4,221)	(3,042)
Executives' share scheme reserve	-	-	194
Accumulated losses	(21,492)	(18,680)	(24,416)
Equity attributable to owners of Company/NA	39,669	42,481	37,265
Non-controlling interests	(31)	(33)	12
Total equity	39,638	42,448	37,277
Total bank borrowings ⁽ⁱ⁾	13,707	19,775	21,325
Number of issued shares ('000)	64,698	64,698	69,148
NA per share (RM)	0.61	0.66	0.54
Gearing ratio (times)	0.35	0.47	0.57

(Source: Annual Reports of PUB Group for the FYE 31 December 2018, 31 December 2019 and 31 December 2020)

Note:-

(i) Exclusive of lease liabilities.

Commentary:-

FYE 31 December 2018

For the FYE 31 December 2018, PUB Group recorded lower revenue of RM51.46 million, a slight decrease of RM2.24 million or 4.17% compared to the prior financial year (2017: RM53.70 million), primarily attributable to lower sales from commercial sectors, as well as softer economic climate experienced during the year.

PUB Group recorded a LAT of RM0.93 million for the FYE 31 December 2018 (2017: RM0.77 million), representing a decrease of RM0.16 million. The decrease was attributable to the lower turnover and higher production costs during the year.

APPENDIX I – FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF PUB GROUP (CONT'D)

FYE 31 December 2019

For the FYE 31 December 2019, PUB Group recorded higher revenue of RM56.38 million, an increase of RM4.93 million or 9.6% compared to the prior financial year (2018: RM51.46 million), primarily attributable to the improvement of sales generated from the automotive sector.

PUB Group recorded a PAT of RM2.81 million for the FYE 31 December 2019 (2018: RM0.93 million LAT), representing an improvement of RM3.74 million. The increase was mainly attributable to the reversal of impairment losses on other receivables amounting to RM13.04 million. Nonetheless, the one-off RM13.04 million other income was net off with the higher cost of sales of RM6.20 million and administrative expenses of RM4.29 million during the year.

FYE 31 December 2020

For the FYE 31 December 2020, PUB Group's revenue dropped significantly by RM16.94 million or 30.0% compared to the prior financial year (2019: RM56.38 million), primarily attributable to higher production costs and unprecedented outbreak of COVID-19 pandemic which had adversely affected the operation performance of the Group.

PUB Group recorded a LAT of RM5.69 million for the FYE 31 December 2020 (2019: RM2.81 million PAT), representing a substantial decrease of RM8.50 million. The decrease was mainly attributable to lower sales as well as softer economic sentiment amidst the COVID-19 pandemic and one-off reversal of impairment losses on other receivables in FYE 31 December 2019 amounting to RM13.04 million.