



# **PARAGON UNION BERHAD**

Company No. 199401000779 (286457-V)  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 2ND QUARTER ENDED 30 JUNE 2022**

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# PARAGON UNION BERHAD

[Company No. 199401000779(286457-V)]  
(Incorporated in Malaysia)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE STATEMENT For the Period Ended 30 JUNE 2022

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 30/6/2022 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 30/6/2021 RM'000	6 months Unaudited Current Period To Date 30/6/2022 RM'000	6 months Unaudited Preceding Period To Date 30/6/2021 RM'000
Revenue	15,129	9,279	28,148	19,802
Cost of Sales	(14,009)	(7,868)	(25,074)	(17,024)
Gross Profit	1,120	1,411	3,074	2,778
Operating expenses	(2,993)	(2,131)	(6,425)	(5,789)
Other incomes	754	12	762	106
Loss from operations	(1,119)	(708)	(2,589)	(2,905)
Finance costs	(503)	(364)	(600)	(648)
Loss before Taxation	(1,622)	(1,072)	(3,189)	(3,553)
Taxation	(47)	21	(47)	12
Loss/ total comprehensive expenses for the year	(1,669)	(1,051)	(3,236)	(3,541)
attributable to:				
Owners of the Company	(1,669)	(1,051)	(3,236)	(3,541)
Non-controlling interest	-	-	-	-
	(1,669)	(1,051)	(3,236)	(3,541)
Loss per share (sen)				
- Basic and Diluted	(2.01)	(1.52)	(3.90)	(5.12)

(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 2021 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD

[Company No. 199401000779(286457-V)]  
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

		(Unaudited) As at end of Current Quarter 30/6/2022 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2021 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	A10	37,708	37,995
Deferred tax assets		8	55
		37,716	38,050
<b>Current Assets</b>			
Inventories		16,079	14,787
Trade and Other Receivables		12,664	12,168
Tax recoverable		146	146
Cash and Bank balances		1,809	2,619
		30,698	29,720
<b>TOTAL ASSETS</b>		<b>68,414</b>	<b>67,770</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital		84,471	84,471
Merger Reserves		(4,618)	(4,618)
Treasury Shares		(679)	(679)
Accumulated Losses		(43,051)	(39,815)
<b>Equity attributable to equity holders of the company</b>		<b>36,123</b>	<b>39,359</b>
<b>Non-controlling interests</b>		<b>10</b>	<b>10</b>
<b>Total Equity</b>		<b>36,133</b>	<b>39,369</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities		317	443
Bank Borrowings	B9	11,223	11,354
		11,540	11,797
<b>Current Liabilities</b>			
Trade and Other Payables		11,382	12,275
Lease Liabilities		287	484
Bank Borrowings	B9	9,072	3,845
		20,741	16,604
<b>TOTAL LIABILITIES</b>		<b>32,281</b>	<b>28,401</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>68,414</b>	<b>67,770</b>
<b>Net Assets Per Share (Sen)</b>		<b>43.53</b>	<b>47.43</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 2021 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 JUNE 2022

	Attributable to Owners of the Company							
	Non Distributable							
	Share Capital	Merger Reserve	Treasury Shares	Executives' Share Scheme '(ESS') Reserves	Accumulated Losses	Total	Non- Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2022</b>	84,471	(4,618)	(679)	-	(39,815)	39,359	10	39,369
Issuance of Shares	-	-	-	-	-	-	-	-
Loss/total comprehensive loss for the financial year	-	-	-	-	(3,236)	(3,236)	-	(3,236)
<b>Balance as at 30 June 2022</b>	84,471	(4,618)	(679)	-	(43,051)	36,123	10	36,133
<b>Balance as at 1 January 2021</b>	69,147	(4,618)	(3,042)	194	(24,416)	37,265	12	37,277
Issuance of Shares	17,034	-	-	-	-	17,034	-	17,034
Share-based payment under ESS	-	-	-	459	-	459	-	459
Vesting of ESS	(1,710)	-	2,363	(653)	-	-	-	-
(Loss)/Total comprehensive (loss) for the financial year	-	-	-	-	(15,399)	(15,399)	(2)	(15,401)
<b>Balance as at 31 December 2021</b>	84,471	(4,618)	(679)	-	(39,815)	39,359	10	39,369

(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 2021 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the Period Ended 30 JUNE 2022

