



PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))

ANNUAL REPORT 2022



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PROXY FORM

29th

ANNUAL GENERAL MEETING

BOARDCAST VENUE:

Board Room
Lot 14, Jalan CJ 1/1,
Kawasan Perindustrian Cheras Jaya,
Batu 11, 43200 Cheras,
Selangor Darul Ehsan.

DATE & TIME:

Monday, 26 June 2023 at 10.00 a.m.

NOTICE OF TWENTY-NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth (“29th”) Annual General Meeting (“AGM”) of Paragon Union Berhad (“Paragon” or “the Company”) will be held and conducted on a virtual basis at Broadcast Venue at Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan through live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Monday, 26 June 2023 at 10:00 a.m. for the transaction of the following businesses:

AGENDA

As Ordinary Business

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. | <i>Please refer to Explanatory Note 1</i> |
| 2. | To approve the payment of Directors’ fees and other benefits payable of up to RM210,000.00 for the financial year ending 31 December 2023. | Ordinary Resolution 1
<i>(Please refer to Explanatory Note 2)</i> |
| 3. | To re-elect Mr Tan Vei Teck, who retires by rotation in accordance with Clause 97.1 of the Company’s Constitution and who being eligible, has offered himself for re-election. | Ordinary Resolution 2
<i>(Please refer to Explanatory Note 3)</i> |
| 4. | To re-elect Madam Koh Huey Min, who retires by rotation in accordance with Clause 104 of the Company’s Constitution and who being eligible, have offered herself for re-election. | Ordinary Resolution 3
<i>(Please refer to Explanatory Note 4)</i> |
| 5. | To re-appoint Messrs. Kreston John & Gan as auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4
<i>(Please refer to Explanatory Note 5)</i> |

As Special Business

To consider and if thought fit, to pass the following Resolutions: -

- | | | |
|----|---|---|
| 6. | Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016 | Ordinary Resolution 5
<i>(Please refer to Explanatory Note 6)</i> |
|----|---|---|

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the capital of the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being or such higher percentage as Bursa Malaysia Securities Berhad may from time to time allow and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company.

AND THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 54 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to Sections 75 and 76 of the Companies Act 2016.”

Notice of Twenty-Ninth Annual General Meeting

7. Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 6
(Please refer to
Explanatory Note 7)

"THAT, subject to the provisions of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 28 April 2023 in relation to the Proposed Shareholders Mandate which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

- a) the conclusion of the next AGM of the Company following the AGM at which such ordinary resolution for the Proposed Shareholders Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed;
- b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 202208000250)
Tan Lay Khoon (MAICSA 7077867 / SSM PC No. 202208000544)
Company Secretaries

Kuala Lumpur
Dated this 28 April 2023

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.
2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
3. A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.
6. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company situated at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 June 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.

Notice of Twenty-Ninth Annual General Meeting

EXPLANATORY NOTES TO ORDINARY BUSINESS:

1. Audited Financial Statements for the financial year ended 31 December 2022

This Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 (the “Act”) provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward to the shareholders for voting.

2. Ordinary Resolution 1: To approve the payment of Directors’ fees and other benefits payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of public company or a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Directors’ benefits payable comprises of meeting attendance allowances and other claimable benefits.

In determining the estimated total amount of Directors’ fees and benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the financial year ending 31 December 2023.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

3. Ordinary Resolution 2: Re-election of Director who retires in accordance with Clause 97.1 of the Company’s Constitution

Clause 97.1 of the Company’s Constitution states that an election of Director shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Mr. Tan Vei Teck is standing for re-election as Director of the Company and being eligible, have offered himself for re-election.

For the purpose of determining the eligibility of the Director to stand for re-election at the 29th AGM, the Nomination and Remuneration Committee has considered the requirements under Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and recommended Mr. Tan Vei Teck for re-election as Director pursuant to Clause 97.1 of the Company’s Constitution.

4. Ordinary Resolution 3: Re-election of Director who retire in accordance with Clause 104 of the Company’s Constitution

Clause 104 of the Company’s Constitution states that any Directors so appointed either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following AGM, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Madam Koh Huey Min is standing for re-election as Director of the Company and being eligible, has offered herself for re-election as Director pursuant to Clause 104 of the Company’s Constitution.

5. Ordinary Resolution 4: Re-appointment of Auditors

The Audit Committee and the Board have considered the re-appointment of Messrs. Kreston John & Gan (“Kreston John”) as auditors of the Company and collectively agreed that Kreston John have met the relevant criteria as prescribed by Paragraph 15.21 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Notice of Twenty-Ninth Annual General Meeting

6. **Ordinary Resolution 5: Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The Ordinary Resolution 5, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being or such higher percentage as Bursa Malaysia Securities Berhad may from time to time allow for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

Pursuant to Section 85 of the Act read together with Clause 54 of the Constitution of the Company, the shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities. The proposed Ordinary Resolution 5, if passed, would allow the Directors to issue new shares to any person under the Proposed General Mandate without having to offer the new Company shares to be issued equally to all existing shareholders of the Company prior to issuance.

As at the date of this notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the last AGM held on 29 June 2022.

7. **Ordinary Resolution 6: Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The Ordinary Resolution 6, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

For further information on this resolution, please refer to the Circular to Shareholders dated 28 April 2023 in relation to Proposed Shareholders' Mandate.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual standing for election as Director, save for the above Directors who are standing for re-election.

Further details of Directors standing for re-election as Directors at the 29th AGM are set out in their respective profiles which appear in the Directors' Profile of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Analysis of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.04 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of Annual General Meeting of the Company for the details.

ADMINISTRATIVE GUIDE

General Meeting	: 29th Annual General Meeting (“AGM”)
Day, Date and Time of Meeting	: Monday, 26 June 2023 at 10:00 a.m.
Remote Participation and Voting Facilities	: Cloud AGM Platform operated by ARB Wemeet Sdn Bhd at https://member.arbwemeet.com
Domain Registration Numbers with MYNIC	: D1A457700

The AGM of the Company will be held and conducted by way of virtual meeting through live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities via Cloud AGM Platform operated by ARB Wemeet Sdn Bhd at <https://member.arbwemeet.com>. An online meeting platform used to conduct the meeting can be recognised as the meeting venue as required under Section 327(2) of the Companies Act 2016, provided that the online platform located in Malaysia. Pursuant to the Securities Commission Guidance, all meeting participants including the Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online.

Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of shareholders and proxies. Hence, you are to ensure that internet connectivity throughout the duration of the meeting is maintained.

Entitlement to Participate and Vote Remotely

Only shareholders whose names appear on the Record of Depositors (“ROD”) as at 16 June 2023 shall be eligible to participate and vote remotely in the meeting or appoint proxy(ies)/ the Chairman of the meeting to participate and/or vote on his/her behalf.

PROCEDURES TO PARTICIPATE IN CLOUD AGM PLATFORM

Please follow the procedures to participate in Cloud AGM Platform as summarised below:

* BEFORE AGM DAY *

A : REGISTRATION	
Description	Procedure
i. Shareholders to Register with ARB Wemeet > <i>Individual Shareholders</i>	a. Access website at https://member.arbwemeet.com b. Select “ Sign Up ” to sign up as user. c. Read and indicate your acceptance of the ‘Privacy Policy’ and ‘Terms & Conditions’ by clicking on a small box <input type="checkbox"/> . Then select “ Next ”. d. Fill-in your details – (i) ensure your email address is valid; (ii) create your own password ;and (iii) add the CDS account Then click “ OK ”. e. Registration as user completed. f. An email notification will be sent to you. g. Click the link in the email to verify account.
	Note: <ul style="list-style-type: none"> If you have already signed up/registered as a user with previously, you are not required to register again. In order to be able to view the event, shareholders must add the related CDS in the profile (from the Sign Up or in “My Profile” under settings).

Administrative Guide

PROCEDURES TO PARTICIPATE IN CLOUD AGM PLATFORM (CONT'D)

* BEFORE AGM DAY * (CONT'D)

B: REGISTRATION OF PROXY	
Description	Procedure
i. Submit Form of Proxy (hard copy)	The hard copy Form of Proxy must be deposited with the Company's Share Registrar Office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia not less than 48 hours (Saturday, 24 June 2023 at 10:00 a.m.) before the time appointed for holding the AGM or at any adjournment.
> Individual Shareholders	
> Corporate Shareholders	a. Fill-in the details on the hard copy Form of Proxy by providing the following information: <ul style="list-style-type: none"> • Proxy(ies) & Corporate Representative <ul style="list-style-type: none"> o Name o Number of MyKAD for Malaysian or passport for non-Malaysian o Address, contact number and email address – ensure email address is valid
> Authorised Nominee	
> Exempt Authorised Nominee	b. Corporate Representative only – deposit the hard copy of Form of Proxy together with the following document to the Company's Share Registrar office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia. <ul style="list-style-type: none"> • A copy of Certificate of Appointment as corporate representative • Photocopy MyKAD/ Passport of Corporate Representative.
	c. Individual shareholders authorized nominee and exempt authorized nominee – deposit the hard copy Form of Proxy to the Company's Share Registrar Office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Malaysia.
	d. Submitted Form of Proxy will be verified.
	e. After verification, proxy(ies) and corporate representative will receive email notification.
	f. Please refer to the steps stated in the email notification given to participants for their participations in the meeting.
	g. Please click the "WeMeet" button in the notification email and you will be directed to the login page at https://member.arbwemeet.com .
	h. You may login with your email and you will be prompted to change password.

* ON AGM DAY *

1. Log in to <https://member.arbwemeet.com> with your registered email address and password.
2. The Cloud AGM Platform will be opened for log in one (1) hour before the commencement of the AGM you are attending at 9:00 a.m
3. When you are logged in, select the general meeting event you are attending. On the main page, you are able to access the following:

Description	Procedures
i. Live Streaming	<ol style="list-style-type: none"> a. Click on the watch live button to view the live streaming b. Once in Zoom Webinar, Shareholder is required to key in the Full Name as per NRIC / Passport.
	<p>Note: Company reserve the rights to approve or deny shareholder's participation if the name is not as per NRIC / Passport</p>

Administrative Guide

PROCEDURES TO PARTICIPATE IN CLOUD AGM PLATFORM (CONT'D)

* ON AGM DAY * (CONT'D)

Description	Procedures
ii. Ask Question (real-time)	a. Select “ Ask Question ” button to pose a question b. Type in your question and select “ Submit ”. Note: <i>The Chairman of the AGM/ Board of Directors will endeavour to respond to questions submitted by remote shareholders and proxies and corporate representatives during the AGM.</i>
iii. Online Remote Voting	a. On the main page, scroll down and select “ Select CDS Account & Vote Now ”. b. To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Select “ Next ” to continue voting for all resolutions. c. After you have completed voting, a Voting Summary page appears to show all the resolutions with your voting choices. Select “ Finish Voting ” to submit your vote. Note: <i>Once you have confirmed and submitted your votes, you are able to change your voting choices in “View My Vote” before the event ends.</i>
iv. View Voting Results	a. On the event details page, scroll down and select “ View My Vote ”.
v. End of Cloud AGM Platform	a. Upon the announcement by the Chairman of the meeting on the closure of the said meeting, the live streaming will end. b. You may log out from https://member.arbwemeet.com .

