



PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 3RD QUARTER ENDED 30 SEPTEMBER 2022

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PARAGON UNION BERHAD

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(Incorporated in Malaysia)

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

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 30/9/2022 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 30/9/2021 RM'000	9 months Unaudited Current Period To Date 30/9/2022 RM'000	9 months Unaudited Preceding Period To Date 30/9/2021 RM'000
Revenue	17,931	4,590	46,079	24,392
Cost of Sales	(15,186)	(4,140)	(40,260)	(21,164)
Gross Profit	2,745	450	5,819	3,228
Operating expenses	(2,864)	(2,376)	(9,289)	(8,165)
Other incomes	285	17	1,047	123
Profit / (Loss) from operations	166	(1,909)	(2,423)	(4,814)
Finance costs	(279)	(223)	(879)	(871)
Loss before Taxation	(113)	(2,132)	(3,302)	(5,685)
Taxation	(13)	(1)	(60)	11
Loss / total comprehensive expenses for the year	(126)	(2,133)	(3,362)	(5,674)
Attributable to:				
Owners of the Company	(125)	(2,131)	(3,361)	(5,672)
Non-controlling interest	(1)	(2)	(1)	(2)
	(126)	(2,133)	(3,362)	(5,674)
Loss per share (sen)				
- Basic and Diluted	(0.15)	(2.79)	(4.01)	(7.42)

(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)]

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

		(Unaudited) As at end of Current Quarter 30/9/2022 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2021 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	37,231	37,995
Deferred tax assets		8	55
		37,239	38,050
Current Assets			
Inventories		16,759	14,787
Trade and Other Receivables		15,240	12,168
Tax recoverable		146	146
Cash and Bank balances		1,322	2,619
		33,467	29,720
TOTAL ASSETS		70,706	67,770
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		84,902	84,471
Merger Reserves		(4,618)	(4,618)
Treasury Shares		0	(679)
Accumulated Losses		(43,176)	(39,815)
Equity attributable to equity holders of the company		37,108	39,359
Non-controlling interests		9	10
Total Equity		37,117	39,369
Non-Current Liabilities			
Lease Liabilities		262	443
Bank Borrowings	B9	10,455	11,354
		10,717	11,797
Current Liabilities			
Trade and Other Payables		15,134	12,275
Lease Liabilities		254	484
Bank Borrowings	B9	7,484	3,845
		22,872	16,604
TOTAL LIABILITIES		33,589	28,401
TOTAL EQUITY AND LIABILITIES		70,706	67,770
Net Assets Per Share (Sen)		44.21	47.43

(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)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Period Ended 30 September 2022

	Attributable to Owners of the Company					Total	Non-Controlling Interest	Total Equity
	Share Capital	Merger Reserve	Treasury Shares	Non Distributable Executives' Share Scheme ('ESS') Reserves	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022	84,471	(4,618)	(679)	-	(39,815)	39,359	10	39,369
Issuance of Shares	-	-	-	-	-	-	-	-
Sale of Treasury Shares (in excess of cost)	431	-	679	-	-	1,110	-	1,110
Loss/total comprehensive loss for the financial year	-	-	-	-	(3,361)	(3,361)	(1)	(3,362)
Balance as at 30 September 2022	84,902	(4,618)	-	-	(43,176)	37,108	9	37,117
Balance as at 1 January 2021	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)
Balance as at 31 December 2021	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 September 2022