	(Unaudited) 6 months Current Period to date 30/06/2022 RM'000	(Unaudited) 6 months Preceding Period to date 30/06/2021 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(3,189)	(3,553)
Adjustments for:		
Depreciation of property, plant and equipment	1,252	1,063
Impairment loss on trade receivables	32	-
Interest expenses	600	648
Other income	(669)	-
Share-based payment under ESS	-	460
Operating profit/(loss) before working capital changes	(1,974)	(1,382)
Changes in working capital:		
Inventories	(1,292)	(1,723)
Trade & Other Receivables	(528)	1,231
Trade & Other Payables	(893)	2,346
Cash generated from operations	(4,687)	472
Interest paid	(600)	(648)
Proceed from insurance claims	669	-
<b>Net cash generated from/(used in) operating activities</b>	(4,618)	(176)
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment (PPE)	(965)	(387)
<b>Net cash used in investing activities</b>	(965)	(387)
<b>Cash flows from financing activities</b>		
Repayment of term loans	(244)	-
Addition/(repayment) of bills payable	1,261	1,640
(Repayment)/addition of lease liabilities	(323)	(480)
Net increase in fixed deposit pledged	(101)	(727)
<b>Net cash generated from financing activities</b>	593	433
<b>Net changes in cash and cash equivalents</b>	(4,990)	(130)
<b>Cash and cash equivalent at beginning of period</b>	466	(5,448)
<b>Cash and cash equivalent at end of period</b>	(4,524)	(5,578)
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	1,809	1,549
Bank overdraft	(5,489)	(6,400)
Fixed deposits with licensed bank	(844)	(727)
Cash and cash equivalents at end of the period	(4,524)	(5,578)
	-	-

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2021 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 2021. 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<sup>st</sup> December 2021.

#### **A2. Accounting policies**

1. 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<sup>st</sup> December 2021 and with the adoption of the following standards that have effective for financial periods beginning on or after 1<sup>st</sup> January 2022:

- Amendments to MFRS 1, First-Time Adoption of Malaysia Financial Reporting Standards (Annual Improvement to MFRS Standards 2018 -2020 Cycle)

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- Amendments to MFRS 3, Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 9, Financial Instruments (Annual Improvement to MFRS Standards 2018–2020 Cycle)
- 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
- Amendments to MFRS 141, Agriculture (Annual Improvement to MFRS Standards 2018 -2020 Cycle)

The adoption of the above accounting standards, amendments or interpretations are not expected to have any material effect or financial impacts on the current or prior reporting period of the Group and the Company.

The following accounting standards, amendments and interpretations of the MFRSs have not been adopted by the Group and the Company:

***Annual periods beginning on/after 1<sup>st</sup> January 2023***

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts and Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies.
- Amendments of MFRS 108, Accounting Policies, Changes in Accounting Estimates and Error – Definition of Accounting Estimates
- Amendment to MFRS 12, Income Tax-Deferred Tax related to Assets and Liabilities arising from Single Transaction

*The effective date is yet to be determined by the Malaysian Accounting Standards Board*

- Amendments to MFRS 10, Consolidated Financial Statement and MFRS 128, Investment in Associates and Joint Venture - 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 audited annual financial statements of the Group for the financial year ended 31<sup>st</sup> December 2021.

**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.

**A5. Unusual items due to their nature, size or incidence**

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

**A6. Material changes in estimates**

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

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

There are no other issuances, cancellations, repurchases, resales and repayment of debt and equity securities for the financial period under review.

**A8. Dividends paid**

There was no dividend paid by the Company during the period from 1<sup>st</sup> January 2022 to 30<sup>th</sup> June 2022 (31<sup>st</sup> December 2021: Nil).

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**A9. Segment Information**

Segmental information in respect of the Group's business segments for 2<sup>nd</sup> Quarters ended 30 June is as follows

	Investment and Others		Automotive		Commercial		Elimination		Consolidated	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM, '000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue from external customers	-	-	23,980	15,882	4,168	3,920	-	-	28,148	19,802
Inter-segment revenue	259	240	-	-	2,463	2,994	(2,722)	(3,234)	-	-
Total Revenue	259	240	23,980	15,882	6,631	6,914	(2,722)	(3,234)	28,148	19,802
Profit / (Loss) before taxation	(744)	(1,427)	(2,509)	(1,282)	64	(844)	-	-	(3,189)	(3,553)
Less: Taxation	-	-	-	-	-	-	-	-	(47)	12
Consolidated Profit / (Loss) after taxation									(3,236)	(3,541)

**A10. Valuation of property, plant & equipment**

The property, plant and equipment of the Group have been stated at cost less accumulated depreciation and accumulated impairment losses. The Group does not revalue the property, plant and equipment for the current quarter under review.

**A11. Subsequent material events**

The Company has carried out the following after the financial period:

- i. The Company announced the termination of Employee Share Option Scheme 2020 on 6<sup>th</sup> July 2022.
- ii. The Company sold the treasury shares of 851,470 and transacted on 13<sup>th</sup> July 2022, 19<sup>th</sup> July 2022 and 20<sup>th</sup> July 2022 respectively. With the resale, there is no treasury share held by the Company.

Save as above, there were no other subsequent material events as of the date of this announcement.

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

There were no material changes in the composition of the Group for the current quarter under review.

**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<sup>st</sup> December 2021 up to the date of issue of this quarterly report.