ADDITIONAL INFORMATION

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at a general meeting will be conducted by poll. The Company has appointed ARB WeMeet Sdn Bhd as the Poll Administrator to conduct the polling process and CSC Securities Services Sdn Bhd as the independent scrutineers to verify the results of the poll.

No e-Voucher, Gift and Food Voucher

There will be no e-Voucher, gift and food voucher for shareholders, proxies and corporate representatives who participate in the meeting.

Enquiry

- a. For enquiries relating to the AGM, please contact the Share Registrar during office hours (9:00 a.m. to 5:30 p.m.) on Monday to Friday (except public holidays) as follows:

Email : admin@aldpro.com.my

General Line : +603-9770 2200

- b. For enquiries relating to Cloud AGM Platform or issues encountered during registration, log in, connecting to the live streaming and online voting facilities, please contact ARB WeMeet helpdesk during office hours (9:00 a.m. to 5:00 p.m.) on Monday to Friday (except public holidays) as follows:

Email : supportsales@arbberhad.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

Koon Hoi Chun

Managing Director

Wong Ee-Coln

Executive Director

Tan Vei Teck

(redesignated w.e.f 1 April 2023)

Independent Non-Executive Director

Koh Huey Min

(appointed w.e.f 1 April 2023)

Independent Non-Executive Director

Tong Siut Moi

AUDIT COMMITTEE

Chairperson

Koh Huey Min (Appointed w.e.f 1 April 2023)

Member

Tong Siut Moi

NOMINATION AND REMUNERATION COMMITTEE

Chairperson

Tong Siut Moi

Member

Koh Huey Min (Appointed w.e.f 1 April 2023)

RISK MANAGEMENT COMMITTEE

Chairperson

Koh Huey Min (Appointed w.e.f 1 April 2023)

Member

Tong Siut Moi

SHARE SCHEME COMMITTEE

Chairman

Wong Ee-Coln

Member

Tan Vei Teck

Tan Teck Khong

COMPANY SECRETARIES

Tan Tong Lang

(MAICSA 7045482)

SSM Practicing Certificate No. 202208000250

Tan Lay Khoon

(MAICSA 7077867)

SSM Practicing Certificate No. 202208000544

REGISTERED OFFICE

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Tel : 03- 9770 2200
Fax : 03- 9770 2239

PRINCIPAL PLACE OF BUSINESS

Lot 14 Jalan CJ 1/1,
Kawasan Perindustrian Cheras Jaya,
Batu 11 Cheras,
43200 Cheras, Selangor Darul Ehsan
Tel : 03-9086 1100
Fax : 03-9086 1107

PRINCIPLE BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad

SHARE REGISTRAR

Aldpro Corporate Services Sdn Bhd

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Tel : 03- 9770 2200
Fax : 03- 9770 2239

AUDITORS

KRESTON JOHN & GAN (AF 0113)

Unit B-10-8, Megan Avenue II,
Jalan Yap Kwan Seng
50450 Kuala Lumpur.
Tel : 03 - 2381 2828
Email : assurance@kreston.com.my

SOLICITORS

Halim Hong & Quek
Tai Wah & Co
Wilson Wong & Tan

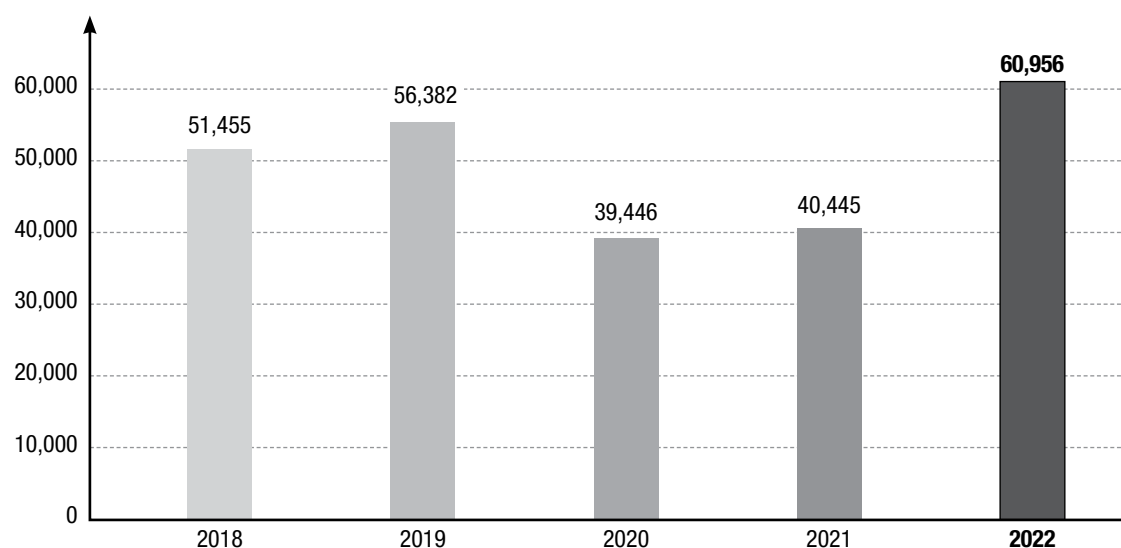
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : PARAGON
Stock Code : 9407

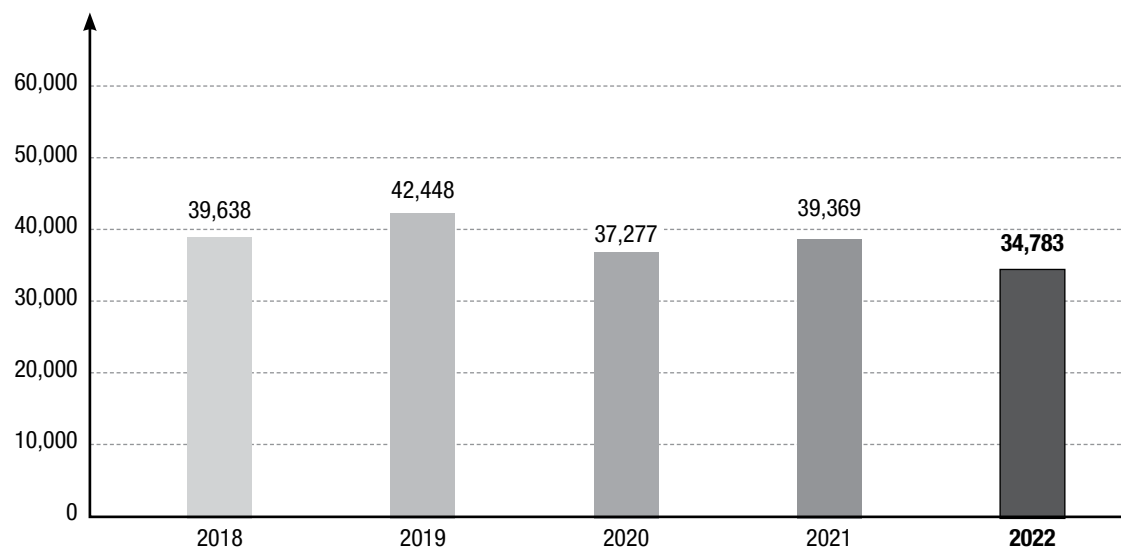
FINANCIAL HIGHLIGHTS

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	51,455	56,382	39,446	40,445	60,956
Gross Profit	8,116	6,844	4,090	781	6,372
Profit /(Loss) Before Taxation	(1,477)	1,811	(6,516)	(15,589)	(5,643)
Profit /(Loss) After Taxation	(927)	2,809	(5,691)	(15,401)	(5,689)
Shareholders' Equity	39,669	42,481	37,265	39,359	34,783
Gearing Ratio (%)	37.22	65.21	57.83	34.32	51.95
Earning per share (Sen)	(1.43)	4.35	(8.78)	(21.53)	(6.78)
NTA per share (Sen)	61.27	65.61	56.33	47.43	41.44

REVENUE (RM' 000)



SHAREHOLDERS' EQUITY (RM' 000)