	(Unaudited) 9 months Current Period to date 30/09/2022 RM'000	(Unaudited) 9 months Preceding Period to date 30/09/2021 RM'000
Cash flows from operating activities		
Loss before taxation	(3,302)	(5,685)
Adjustments for:		
Depreciation of property, plant and equipment	1,873	1,560
Gain on disposal of PPE	(194)	-
Impairment loss on trade receivables	32	-
Interest expenses	879	871
Other income	(853)	-
Share-based payment under ESS	-	460
Operating profit/(loss) before working capital changes	<u>(1,565)</u>	<u>(2,794)</u>
Changes in working capital:		
Inventories	(1,972)	(2,389)
Trade & Other Receivables	(3,104)	893
Trade & Other Payables	2,859	(1,973)
Cash generated from operations	<u>(3,782)</u>	<u>(6,263)</u>
Interest paid	(879)	(871)
Tax paid	-	-
Bad debts recovered	101	-
Proceed from non-operation	83	-
Proceed from insurance claims	669	-
Net cash generated from/(used in) operating activities	<u>(3,808)</u>	<u>(7,134)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment ("PPE")	(1,110)	(1,201)
Real property gain tax ("RPGT") paid	(13)	-
Net proceeds from disposal of PPE	195	-
Net cash used in investing activities	<u>(928)</u>	<u>(1,201)</u>
Cash flows from financing activities		
Repayment of term loans	(1,165)	-
Addition/(repayment) of bills payable	1,167	2,019
(Repayment)/addition of lease liabilities	(410)	(480)
Proceed from Private Placement		9,041
Proceed from sale of treasury shares	1,110	-
Net increase in fixed deposit pledged	(55)	(742)
Net cash generated from financing activities	<u>647</u>	<u>9,838</u>
Net changes in cash and cash equivalents	(4,089)	1,503
Cash and cash equivalent at beginning of period	466	(5,448)
Cash and cash equivalent at end of period	<u>(3,623)</u>	<u>(3,945)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,322	1,854
Bank overdraft	(4,147)	(5,057)
Fixed deposits with licensed bank	(798)	(742)
Cash and cash equivalents at end of the period	<u>(3,623)</u>	<u>(3,945)</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 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 31st 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 31st December 2021 and with the adoption of the following standards that have effective for financial periods beginning on or after 1st 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 1st 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 31st 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.

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

The Company has made the following announcement during the financial period:

- i. On 6th July 2022, the Board announced the termination of the Employee Share Option Scheme 2020.
- ii. On 3rd July 2022, 19th July 2022 and 20th July 2022, the Board announced the resale of 851,470 treasury shares. With the resale, there is no treasury share held by the Company.
- iii.
 - a. On 7th October 2022 and 13th October 2022, the Board announced the proposed establishment of a Long-Term Incentive Scheme (“LTIS”) of up to 15% of the total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the scheme, comprising a share option scheme and a share grant scheme, for eligible employees, executive directors and non-executive directors of the Company and its non-dormant subsidiaries.
 - b. On 27th October 2022, the Board announced the Proposed LTIS has been conditionally approved by Bursa Securities;
 - c. On 11th November 2022, Board announced an application to Bursa Securities for an extension of time of up to 30th December 2022 to issue the circular in relation to the Proposed LTIS.

Save as above, there are no other issuances, cancellations, repurchases, resales or 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 1st January 2022 to 30th September 2022 (1st January 2021 to 31st December 2021: Nil).

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A9. Segment Information

Segmental information in respect of the Group's business segments for the 3rd Quarters ended 30 September 2022 is as follows

	Investment and Others		Automotive		Commercial		Elimination		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	<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	-	-	38,305	19,826	7,774	4,566	-	-	46,079	24,392
Inter-segment revenue	478	360	-	-	4,561	5,565	(5,039)	(5,925)	-	-
Total Revenue	478	360	38,305	19,826	12,335	10,131	(5,039)	(5,925)	46,079	24,392
Profit / (Loss) before taxation	(956)	(2,002)	(1,788)	(1,775)	(558)	(1,908)	-	-	(3,302)	(5,685)
Less: Taxation	-	-	-	-	-	-	-	-	(60)	11
Consolidated Profit / (Loss) after taxation									(3,362)	(5,674)

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

There are 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 31st December 2021 up to the date of the issue of this quarterly report.

A14 Capital commitments

Capital expenditures at the balance sheet date but not recognized in the financial statements:

Approved and contracted for - Property, plant and equipment	RM450,000
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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	9 months Current Period to date 30/9/2022 RM'000	9 months Preceding Period To date 30/9/2021 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	46,079	24,392	21,687	88.91%
Loss before taxation	(3,302)	(5,685)		

The Group registered a revenue of RM46.08 million for 9 months period as compared to RM24.39 million in the previous corresponding period, representing an increase of RM21.69 million.