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

**B1. Review of performance**

**Group Performance**

Description	6 months Current Period to date 30/6/2022 RM'000	6 months Preceding Period To date 30/6/2021 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	28,148	19,802	8,346	42.14
Loss before taxation	(3,189)	(3,553)		

The Group registered a revenue of RM28.15 million for the current period as compared to RM19.80 million in the previous corresponding period, representing an increase of RM8.35 million. The increase was mainly attributable to better sales derived from the automotive sector as compared with the previous corresponding financial year.

The Group recorded a lower loss before taxation of RM3.19 million as compared to a loss of RM3.55 million in the previous corresponding financial year. The losses incurred for the period were attributed to the rise in raw material prices and shipping costs and were further affected by a less favourable currency that increase the import cost. The losses for the period were mitigated with the receipt of interim insurance claims of RM669,000.

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

**Group Performance**

Description	3 months Current Quarter  30/6/2022 RM'000	3 months Immediate Preceding Quarter 31/3/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	15,129	13,019	2,110	16.21
Loss before taxation	(1,622)	(1,567)		

The Group recorded revenue of RM15.13 million in the current quarter compared with the immediate previous quarter of RM13.02 million, an increase of RM2.11 million.

The Group registered a higher loss before taxation of RM1.62 million in the current period as compared with an immediate preceding period loss of RM1.57 million.

The losses made were attributed to the rise in raw material prices and shipping costs and were further affected by a less favourable currency that increase the import cost. The losses for the period were mitigated with the receipt of interim insurance claims of RM669,000

**B3. Current Year Prospects**

The re-opening of the economy is expected to have a positive impact on the overall group performance. The Group anticipates the revenue for both the automotive and commercial sectors will recover at a slow and steady pace.

The Group remains cautious on the outlook due to the increase in raw material prices, shipping costs, the increase in energy prices such as oil and natural gas, the gazetted minimum wages and the amendments to the Employment Act 1955 (Gazetted 2022) which will have an impact on the production and transportation cost.

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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**

The provision for taxation made for the current quarter and for the financial year ended 30<sup>th</sup> June 2022.

	3 months Quarter Ended		6 months Cumulative to date	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
<b>Income Tax</b>				
Provision for Taxation	-	-	-	-
Deferred Taxation	(47)	21	(47)	12

**B6. Status of Corporate proposals**

There are no corporate proposals announced as of the date of this announcement.

**B7. Loss before taxation**

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

Description	<b>Current Period Quarter</b> (3 months) 30 June 2022 RM'000	<b>Cumulative Period To-Date</b> (6 months) 30 June 2022 RM'000
Other Incomes	754	762
Interest expenses	(503)	(600)
Depreciation of property, plant & equipment	(646)	(1,252)

**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. The Company has granted and vested 4,449,960 units of treasury shares at a reference price of RM 0.22 per share to the eligible staff for the financial year ended 31<sup>st</sup> December 2021. The number of treasury shares held by the Company is 851,740 units as of 30th June 2022.

The Company has terminated the ESS and resold the treasury shares as explained in A11.

**B9. Group borrowings**

The total group borrowings were as follows:

	As at 30 June 2022 RM'000	As at 31 Dec 2021 RM'000
<b><u>Short Term (current)</u></b>		
Secured: Bills Payables	2,958	1,697
Bank Overdrafts	5,487	1,409
Term Loans	627	739
Sub-Total	9,072	3,845
<b><u>Long Term (non-current)</u></b>		
Secured: Term Loans	11,223	11,354
Total	20,295	15,199

**B 10. Derivatives**

There were no derivatives entered by the Group as of 30<sup>th</sup> June 2022.

**B11. Changes in material litigation**

There was no material litigation for the current quarter under review as of 29<sup>th</sup> August 2022.

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**B12. Dividends payable**

The Board does not recommend any dividend in the current quarter under review (31<sup>st</sup> December 2021: Nil).

**B13. Loss per share**

The basic loss per share ("LPS") is derived by dividing the loss after taxation and loss attributable to the owner of the Company by the weighted average number of 82,977,912 (31<sup>st</sup> March 2021: 69,148,260) ordinary shares of the Company in issue during the financial period under review by excluding treasury shares of 851,740 (31<sup>st</sup> March 2021: 851,740) units held by the Company:

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 June 2022	Preceding Period Quarter 30 June 2021	Current Year To-Date 30 June 2022	Preceding Year-To-Date 30 June 2021
<b>i)Earnings</b>				
Loss attributable to the owner of the company (RM'000)	(1,669)	(1,051)	(3,236)	(3,541)
<b>ii)Weighted average number of ordinary shares</b>				
The weighted average number of shares in issue ('000) <i>(excluding treasury shares)</i>	82,978	69,148	82,978	69,148
Basic loss per share (sen)	(2.01)	(1.52)	(3.90)	(5.12)

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

**B14. 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 29<sup>th</sup> August 2022.