CORPORATE STRUCTURE



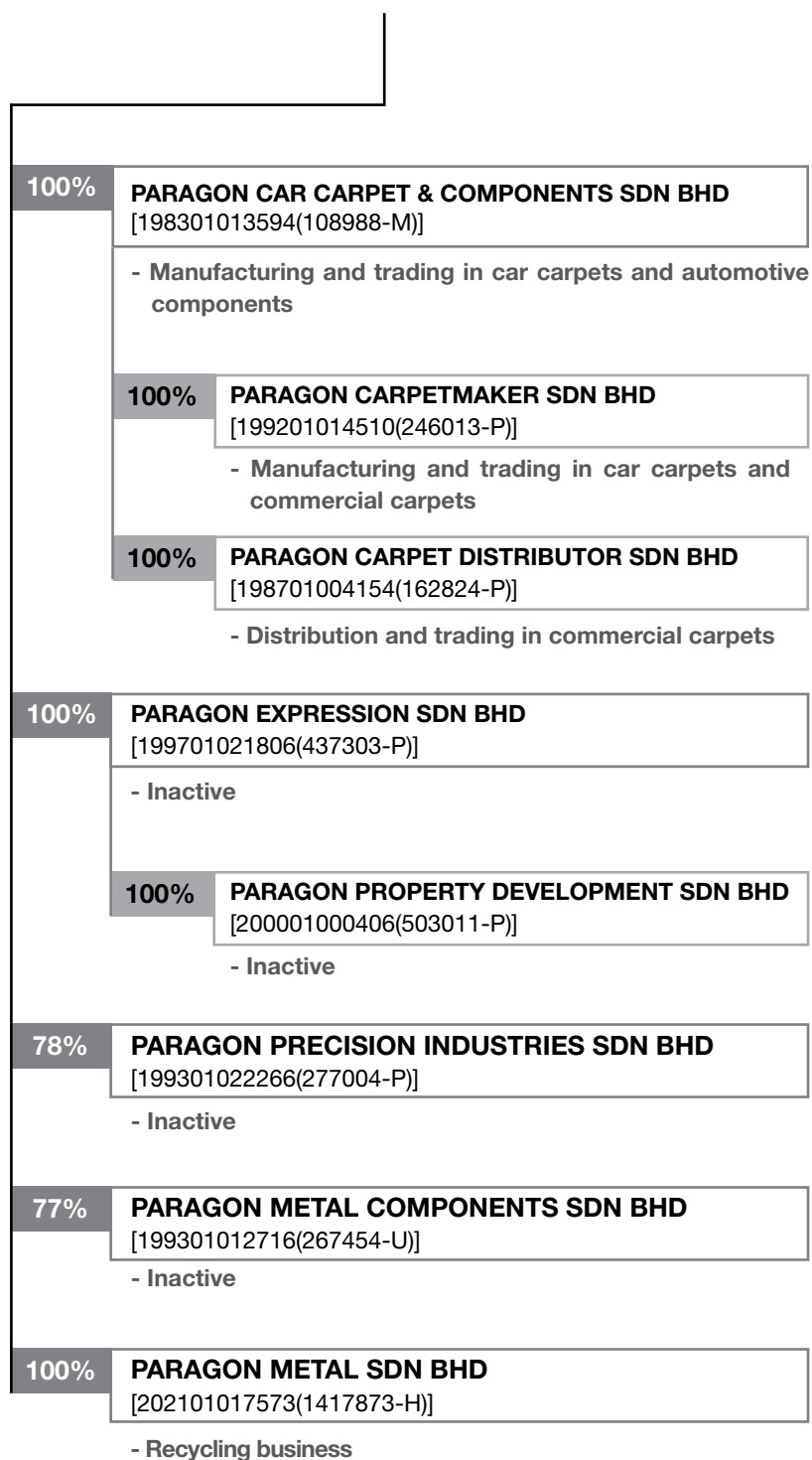
PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))

ABOUT US

Paragon Union Berhad is a Malaysia holding company listed in Bursa Malaysia in 1994. The Company, through its subsidiaries, is engaged in the manufacturing and distribution of commercial carpets, rugs, automotive carpets and NVH components. It has over two decades of experience in carpeting and is one of the renowned commercial and automotive carpets manufacturers. Paragon Union Berhad is constantly undertaking innovative design and product development to meet the changing demand in the world of carpeting.

In 2023, the Group diversified into the metal recycling business through its subsidiary, Paragon Metal Sdn Bhd. The division has since commenced operation and begun to trade recycled products that include aluminium ingot, aluminium pallets, carbon blocks and carbon powder.



DIRECTORS' PROFILE

MR KOON HOI CHUN

Executive Chairman

Malaysian, 44, Male

Mr. Koon Hoi Chun ("Mr Koon") was appointed to the Board of Paragon Union Berhad ("Paragon" or "Company") on 9 March 2021 and was re-designated from Executive Chairman cum Managing Director to Executive Chairman with effect from 14 March 2022.

He is currently the substantial shareholder and Managing Director of Technovate Holdings Sdn Bhd, and through other companies that he owns, is involved in the management of industrial waste, which includes recycling and processing industrial waste and metal scraps into ingots, as well as in sales and marketing of the processed and related products.

He joined Press Metal UK Ltd in 2001 as a Sales and Marketing Executive, where he was in charge of the sales of aluminium scaffolding and ladders throughout the United Kingdom. In 2015, he set up KYH Trading Sdn Bhd, a company focusing on collecting, sorting and cleaning of industrial waste and metal scraps, namely aluminium and copper, and exporting to international markets. On 1st January 2020, he ventured into the processing of industrial waste and metal scraps into ingots, through Technovate Holdings Sdn Bhd.

Mr. Koon holds direct 1,607,000 ordinary shares and total deemed interest of 39,979,794 ordinary shares via AKK Capital Sdn Bhd in the Company.

He does not hold directorship in any other public listed companies.

He has no family relationship with any Director and/or major shareholder of Paragon, no conflict of interests with Paragon, no convictions for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR WONG EE-COLN

Managing Director

Chairman of Share Scheme Committee

Malaysian, 44, Male

Mr. Wong Ee-Coln was appointed as the Deputy Managing Director of Paragon since August 2021 and was appointed as the Managing Director on 14 March 2022. He is an engineer by profession with over 20 years working experience in property development, investment, business development and senior management in Malaysia and other countries such as China and Philippines. He obtained his Chartered

Financial Analyst (CFA) in 2011. He joined Berjaya Land Bhd as General Manager from 2013 until 2017. He was later promoted to be the Executive Director of Berjaya Group Bhd from 2018 until 2021. He was also appointed as the President of Berjaya Philippines Inc. from 2016 until 2021.

Currently, Mr. Wong hold 300,000 ordinary shares in the Company.

He does not hold directorship in any other public listed companies.

He has no family relationship with any Director and/or major shareholder of Paragon, no conflict of interests with Paragon, no convictions for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MR TAN VEI TECK

Executive Director

Member of Share Scheme Committee

Malaysian, 39, Male

Mr. Tan Vei Teck was appointed as Independent Non-Executive Director of Paragon on 30 June 2021 and redesignated as Executive Director on 1 April 2023.

He joined Regina Development Sdn Bhd as Project Coordinator in year 2010. After two years of outstanding performance on his duty, he was promoted as General Manager in Regina Group and leads the development team in planning and implementation of projects at Regina Group. In year 2018, he serves as a Chief Executive

Officer in Regina Group and Hoong Li Development Sdn Bhd until now. He works closely with relevant parties on issues pertaining to the business operations including government officials, consultants, contractors, suppliers, other developers (JV opportunity), bankers and lawyers. In Regina Group, he manages and oversees the management team, operations and asset management for all properties across Malaysia including mall, entertainment, plantation and other businesses.

Mr. Tan does not hold any shares in the Company.

He does not hold directorship in any other public listed companies.

He has no family relationship with any Director and/or major shareholder of Paragon, no conflict of interests with Paragon, no convictions for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Directors' Profile

MADAM KOH HUEY MIN

Independent Non-Executive Director
Chairperson of Audit Committee and Risk Management Committee
Member of Nomination and Remuneration Committee

Malaysian, 58, Female

Madam Koh Huey Min ("Madam Koh") was appointed to the Board on 1 April 2023 as an Independent Non-Executive Director. She is also appointed as the chairperson of the Audit Committee, and Risk Management Committee and member of Nomination and Remuneration Committee.

She is a Fellow Member of the Chartered Institute of Management Accountants and a member of the Malaysian Institute of Accountants. She has more than 30 years of experience in finance, accounting, tax, treasury fields, marketing, business development, property investment and development and shopping complex operations. She was an Executive

Director of Berjaya Assets Berhad ("BASSETS") from 23 June 2017 to 31 August 2021. Prior to that, she was attached to PricewaterhouseCoopers and subsequent to that, she worked in Hong Leong Group of Companies as an Accountant. She joined Berjaya Times Square ("BTSSB"), a wholly-owned subsidiary of BASSETS in March 1994 as the Head of Finance and Administration. She was appointed as an Executive Director of BTSSB from 8 January 2013 to 31 August 2021. She anchored the overall property development and investment division and also managed the overall operations of Berjaya Times Square Group. She also held directorships in various subsidiaries of BASSETS.

Currently, she is an Independent Non-Executive Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee of Frontken Corporation Berhad and of Scientex Packaging (Ayer Keroh) Berhad.

Madam Koh does not hold any shares in the Company.

She has no family relationship with any Director and/or major shareholder of Paragon, no conflict of interests with Paragon, no convictions for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MADAM TONG SIUT MOI

Independent Non-Executive Director
Chairperson of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee

Malaysian, 54, Female

Ms Tong Siut Moi ("Ms Tong") was appointed as Independent Non-Executive Director on 30 June 2021. On the same day, she was also appointed the Chairperson of the Nominating and Remuneration Committee of Paragon. She is also a member of the Audit Committee and Risk Management Committee of the Company.

Ms Tong qualified as a Chartered Secretary following completion of the ICSA (United Kingdom) professional degree and was admitted as an Associate Member of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA) since 1996. Ms Tong has also completed the Advanced Women Directors' Programme in December

2015 and is now a member of the Institute of Corporate Directors Malaysia (ICDM). She has more than 28 years of professional experience in corporate secretarial advisory and at senior management level, gathered from both commercial and advisory environments. She is currently an Executive Director of CKM Advisory Sdn Bhd, a company focusing on providing specialised training relating to Bursa Malaysia Securities Berhad's Main and ACE Markets Listing Requirements to the Board of Directors and senior management of public listed companies, investment bankers and company secretaries. Ms Tong is also an Independent Non-Executive Director of Kejuruteraan Asastera Berhad and Niche Capital Emas Holdings Berhad.

Ms Tong does not hold any shares in the Company.

She has no family relationship with any Director and/or major shareholder of Paragon, no conflict of interests with Paragon, no convictions for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

SENIOR MANAGERIALS' PROFILE

ENCIK SHAHRUL HISHAM BIN MUSA

*Senior General Manager | Business and Operations |
Management Representative IATF 16949 | Management Representative SHE*

Malaysian, 49, Male

He was appointed as a Group Senior General Manager at Paragon Union Berhad in 2016. He holds a Degree in Economics (Hons) from National University of Malaysia. He currently oversees both business and operations for the Group. With approximately 22 years of working experience with two automotive manufacturing companies, Mr Shahrul has adequate experience and is exposed to managing the standard of business and operation of Paragon Group of companies.

He does not hold any directorship in other public companies or public listed companies. He has no family relationship with any Director and/or substantial shareholders of Paragon nor any conflict of interest situation. He has no convictions of any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DR TAN TECK KHONG, FCMA, CGMA

Senior General Manager, Finance

Malaysian, 52, Male

He was appointed as a Senior General Manager of Finance at Paragon Union Berhad in 2022. He has more than 28 years of working experience and has served in private and public listed companies. He is in charge of the finance & accounts department, IT department and human resource & administration department of the group.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a fellow member of the Chartered Institute of Management Accountants (FCMA), a member of Chartered Global Management Accountants (CGMA) and a member of ASEAN Chartered Professional Accountants (ASEAN CPA). He obtained his Master of Business Administration from the University of Southern Queensland (USQ), Australia and Doctor of Philosophy in Management from Universiti Kuala Lumpur (UniKL).