The increase in revenue was mainly attributable to the full operation for the 9 months as compared to the previous corresponding period where the Group was in recovering stages from the Movement Control Order. In the 9 months reporting period, better sales derived from the automotive and commercial as compared to the previous corresponding financial year

The Group recorded a lower loss before taxation of RM3.30 million as compared to a loss of RM5.68 million in the previous corresponding financial period. The lower losses were mainly attributable to higher revenue in the 9 months to cover operation costs. Nevertheless, the performance for the period was affected by the rise in raw material prices and shipping costs and was further affected by a less favourable currency that increase the import cost.

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B2. Comparison with the preceding quarter's result

Group Performance

Description	3 months Current Quarter 30/9/2022 RM'000	3 months Immediate Preceding Quarter 30/6/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	17,931	15,129	2,802	18.52
Loss before taxation	(113)	(1,622)		

The Group recorded revenue of RM17.93 million in the current quarter compared with the immediate previous quarter of RM15.12 million, an increase of RM2.80 million.

The Group registered a lower loss before taxation of RM0.11 million in the current period as compared with an immediate preceding period loss of RM1.62 million.

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 and the increase in energy prices such as oil and natural gas and the less favourable currency which will have an impact on the production and transportation cost.

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

The taxation is made for the current quarter and for the financial year ended 30th September 2022.

	3 months Quarter Ended		9 months Cumulative to date	
	30 Sept 2022	30 Sept 2021	30 Sept 2022	30 Sept 2021
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Taxation	-	-	-	-
Deferred Taxation	-	(1)	(47)	11
Real Property Gain Tax ("RPGT")	(13)	-	(13)	-
Total	(13)	(1)	(60)	11

B6. Status of Corporate proposals

The following announcement of corporate proposals:

1. In the announcement dated 7th October 2022, the Company proposed to undertake the following:
 - a. Proposed Diversification of the existing core business of Paragon Union Berhad and its subsidiaries to include provision of recycling businesses; and
 - b. Proposed new shareholders' mandate for a recurrent related party transactions of revenue or trading nature;
2. In note A7 (iii) above, the Company proposed the establishment of a Long-Term Incentive Scheme of up to 15% of the total number of issued shares.

Save as above, there are no other corporate proposals announced as of the date of this announcement.

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B7. Loss before taxation

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

Description	Current Period Quarter (3 months) 30 Sept 2022 RM'000	Cumulative Period To-Date (9 months) 30 Sept 2022 RM'000
Other Incomes	285	1,047
- Gain on disposal of PPE	194	194
- Bad debts recovered	83	101
- Insurance claims	-	669
- Non-operation income	8	83
Interest expenses	(279)	(879)
Depreciation of property, plant & equipment	(621)	(1,873)

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. The number of treasury shares held by the Company is 851,740 units as of 31st December 2021.

The Company has terminated the ESS and resold the treasury shares as explained in A7. There is no treasury share held by the Company as of this reporting period.

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B9. Group borrowings

The total group borrowings were as follows:

	As at 30 Sept 2022 RM'000	As at 31 Dec 2021 RM'000
<u>Short Term (current)</u>		
Secured: Bills Payables	2,864	1,697
Bank Overdrafts	4,147	1,409
Term Loans	473	739
Sub-Total	7,484	3,845
<u>Long Term (non-current)</u>		
Secured: Term Loans	10,455	11,354
Total	17,939	15,199

B 10. Derivatives

There were no derivatives entered by the Group as of 30th September 2022.

B11. Changes in material litigation

There was no material litigation for the current quarter under review as of 29th November 2022.

B12. Dividends payable

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

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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 83,829,652 (30th September 2021: 76,428,260) ordinary shares of the Company in issue during the financial period under review.

There is no treasury shares unit held by the Company as of the reporting period (30th September 2021: 851,740).

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 Sept 2022 RM'000	Preceding Period Quarter 30 Sept 2021 RM'000	Current Year To-Date 30 Sept 2022 RM'000	Preceding Year-To-Date 30 Sept 2021 RM'000
i)Earnings				
Loss attributable to the owner of the company (RM'000)	(125)	(2,131)	(3,361)	(5,672)
ii)Weighted average number of ordinary shares				
The weighted average number of shares in issue ('000) (excluding treasury shares)	83,829	76,428	83,829	76,428
Basic loss per share (sen)	(0.15)	(2.79)	(4.01)	(7.42)

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 29th November 2022.