He began his career as an audit trainee in an audit firm in 1993. He joined a MNC manufacturer of formaldehyde-based resin

in 1994 as an accounts executive. Subsequently, he joined a local plastic manufacturing company in 1996 as an assistant accountant. In 1997, he was with an Independent Power Producer as an accounts executive. Prior to PUB, he joined Grand Hoover Berhad (now known as PTT Synergy Group Berhad) in 2001, a construction, property development and trading of building materials as a Group Accounts Manager. He was appointed as executive director of the group in 2011 and as director of finance, he oversaw the administration of finance, accounts, treasury, corporate matters, human resource and admin, and business operation of property development and trading divisions of the group

He does not hold any directorship in other public companies or public listed companies. He has no family relationship with any Director and/or substantial shareholders of Paragon nor any conflict of interest situation. He has no convictions of any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Senior Managements' Profile

PUAN HALEZA BINTI HUSSIN

Senior Head of Costing

Malaysian, 53, Female

She started her career with Paragon in the year 1995. She graduated from University Pertanian Malaysia (UPM) in 1994 with a Bachelor in Accountancy. She has more than 25 years of working experience in all aspects of accounting and finance. She is currently in charge of the Costings Department for the Automotive Division.

She does not hold any directorship in other public companies or public listed companies. She has no family relationship with any Director and/or substantial shareholders of Paragon nor any conflict of interest situation. She has no convictions of any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MS JESSIE TANG WAI CHEN

Senior Sales & Marketing Manager (Commercial Division)

Malaysian, 43, Female

She started her career at Paragon Union Berhad in 2006 as an Account Executive in the Finance Department. She supported product costing and data analysis for the manufacturing performance of the commercial carpet sectors.

With her extensive knowledge of commercial carpets, she was posted to the sales & marketing department and promoted to Business Development Manager in 2014. She possesses vast sales and marketing experience and with good records on the job and is entrusted to oversee the operational matters of

the commercial carpet sector. In 2022, she was subsequently promoted to Senior Sales & Marketing Manager in the Commercial sector.

She does not hold any directorship in other public companies or public listed companies. She has no family relationship with any Director and/or substantial shareholders of Paragon nor any conflict of interest situation. She has no convictions of any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

“Dear Shareholders,

It is my pleasure, on behalf of the Board of Directors of Paragon Union Berhad (“Paragon” or “Group”) to present you with the Annual Report of Paragon for the financial year ended 31st December 2022.

BUSINESS AND OPERATION REVIEW

Our core business has been in the manufacturing and distribution of commercial carpets, automotive carpets and NVH components. Although the operations have resumed to the pre-pandemic level, the year 2022 has been challenging for the two business segments that were affected by the hike in commodity prices which have impacted the prices of raw materials used for our production. The operations were further impacted by the volatility in the supply chains and compounded by unfavourable exchange rates. Nevertheless, the Group will continue to take appropriate actions to increase our sales as a manufacturer of OEM automotive carpets and NVH components. In the commercial carpet division, the Group continue to penetrate the domestic and overseas markets with current and new products.

Having gone through the challenges above and as part of our restructuring strategy, the Group initiated a new business to improve the financial health of the Group. On 6th January 2023, the company obtained shareholders' approval at the Company's Extraordinary General Meeting to diversify the existing core business to include the recycling businesses.

Moving forward, the Group will remain focused on the three business divisions that include commercial carpets, automotive carpets & NVH components and recycling.

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31st December 2022 (“FY2022”), the Group registered an increase in revenue of 50.71% from RM40.44 million in Financial year ended 31st December 2021 (“FY2021”) to RM60.96 million in FY2022. The increase in revenue was driven by an increase in the automotive and commercial segments. On the profitability performance, the Group reported lower losses with a loss before taxation of RM5.64 million in FY2022 compared to the loss before taxation of RM 15.59 million in FY2021.

Although we have to face multiple challenges in FY2022, the operating margins have improved compared to the previous year which had substantial impairment of inventory losses due to the flood that occurred on 18th and 19th December 2021. The loss per share for the financial year ended 31st December 2022 is 6.78 cents (2021: 21.53 cents).

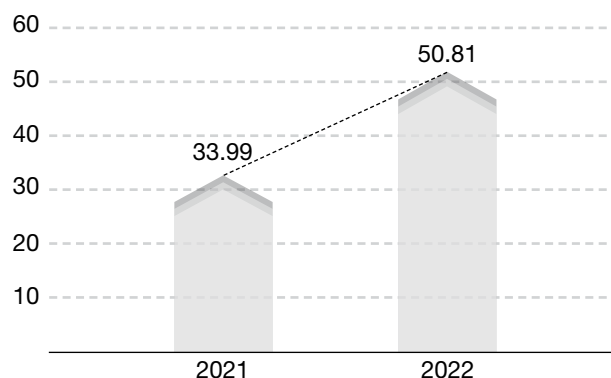
As for the FY2022, the Group has total assets of RM66.11 million compared to RM67.77 million in the FY2021. The shareholders' funds attributable to shareholders have decreased to RM34.78 million from RM37.36 million in the previous financial years. The Group's net assets per share are at 41.44 cents (2021: 47.43 cents).

REVIEW OF OPERATIONS

Automotive Division

In the financial ended 31st December 2022, the automotive division achieved an exceptional increase in revenue of 49.48% to RM50.81 million in FY2022 compared to the prior year's revenue of RM33.99 million in FY2021.

Revenue - Automotive Division
RM' million



The automotive division is in a position to maintain existing automotive clientele and has been supplying automotive carpets and components to car manufacturers that comprise Perodua, Proton, KIA, Nissan, BMW, Mitsubishi, Peugeot, and Isuzu. In FY2022, the division secured numerous contracts for the new range of products and launches from existing automotive clientele. In addition, we have secured new clients like KIA Malaysia which will contribute positively to the division going forward. Operational-wise, the company will continue to invest in new machinery and automation to enhance our production capacity and efficiency.

The division is aggressively looking for opportunities to expand the product range of automotive carpets and NVH components and expand the client base for the local and export market.

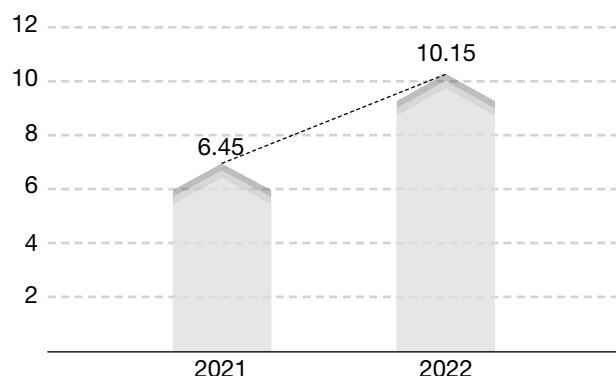
Chairman's Statement and Management Discussion and Analysis

REVIEW OF OPERATIONS (CONT'D)

Commercial Carpets Division

The commercial carpets division has also achieved an exceptional increase in revenue of 57.28%, RM10.15 million in FY 2022 compared to the prior year's revenue of RM6.45 million in FY 2021.

Revenue - Commercial Division RM' million



Although the business has returned to the pre-pandemic level and the division has achieved an increase in revenue, the division was affected by the hike in raw material prices and an unfavourable exchange rate that suppressed the profit margins.

While the demand for commercial carpets markets recovers, the division will cautiously tender for new projects and expands its network for products and customers. The division has a backlog of ongoing projects and will continuously participate in new projects.

Metal Recycling Division

There is no revenue generated for this division for FY2022 as the Company only obtained the shareholders' approval at the Company's Extraordinary General Meeting to diversify the existing core business to include the recycling businesses as of 6th January 2023.

In FY2023, the division started to trade recycled products that include aluminium ingot, aluminium pallets, carbon blocks and carbon powder.

CORPORATE EXERCISE

In FY2022, the company carried out and completed the following Corporate Exercises:

- On 27th October 2022, the Company announced the Proposed Long-Term Incentive Scheme ("LTIS") has been conditionally approved by Bursa Securities. A circular has been circulated on 20th December 2022 in relation to the LTIS where the shareholders' approval has been obtained at the Extraordinary General Meeting ("EGM") held on 6th January 2023;
- On 7th October 2022, the Company announced the Proposed Diversification of the existing core business of Paragon Union Berhad and its subsidiaries to include the provision of recycling businesses. A circular has been circulated on 20th December 2022 in relation to the Proposed Diversification where the shareholders' approval has been obtained at the EGM held on 6th January 2023; and
- On 7th October 2022, the Company announced the Proposed new shareholders' mandate for recurrent related party transactions ("RRPT") of a revenue or trading nature. A circular has been circulated on 20th December 2022 in relation to the RRPT where the shareholders' approval has been obtained at the EGM held on 6th January 2023.

PROSPECT AND OUTLOOK

We enter into the new financial year with continued optimism and foresee many growth opportunities for the Group for the three business divisions.

- The prospect of the automotive division will depend on the growth of the Malaysian automotive sector. Based on the released publication, the Malaysian Automotive Association (MAA) forecasts that total industry volume (TIV) will decline by 9.8% in 2023 after surpassing the 700,000 mark in 2022. The Annual TIV is expected to decline from 720,658 units in 2022 to 650,000 units in 2023, mainly due to the expiration of the sales tax exemption on 31st March 2023.

The Group foresee a reduction in volume but the impact on our automotive division is minimal as the Company managed to secure contracts for new models and new clients to cushion this impact.

Chairman's Statement and Management Discussion and Analysis

PROSPECT AND OUTLOOK (CONT'D)

2. In the commercial division, the prospect will depend on the Malaysian economic recovery in FY2023, the degree of market competition among the industry players and the ability to secure new projects. Nevertheless, the performance of the commercial division will also depend on the authorised dealers' achievement and performance throughout the year. The Group foresees the division to achieve improvement in revenue in the year ahead.
3. The Group has begun to trade recycled products starting with aluminium and carbon products. The business prospect for the recycling division remains positive based on the research published by 6Wresearch, Malaysia's metal scrap recycling market is projected to grow at a CAGR of 5.6% during the 2022-2028 period.

Furthermore, with the increasing demand for ferrous and non-ferrous metals in the automotive and construction sector, the metal scrap recycling industry in Malaysia is expected to uptrend in the upcoming financial years.

DIVIDEND

We do not adopt any formal dividend policy. The distribution of dividends will depend among others, on factors such as financial resources, liquidity and the performance of the Company. No dividend was proposed or declared in the financial year ended 31st December 2022.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to the management and the employees of the Group for carrying out their duties diligently over the past year. I will also like to thank all the stakeholders which comprise our valued shareholders, customers, suppliers and business associates for their continuous support and trust.

Koon Hoi Chun
Executive Chairman

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors (“Board”) of Paragon Union Berhad and its subsidiaries (“Group”) recognises the importance of developing its business sustainably and responsibly by maintaining a balance between economic performance for shareholders, and social responsibilities towards other stakeholders, while not compromising the environment.

This Sustainability Statement covers the Group’s activities consisting of the manufacturing of carpets for commercial use, manufacturing of car carpets, car mat insulators, silencers, trunk carpets and other components for the automotive and also for the recycling business to adhere to in the near future.

Reporting the Scope and Objective

This Sustainability Statement (“Statement”) underlines the Group’s commitment towards ensuring that its manufacturing and businesses are conducted sustainably and responsibly through the Economic, Environmental and Social performance for the financial year ended 31st December 2022 (“FY2022”). The Group is confident that this can be accomplished through the implementation of the sustainability initiatives it develops.

The implementation of Group sustainability initiatives is embedded across Paragon Group’s business, divisions and to a certain extent on our business stakeholders when sourcing raw materials and services which are deemed necessary and appropriate.

This statement is to be read together with the Annual Report for FY2022, which highlight the Group’s corporate governance, the risk and internal controls, and the audit committee report including the financial and other non-financial reports of the Group operations.

Sustainability Governance Structure

The sustainability governance structure serves as the comprehensive supporting pillar to implement sustainability strategies and initiatives. The objective the sustainability governance is to help the Group implement a sustainability strategy across the business and operation, manage goal-setting and reporting processes, strengthen relations with external stakeholders, and ensure overall accountability.

The Board holds the ultimate responsibility for overseeing and implementing the sustainable strategy across the Group. The Board is supported by key management and has set up a working group supported by various departments to strengthen the Group’s sustainability strategy in future. Presently, the managing director supported by key management is tasked to implement, monitor and record the sustainability-related initiatives to achieve the Group’s sustainability objective. The managing director and the key management are also assisted by the key executive for various departments.



The Group Sustainability Statement is based on the activities of manufacturing and distribution of commercial carpets, rugs, automotive carpets and NVH components and based on the framework of Economic, Environment and Social.

Corporate Sustainability Statement

ECONOMIC



Business Ethics & Transparency	The Board has a Code of Conduct and Ethics to ensure all business dealings are conducted ethically and transparently. The code applies to all the directors, senior management, employee and any person that represent the Group in executing their duties.
Whistle-blower Policy	<p>The Group also has in place a Whistle-blower Policy where complaints are investigated while the identity of the whistle-blower is protected.</p> <p>The policy would enable the employee or the external parties to raise any legitimate issue which concerns improper conduct such as malpractices, abuse of power and/or unethical behaviour.</p>
Regulatory Compliance	<p>The Group keeps abreast of changes in relevant laws, regulations and practices to ensure compliance with the regulatory changes taking place.</p> <p>Quarterly Financial Reports are prepared and submitted to Bursa Securities in accordance with Bursa Securities' Listing requirements.</p>
Procurements	<p>Although there are no written procurement policies, the Group have given priority to support the use of environmentally friendly materials and services as part of green procurement. The Group further prioritise sourcing local products.</p> <ul style="list-style-type: none"> - The cotton felt raw material used in the automotive component has a naturally high performance in heat and acoustic functions. It uses 70%- 80% recycled materials which consist of textile factories' waste & scrap; recycled or used/old clothing; polyester fibre from a recycled PET bottle. - The achievement toward sustainability and environmentally friendly products with the Group received certification from Malaysia Green Technology and Climate awarded Green Label Certification (ISO 14024 Type I ECO-Labels) and granted the right to use the MyHIJAU trademark on our commercial carpets.
Safety	The Group manages the condition of its manufacturing operation in a safe environment. The safety policy is a recognized, written statement of its commitment to protecting the health and safety of employees and other stakeholders.

ENVIRONMENT



We take responsibility for the environment and support the green effort taken by stakeholders. We complied strictly with all existing environmental laws and regulations. We are ISO 14001 certified, an environmental management system since 2002 and obtained the MyHijau, Green Label Certification (ISO 14024 Type I ECO-Labels) for our commercial carpets. The MyHIJAU Mark is Malaysia's official green recognition endorsed by the Government of Malaysia, bringing together certified green products and services that meet local and international environmental standards under one single mark. We have established and maintained a system of environmental planning, taking into consideration the legal and other requirements, and the environmental aspect impact on health and safety hazard-risk analysis.

Waste and Effluent Management	The Group maintains its waste management system effectively to prevent environmental contamination from its colour dyeing facilities. The employee is well-trained in handling the treatment system.
Energy conversation	The Group are committed to having better use of energy to reduce carbon footprints, where the use of electricity and gas for manufacturing has been continuously monitored and managing the usage efficiently.
Recycling of Materials	The disposal of those recyclable materials left over from product manufacturing has been efficiently disposed to a third-party recycling entity.
Electronic Publication	To minimise paper consumption, the Company's Annual Report will not be printed starting FY2022 and is only available on the Company's website to be downloaded by shareholders and investors.

The Group has yet to commence the new recycling business in FY2022. The Group foresee the recycling business which will commence in FY2023, will strongly support our Group's initiative for a better environment. Furthermore, the metal recycling business would enable the natural minerals sector to be more sustainable in the long term.

Corporate Sustainability Statement

SOCIAL



The Group's contributions to the social sector include generating employment and business opportunities in its areas of operations and to employees. It prohibits any type of discrimination and harassment, regardless of race, age, gender, nationality, and disability status.

The Group further emphasises equal employment opportunities for all applicants due to the diversity of skill, experience, age, and ethics in the workplace.

Comply with regulations	The Group comply with the prevailing employment and safety regulations for its employees.
Social cares	<p>The Group care for social well-being through employment.</p> <ul style="list-style-type: none"> - The Group continue to employ employees above 60 years old in the workplace. - Opens employment for suitable disabled persons to work within the Group. - Adhere to government guidelines where priority employment is given to Malaysian.
Human capital development and retention.	<p>The Group believes that employees are essential assets of the Company as they are drivers of the long-term success of the organisation and the ability to contribute to the national economy. Hence, the Group is committed to and acknowledges providing employees with an equal opportunity environment while promoting diversity in the workforce.</p> <ul style="list-style-type: none"> • Better facilities and equipment are being used to promote a healthy working environment for employees. Upgrading of wifi network was done in FY2022 to enable employees to perform their job more efficiently. • The Group carried out outdoor team-building activities in FY2022 which will help to strengthen existing relationships and cohesiveness among employees. • Employees were sent to various training and safety & health programmes necessary for their current job and prepared for career progression. • Chain of panel clinic with the objective to provide better treatment to employees as and when required. Medical and dental benefits were improved in FY2022 to enable better healthcare coverage for our employees.
Electronic Publication.	To minimise paper consumption, the Company's Annual Report will not be printed starting FY2022 and is only available on the Company's website to be downloaded by shareholders and investors.
Corporate Social Responsibility ("CSR") budget	<ul style="list-style-type: none"> - The Group is committed to CSR activities and has an annual budget for CSR activities, training and development for the employees. - In FY 2022, the Group made various donations of our commercial carpets to churches and surau.

Conclusion

Sustainability of the environment will make the resources available for use by future generations. We have continue and actively maintaining a good sustainable development and believe it is a way to conserve the resources provided by nature such as in our new recycling business.

Added to our commitment to sustainability contribution is the Group has submitted to register as a member of Ecovadis in 2023, which is an environmental sustainability ratings platform to assess corporate social responsibility and sustainable procurement. The CSR platform has a sustainability assessment methodology that is at the heart of ratings and scorecards that evaluate how well a company has integrated the principles of Sustainability/CSR into their business and management system. The rating, guidance and methodology provide under the platform are able to provide and clear guidance so as to make improvement in our Group sustainability framework in year ahead.

The Board and the senior management will continue to monitor, and improve the practices in the wide range of sustainable frameworks and will take appropriate action by benchmarking with the best practices and adhering to the regulator guidelines.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code of Corporate Governance defines corporate governance as “the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors remains committed to subscribing to the principles of good corporate governance that are central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2022. This statement is prepared in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read together with the CG Report 2022 of the Company which is available on Paragon’s website at www.paragon.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board retains full and effective control of the Group. Its roles are essentially providing leadership, management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings. The Board has adopted certain responsibilities for the effective discharge of its functions through formalizing its Board Charter (available at the Company’s website: www.paragon.com.my) which, inter alia, sets a list of specific functions that are reserved for the Board and Chairman; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman and Managing Director that are further cascaded to the senior management team within the Company.

The Board has delegated specific responsibilities to various Board Committees namely the Audit Committee, Nomination & Remuneration Committee and Risk Management Committee whose functions are within their respective terms of reference approved by the Board. The said terms of reference are periodically reviewed by the Board, as and when necessary and the Board appoints the Chairman and members of each committee. These Committees assist the Board in making informed decisions through in-depth discussions on issues in the discharge of the respective committees’ terms of reference and responsibilities. The terms of reference of the Board Committees are available on the Company’s website.

The Board of Directors adopted the Code of Conduct and Ethics for Company Directors and employees within the Group. This Code of Conduct and Ethics provides good guidance for a standard of ethical behaviour for Directors based on trustworthiness and honest values that are acceptable and to uphold the spirit of responsibility including social responsibility in line with the legislation, regulations and guidelines for administrating a company.

The Group aims to ensure a balance of power and authority between the Chairman and Managing Director with a clear division of responsibility between the running of the Board and the Company’s business respectively. The Group also emphasizes and practices a division of responsibility between the Executive and Non-Executive Directors.

The distinct and separate roles of the Chairman and Managing Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as a facilitator at the meetings and ensures that Board proceedings comply with good conduct and best practices. Whilst the Managing Director is responsible for making and implementing operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies.

All Directors have the right to access the information within the Group and can as individual Directors or as a full Board have unrestricted access to all information pertaining to the Group’s business and affairs. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the expense of the Group.

The Board has also formalised its ethical standards in its Code of Conduct and Ethics, Whistleblowing Policy and Anti-Bribery and Corruption Policy published on the Company’s website at www.paragon.com.my for stakeholders’ information.

Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition and Balance

The Board recognises the benefits of having a diverse Board to ensure that the profiles of the Board members in terms of age, and gender that able to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. Currently, there are two (2) women on a Five (5) members Board that comprises 40% of the Board.

The Board acknowledged that its members have the necessary knowledge, experience, a diverse range of skills and competence to enable them to discharge their duties and responsibilities effectively. The Board does not have a specific policy on diversity policy and measures and will endeavour to maintain at least 30% women representation on the Board taking into account several factors, including skills, knowledge, expertise, experience, professionalism and time commitment to effectively discharge his or her role as a Director.

In accordance with the Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of the first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. A two-tier voting process will be applied in the Annual General Meeting for retaining any Independent Director serving beyond nine (9) years.

The Company currently does not have a policy to limit the tenure of its Independent Directors. Nevertheless, the Company took note of the recommendation of the MCCG that the tenure of an Independent Director should not exceed a term limit of nine (9) years. None of the Independent Directors has served more than a cumulative term of nine (9) years at the forthcoming Annual General Meeting.

With the current composition, the Nomination and Remuneration Committee opines that all the Board members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have extensive experience with their many years of experience on the Boards of other companies and/or also as professionals in their respective fields of expertise.

None of the Directors of the Company holds more than five (5) directorships of listed companies as provided under Paragraph 15.06 of the MMLR.

The Board meets every quarter with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the MMLR. The Board met on seven (7) occasions during the financial year ended 31 December 2022 and the details of attendance at Board Meetings are set out below:

Name of Directors	Meeting Attended
Koon Hoi Chun	7/7
Wong Ee-Coln	7/7
Chan Weng Fui (Resigned on 31 January 2023)	7/7
Tan Vei Teck	7/7
Tong Siut Moi	7/7
Koh Huey Min (Appointed on 1 April 2023)	N/A

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.

Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition and Balance (Cont'd)

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2022 were as follows:

Name of Directors	Training Programmes/ Seminars Attended
Koon Hoi Chun	<ul style="list-style-type: none"> - The role of the risk management committee in managing risk; - FCD series Module D: Financial essentials for non-finance director.
Wong Ee-Coln	<ul style="list-style-type: none"> - The role of the risk management committee in managing risk; - Advocacy sessions for directors and senior management of main market-listed issuers; and - FCD series Module D: Financial essentials for non-finance directors.
Tan Vei Teck	<ul style="list-style-type: none"> - Sustainability and Organization's financing exposure by FMM
Tong Siut Moi	<ul style="list-style-type: none"> - Advocacy Session for Directors and Senior Management of Main Market Listed Issuers: Continuing Disclosure Requirements & Corporate Disclosure Policy of the Listing Requirements - MAICSA Annual Conference 2022
Koh Huey Min (Appointed on 1 April 2023)	N/A

Company Secretary

The Board is supported by two (2) qualified secretaries who are associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as Company Secretary under the Companies Act, 2016.

The Company Secretaries support the Board in carrying out their fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. The Company Secretaries also served as an advisory role to the Board, particularly with regard to the Company's Constitution, the Board's policies and procedures and various compliance with regulatory requirements, codes, guidelines, legislation and the principles of corporate governance practices.

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board quarterly on these updates, where applicable at Board meetings. Throughout their period in office, the Directors are continually updated on the regulatory requirements.

Nomination and Remuneration Committee

The Company merged its Nomination Committee and Remuneration Committee on 22 June 2021 and renamed it as Nomination and Remuneration Committee ("NRC"). The NRC comprises exclusively two (2) Independent Non-Executive Directors as follows:-

1. Tong Siut Moi (Chairperson); and
2. Koh Huey Min.

The Board has been through the NRC, assessed on an annual basis with the use of a board matrix, questionnaires and other evaluation forms, the size, composition, mix of skills, experience, competencies of the existing Board, the individual Directors, the independence and tenure of the Independent Directors, and the effectiveness of the Board and the Board Committees, to identify gaps in the Board composition and the needs to identify and select new members to the Board or Board Committees.

Based on the assessment, the NRC concluded that the current structure, size and composition of the Board, comprises Directors who possess a wide range of expertise, experience and skill in various fields to enable them to discharge their duties and responsibilities effectively. The Board Chairman had performed excellently and contributed to the Board.

The terms of reference of the NRC are available at the Company's website at www.paragon.com.my.

Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination and Remuneration Committee (Cont'd)

The Company's Constitution provides that one third (1/3) or nearest to one third (1/3) of the Directors, for the time being, shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their eligibility to stand for re-election at the Board Meeting.

In considering whether to recommend a Director who is eligible to stand for re-election, the NRC would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code; and
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service.

Directors' Remuneration

The NRC is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the Company is in. The NRC is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Directors and the performance of the Group. Individual directors are abstain from participating in the decisions regarding his/her remuneration packages.

The Company aims to set remuneration at levels that are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

Pursuant to Section 230(1) of the Companies Act, 2016, fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The details of the Directors' remuneration comprising remuneration received from the Company in the financial year ended 31 December 2022 are as follows:

Category	Fees (RM)	Attendance Allowances (RM)	Salaries and Bonus (RM)	Statutory Contribution (RM)	Benefit- in- Kind (RM)	Total (RM)
Executive Directors						
Koon Hoi Chun	-	900	218,065	27,170	-	246,135
Wong Ee-Coln	-	-	628,468	76,419	7,200	712,087
Lee Choon Hee (Resigned on 28 February 2022)	10,000	900	143,846	18,693	-	173,439
Non-Executive Directors						
Chan Weng Fui (Resigned on 31 January 2023)	60,000	4,500	-	-	-	64,500
Tan Vei Teck	60,000	4,500	-	-	-	64,500
Tong Siut Moi	60,000	4,500	-	-	-	64,500
Koh Huey Min (appointed on 1 April 2023)	-	-	-	-	-	-
Total	190,000	15,300	990,379	122,282	7,200	1,325,161

Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' Remuneration (Cont'd)

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive band of RM50,000.00 during the financial year ended 31 December 2022 are as follows:-

Range of Remuneration (RM)	Number of Employees
50,000 – 100,000	-
100,001 – 150,000	2 persons
150,001 – 200,000	-
200,001 – 250,000	2 person
250,001 – 300,000	-

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board is assisted by the Audit Committee ("AC") which comprises solely of two (2) Independent Non-Executive Directors, to oversee the Group's financial reporting process.

The Chairman of the AC is not the Chairman of the Board. The AC Chairman can assess the Executive Chairman, Managing Director, Senior Management, external auditor and internal auditor.

The composition of the AC is reviewed annually with the view to maintaining an independent and effective AC, and in line with the principles of the MCCG. The AC members are expected to continuously update their knowledge and enhance their skills. Based on the performance evaluation of the AC for the financial year ended 31 December 2022, the Board is satisfied that the Chairman and the members of AC have discharged their responsibilities effectively.

The independence, suitability and appointment/re-appointment of the External Auditors is reviewed by the AC annually based on the External Auditors Appointment and Independence Policy established by the Company.

Please refer to the Audit Committee Report on pages 33 to 35 for further information on our AC.

Risk Management and Internal Control Framework

The Risk Management Committee has been formed to assist the Board in the ongoing process of identifying, evaluating and managing the significant risks faced by the Group. This process is regularly reviewed and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

The Managing Director and Senior Management are responsible for the identification and evaluation of key risks applicable to their areas of business activities on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

The Internal Audit Function is carried out by Talent League Sdn Bhd, an internal audit consulting firm. The internal audit function is headed by its Engagement Director namely, Mr Roy Thean who is assisted by an Engagement Manager and supported by a team of experienced staff. The Engagement Director in charge is a qualified accountant while the rest of the team members have an accounting background. The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of the Institute of Internal Auditors covering the conduct of the audit planning, execution, documentation, communication of findings and consultation with key stakeholders. The AC will review the engagement between the Group and the Internal Auditors to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.

The Board is of the view that the system of internal control and risk management is in place, and is sound and sufficient in safeguarding the Group's assets and shareholders' investment and interests of all stakeholders.

Statement on Risk Management and Internal Control furnished on pages 29 to 32 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

Corporate Governance Overview Statement

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities, which is in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices, through dialogue with analysts and the media.

The annual report and the quarterly announcements are the primary mode of communication to report on the Group's business activities and financial performance to all shareholders.

The Company also maintains an effective communication channel between the Board, shareholders and the general public through the timely dissemination of all material information. Minority shareholders may communicate with the Company through the Company's website.

Conduct of General Meetings

The Annual General Meeting ("AGM") represents the principal forum for dialogue and interaction with shareholders. At each AGM, the Board presents the performance and progress of the Company and provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Company. All the Directors and key management personnel are available to provide responses to questions raised by the shareholders during the AGM.

The Company will conduct the 29th AGM through virtual and online remote voting. The online AGM facilitated and enabled all the shareholders to participate fully in the proceedings without being physically present at the venue. The shareholders may appoint the Chairman of the meeting as their proxy to attend and vote on their behalf.

In compliance with Bursa Securities' Listing Requirements, voting for all resolutions set out in the Notice of the 29th AGM shall be conducted by poll as it fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the "one share one vote" principle which enforces greater shareholders' rights. At least one (1) qualified independent scrutineer is appointed to validate the votes cast at the meeting.

The outcome of the meeting will be announced to Bursa Securities on the same day, the same is also accessible on the Company's website.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cash flows of the Company and the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2022, the Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

COMPLIANCE STATEMENT

The Board confirms that the Group has made a significant effort to maintain high standards of corporate governance throughout the year under review. The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to playing a proactive role in steering the Group towards the highest level of integrity and ethical standards.

This Corporate Governance Overview Statement was approved by the Board on 26 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

The following is provided in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad:

1. Non-audit fees

During the financial year, the amount of audit and non-audit fees paid or payable to the external auditors and firms affiliated to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2022 were as follows:

	Company (RM)	Group (RM)
Audit fees	25,000	89,500
Non-Audit fees	11,000	11,000

2. Material contracts

There were no material contracts entered into by the Company and/or its subsidiaries that involve Directors’ or substantial shareholders’ interests either still subsisting at the end of the financial year ended 31 December 2022 or entered into since the end of the previous financial year.

3. Share Buy-back

There is no share buy-back by the Company during the financial year ended 31 December 2022.

4. Contracts relating to loan

During the financial year, there were no contracts relating to loans entered into by the Company involving Directors and major shareholders.

5. Utilization of Proceeds Raised from Corporate Proposals

There is no proceed raised from corporate exercise by the Company during the financial year ended 31 December 2022.

6. Recurrent Related Party Transactions

There were no Recurrent Related Party Transactions (“RRPTs”) of a revenue or trading nature entered into by the Company and its subsidiaries during the financial year 31 December 2022.

However, the Company had obtained a general mandate from its shareholders at its Extraordinary General Meeting held on 6th January 2023 for the RRPTs of a revenue or trading nature. The details of the RRPTs are disclosed in the Circular to Shareholders dated 20 December 2022.

In the forthcoming General Meeting (“AGM”) on 26 June 2023, the Company is seeking approval from shareholders for the Proposed new and Renewal of the Shareholders’ Mandate for the RRPTs of revenue or trading nature pursuant to Paragraph 10.09 of the MMLR of Bursa Malaysia Securities Berhad. The details of the RRPTs are disclosed in the announced circular dated 28 April 2023.

7. Executives’ Share Scheme

The Executives’ Share Scheme (“ESS”) was established on 12 May 2020 and was terminated on 6 July 2022. There are no shares options granted, exercised or outstanding during the financial year ended 31 December 2022.

8 Long-Term Incentive Scheme

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. The shareholders’ approval was obtained at the Extraordinary General Meeting held on 6th January 2023.

The LTIS scheme has taken effect on 20th April 2023 following the submission of the By-Laws to Bursa Malaysia Securities Berhad. The Company has not granted the share option Scheme nor the share grant scheme to the employees, executive directors and non-executive directors of the Company and its non-dormant subsidiaries.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

1. Introduction

The Board of Directors (“Board”) acknowledges the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders’ investments and the Group’s assets. The Board is pleased to outline the statement of risk management and internal control of the Group for the financial year ended 31 December 2022 according to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. Board’s Responsibility

The Board affirms its overall responsibility for the Group’s system of risk management and internal controls and for reviewing its effectiveness, adequacy and integrity. However, given the limitations that are inherent in any system of risk management and internal controls, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement, fraud or loss.

The Board is assisted by Senior Management in implementing the Board approved policies and procedures to assure that the Group’s risk management and internal controls systems are operating adequately and effectively by:

- a. Identifying and analysing risk information;
- b. Designing and operating suitable internal controls to manage these risks; and
- c. Monitoring risk changes and the appropriate action plans.

The key features of the risk management and internal control system are described below.

3. Key Elements of Internal Controls

(a) Risk Management Framework

The Board has formed a Risk Management Committee (“RMC”) which will assist the Audit Committee (“AC”) and the Board on the ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which had in place for the year under review. This process is regularly reviewed by the Board and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Issuers.

The Management is responsible for the identification and evaluation of key risks applicable to their areas of business activities continuously. Risks identified are reported promptly during the periodic management meetings to enable corrective actions to be taken.

(b) Internal Audit

The Group’s system of internal controls is regularly reviewed for its effectiveness in managing key risks. The internal audit function focuses on areas of priority as determined by the risk assessment of the auditable areas. Where significant weaknesses have been identified, improvement measures are recommended to strengthen controls.

The internal audit reports are tabled at AC meetings for members to review.

(c) Other Key Elements of Internal Controls

Other key elements of the Group’s system of internal controls are as follows:

- The Group has an appropriate organisation structure, which had adequate control to monitor the activities and ensures effective flow of information across the Group. In addition, the lines of responsibility and delegations of authority are clearly defined
- The Managing Director is actively participating in the day-to-day operations in the running of the Group. This enables material issues to be effectively resolved on a timely basis.
- The AC met the RMC at least twice yearly or shorter period, to bring to the AC’s attention significant matters related to internal controls, ensuring that it maintains full and effective supervision over appropriate controls.
- The AC and the Board monitor and review the Group performance and financial results at their quarterly meetings.
- The Board receives and reviews information on the Company’s financial status and performance.
- The AC meets at least four times a year and reviews the effectiveness of the Group’s system of internal controls. The Committee receives periodic management reports.

Statement of Risk Management and Internal Control

3. Key Elements of Internal Controls (Cont'd)

(d) Review of the Statement By External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements, the External Auditors, Messrs. Kreston John & Gan have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2022.

The Board has received assurance from the Managing Director and is pleased to report that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. There was no material control failure that would have a material adverse effect on the financial results of the Group for the year under review and up to the date of issuance of the financial statements.

Statement of Risk Management and Internal Control

The Company's Risk Management and Control System aim to ensure that the risks of the Company are identified and managed effectively and that its operational and financial objectives are met in compliance with applicable laws and regulations at a reasonable level of assurance. A system of controls ensures adequate financial reporting is in place.

The Company is recognised for its drive for quality, service and financial discipline. The entrepreneurial spirit is encouraged in the company, in order to seek opportunities that support continuous growth, such as business and products development while taking reasonable controlled risks.

Risk Profile

The Company is predominantly a carpet manufacturing company that supply products to the commercial and automotive industry. The risk of the Group is related to the uncertainty which may be affected by the price variation in the material supply chain and the degree of business competition in the industry.

Risk Management

The Company strives to be sustainable and performance-driven and by nature involves taking risks and managing those risks. Structured risk assessments are integrated with tendering projects, business planning, manufacturing process, system implementations and business integration activities. Although steps are taken to minimize risks but there is no absolute assurance on completely eliminating the risks involved in these business undertakings.

Responsibilities

The Board has the overall responsibility for Risk Management and Control Systems. It is responsible for resource allocation and risk management policy setting. Its overall effectiveness is subject to review by the Audit Committee.

The RMC supports the AC and the Board with their responsibility for risk management. The RMC would meet to discuss the results of the risk assessment, management process, the developments of existing risks, identification of emerging new risks and the progress of risk-mitigating actions.

Company Rules

There is a standard governing procedure and activities to ensure continuous awareness, compliance and follow-up are in place. The Management is constantly updated on the financial reporting to ensure all financial obligations can be met periodically.

Governance

The company's governance procedure consists of annual business planning, operational planning and performance monitoring meetings. Business plans, key risks and quarterly performance of our operating companies are discussed between the management and presented to the Board. These plans also contain an assessment of the main risks, mitigation plans and financial sensitivity analysis.

Internal Control in Operating Companies

The internal operating process is generally supported by IT systems with embedded key control frameworks. This would ensure the integrity of information processing in supporting the day-to-day transactions, financial and management reporting. Internal Audit is involved in monitoring key controls in main business processes and assessing their effectiveness based on a common audit approach.

Statement of Risk Management and Internal Control

Code of Business Conduct

The compliance of the Company's Business Conduct procedure is supported through continuous monitoring of its effectiveness and its periodic reviews. Employees may report suspected cases of serious misconduct to their direct superior and the Management oversees the process and its confidentiality. The Management will report quarterly to the Board and Audit Committee respectively on reported cases, if any.

Supervision

The Management oversees the adequacy and functioning of the entire system of risk management and internal control which is further assisted by an independent Internal Auditor who provides independent assurance and advice on the risk management and internal control systems. The outcome and effectiveness of the risk management and internal control systems are evaluated by the Management and reported to the AC and the Board by the independent internal Auditors.

Financial Reporting

The AC supports the Management in its responsibility to oversee the financial reporting and its effectiveness of the internal control of the Group. The AC is comprised of two independent non-executive directors. The Management is generally to provide and present a balanced representation of the financial standings of the Group. The Management also recommends and presents to the AC their financial findings of the year.

In addition, the engaging of independent external auditors would provide further assurance on the financial reporting within the scope of the external auditors' financial audit assignment.

The internal risk management and control systems would provide a reasonable degree of assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review.

Main Risks

The Company's main risks and related mitigation measures are described below. The main Company risks have been discussed with the Board and are annually reviewed.

Risk category	Risk description	Mitigation
Products and Process - Quality and standard of our products and labour intensive process intensive process	Poor quality products may result in reputational damage, resulting in loss of business and high warranty claims. Specific risks are: Recall of poor quality products. Manpower depending process leads to high recruitments	Production and process controls and improvements. Business continuity plans. Recall and rework procedures.
Management Capabilities	Unable in attracting, developing and retaining talented staff with the required capabilities. Specific risks are: Insufficient number of talented staff employed to fill current and future positions. Lower quality of staff in key positions.	Develop and increase our management talent. Implementation of appraisal and evaluation processes. Strengthening management development programmes.
Availability and volatility of raw materials and commodities prices	Risk of availability of raw materials and commodities. Volatility in prices of raw materials and commodities may impact our profit. Specific risks are: Limited availability. Failure to pass on price increases. Cost down committed to the customer without official support from existing suppliers	Utilising the flexibility in contracts. Improvement of our knowledge of the market and management of stock. Multi sourcing and continued negotiation with suppliers on cost down activities.

Statement of Risk Management and Internal Control

Main Risks

Risk category	Risk description	Mitigation
Disruptions in the supply-chain	Supply chain disruption may lead to the inability to deliver products to key customers on time. Specific risks are: Failure of delivery systems.	Business continuity plans and implementation of back-up scenarios.
Manufacturing Capacity, Technology Improvement and Machinery Efficiency	The economic and financial uncertainties could impact our business and those of our customers. This may lead to lower volumes, pressure on selling prices and increased credit risk. Specific risks are: Declining market demand. Increasing credit risk.	Further monitoring and mitigating actions related to customers' solvency. Implementation of a Credit Policy. Supplier selection process via multi-sourcing. Assessment of the financial position of critical suppliers and customers.
Business improvement and transformation	Risk of cost overruns and lower than targeted deliverables. Specific risks are: Targeted benefits unachievable. Ineffective or inefficient programme execution.	Selection and prioritisation of business improvement projects. Involvement of management in all major projects. Planning of projects and monitoring of project costs and benefits. Enhance project governance including project management and progress reporting.

The above risk categories are risks associated with the nature of businesses of the Group and such risks do not have a significant impact on the business but could "at a later stage" develop into a risk. The Company's risk management systems are constantly monitored to enable timely discovery of such risks.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee (“AC”) of Paragon Union Berhad (“PUB” or “the Company”) is appointed by the Board amongst its members, with a majority of them being independent directors. All members are financially literate and fulfil requisite qualifications as prescribed under Paragraph 15.09 (1)(c) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The AC members have elected a Chairperson from among themselves, who is an Independent Non-Executive Director. The AC currently comprises the following members:

Koh Huey Min (Chairperson)	Independent Non-Executive Director
Tong Siut Moi (Member)	Independent Non-Executive Director

Currently, the AC has two (2) independent non-executive directors and has departed from Paragraph 15.09 (1)(a) of the MMLR of Bursa Securities as of 1 April 2023 due to the redesignation of Mr Tan Vei Teck as executive director. The Company will fill the vacancy within 3 months as to Paragraph 15.19 of the MMLR of Bursa Securities.

The AC is authorised by the Board to independently investigate any activity within its terms of reference and shall have unrestricted access to information pertaining to the Group, from the Internal and External Auditors, Management and all employees.

TERM OF REFERENCE

The Terms of Reference of the AC, which sets out the composition, proceedings of the meeting, authority, roles, and responsibilities of the AC, is available on the Company’s corporate website at: <http://www.paragon.com.my>.

AUDIT COMMITTEE MEETINGS

During the financial year, the AC conducted five (5) meetings which all were duly convened with sufficient notices given to all AC members together with the agenda, report and proposals for deliberation at the meetings. The Executive Chairman, Managing Director and senior management were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the AC at the meetings which included inter alia, the Auditors’ audit plans and audit reports and the audited financial statements for the financial year ended 31 December 2022.

In the AC meetings, the External Auditors were given opportunities to raise any matters and given unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

The AC had a private session with the External Auditors without the presence of the Executive Directors and senior management of the Company during the financial year.

Details of attendance of the AC members at the AC meetings during the financial year are as follows:

Committee Member	Meeting Attended
Tan Vei Teck (Ceased office on 1 April 2023 due to redesignation)	5/5
Tong Siut Moi	5/5
Chan Weng Fui (Resigned on 31 January 2023)	5/5
Koh Huey Min (Appointed on 1 April 2023)	n/a

Audit Committee Report

SUMMARY ACTIVITIES

The activities undertaken by the AC during the financial year under review comprised the following:-

Financial Reporting

- reviewed the audited financial statements of the Company before submission to the Board of Directors for their perusal and approval. This was to ensure compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, and the MMLR of Bursa Securities.
- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:
 - Any change in accounting policies
 - Significant adjustments arising from the audit
 - Compliance with accounting standards and other legal requirements

External Audit

- i. Reviewed the Audit Plan for Financial year ended 31 December 2022 presented by the External Auditors, outlining the scope of works, key areas of audit emphasis, audit approach, timetable, and the new and revised auditors reporting standards.
- ii. Considered and recommend to the Board for approval of the audit fees payable to the external auditors;
- iii. Reviewed the external audit review memorandum and the response from the Management;
- iv. Reviewed the performance and effectiveness of the External Auditors in the provision of statutory audit services and making a recommendation to the Board for the re-appointment of External Auditors or the appointment of new External Auditors; and
- v. Reviewed and evaluated the factors relating to the independence of the External Auditors.

Internal Auditor

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Auditors report directly to the AC and the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

- i. Reviewed the internal audit reports, audit recommendations made, and management response to those recommendations;
- ii. Reviewed the Internal Audit Plan tabled by the Internal Auditors and agreed on the timing and frequency of the proposed audit areas; and
- iii. Reviewed and make a recommendation to the Board of Directors on the appointment of Talent League Sdn Bhd as the Company's Internal Auditors and the scope of work.

Internal Control and Risk Management

- i. Reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- ii. Reviewed risk management reports and internal audit reports;
- iii. Reviewed the effectiveness and adequacy of risk management, operational and compliance processes; and
- iv. Reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised.

Related Party Transaction and conflict of interest

At each quarterly meeting, the AC reviewed the recurrent related party transactions ("RPT") and conflict of interest situations that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The AC reviewed the RPT and conflict of interest situation presented by the Management before the Company entered into such a transaction. The AC also ensure adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into the transaction.

Audit Committee Report

Other Matters

In the financial year ended 31 December 2022, the AC has reviewed the AC Report and Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities prior to submission to the Board of Directors for consideration and approval and inclusion in the Annual Report of the Company.

Internal Audit function

The purpose of the Internal Audit function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of Internal Auditors are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the AC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All internal audit activities in the financial year ended 31 December 2022 were outsourced to an independent professional services firm and the internal audit fees incurred for the financial year 2022 amounted to RM30,000 and the fees were based on the scope of work carried out.

During the financial year ended 31 December 2022, the IA has internal audit activities covering the following areas for the Company and its subsidiaries:

- a. Inventory management;
- b. Financial reporting;
- c. Business Continuity Management;
- d. Corporate Liabilities Review; and
- e. Conducted follow-up review on the status of the Management's implementation;

Conclusion

The Board is satisfied that the AC and its members have carried out their functions, duties, and responsibilities for the financial year ended 31 December 2022 as to the Terms of Reference of the AC. There were no material misstatements, frauds, or deficiencies in the internal control systems not addressed by the Management.

The Audit Committee Report was approved by the Board of Directors on 26 April 2023.

LIST OF PROPERTIES HELD BY THE GROUP

31 DECEMBER 2022

Location	Age of Building	Owner	Tenure	Description	Land Area (sq.m.)	Build-Up Area (sq.m.)	Existing use	Net Book Value as at 31 Dec 2022 RM'000
Lot No. PT 7637 14, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	30 years	Paragon Car Carpets & Components Sdn Bhd	Leasehold (Expiry 14.05.2088)	Leasehold Land Factory & Office	8,094	3,190 3,929	factory office	5,174
<i>As at 30 March 2023, the Property was revalued by Rahim & Co with value of RM26 million</i>								
Lot No. PT 7667 21, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	29 years	Paragon Car Carpets & Components Sdn Bhd	Leasehold (Expiry 14.05.2088)	Leasehold Land Factory & Office	6,833	4,177 873	factory office	3,559
<i>Disposal SPA signed on 5 January 2023.</i>								
Lot No. PT 7641 11A, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	29 years	Paragon Carpetmaker Sdn Bhd	Leasehold (Expiry 14.05.2088)	Leasehold Land Factory & Office	12,128	7,919	factory	5,877
<i>As at 8 February 2021, the Property was revalued by Rahim & Co with value of RM28 million</i>								
Lot No. PT 3301 No 12A, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	6 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,366
Lot No. PT 3300 No 15, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	6 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,366
Lot No. PT 3297 No 21, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	6 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,366

As of 8 February 2021, the properties was revalued by Rahim & Co with value of RM8.4 million.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2023

Issued Paid-up Capital	: RM84,470,706
Number of Issued Shares	83,829,652
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	No. of Shares	Percentage (%)	%
Less than 100	38	568	0.00	0.00
100 to 1,000	453	389,901	0.47	0.32
1,001 to 10,000	836	3,772,104	4.50	1.56
10,001 to 100,000	312	10,064,819	12.01	3.77
100,001 to less than 5% of issued shares	80	29,622,466	35.34	27.09
5% and above of issued shares	1	39,979,794	47.69	67.26
Total	1,720	83,829,652	100.00	100.00

DIRECTORS' SHAREHOLDINGS

Name	Direct		Indirect	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. KOON HOI CHUN	832,000	0.99	39,979,794*	47.69
2. TAN VEI TECK	-	-	-	-
3. TONG SIUT MOI	-	-	-	-
4. KOH HUEY MIN (Appointed on 1 April 2023)	-	-	-	-
5. WONG EE-COLN	300,000	0.36	-	-

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

SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AKK CAPITAL SDN. BHD. (PJCAC328903)	39,979,794	47.69	-	-
2. KOON HOI CHUN	832,000	0.99	39,979,794*	47.69

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

Analysis of Shareholdings

As At 31 March 2023

THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares	Percentage (%)
1	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AKK CAPITAL SDN. BHD. (PJCAC 328903)	39,979,794	47.69
2.	LIM SEW CHON	3,802,452	4.54
3.	NG SOON TONG	2,280,000	2.72
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM AH SENG	1,060,000	1.26
5.	NG YOON LING	1,000,000	1.19
6.	SIM AH YOKE	987,000	1.18
7.	NG CHEE SENG	900,000	1.07
8	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON HOI CHUN	832,000	0.99
9.	TAN POH HUA	800,000	0.95
10	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG YEW CHEONG	755,000	0.90
11.	SIM KOK HOU	700,000	0.84
12.	LIM SOON GUAN	610,000	0.73
13.	FUNG BENG EE	530,170	0.63
14.	KONG SEE KUAN	530,170	0.63
15	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	500,000	0.60
16.	SHENG HSIA HWEI	500,000	0.60
17.	LAU YOKE KEEN	490,000	0.58
18.	SU MING KEAT	470,740	0.56
19	CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	451,500	0.54
20.	WONG KOK LIANG	375,000	0.45
21.	TAN THEAN HOCK	370,600	0.44
22.	LIM KWONG HON	350,000	0.42
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIEW CHENG (E-IMO)	349,000	0.42
24	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH RUI KHEE (MY3693)	344,400	0.41
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHRISTINA LOH YOKE LIN	330,000	0.39
26.	YAM BEE LING	309,000	0.37
27.	CHAN YAT WAI	308,900	0.37
28.	LEE CHOON HEE	306,225	0.37
29.	CHIN LING WEI	300,000	0.36
30.	SIM AH SENG	300,000	0.36
		60,821,951	72.55

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The principal activities of the Company are investment holding and provision of management services, whilst the principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Loss for the financial year attributable to:-		
- Owners of the Company	5,685,837	791,847
- Non-controlling interests	3,566	-
	5,689,403	791,847

Dividend

No dividend has been paid, declared or proposed since the end of the previous financial year.

The directors do not recommend any final dividend for the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the financial statements.

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making allowance for doubtful debts and were of the opinion that it had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Group and the Company inadequate to any substantial extent.

Current assets

Before the financial statements, of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:-

- a) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Directors' Report

for the financial year ended 31 December 2022

Contingent and other liabilities (Cont'd.)

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

Changes of circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Groups and of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Groups or of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transactions or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the current financial year.

Shares and debentures

The Company did not issue any new shares or debentures during the financial year.

Treasury shares

During the financial year, the Company has resold 851,740 treasury shares that have been vested to eligible employees and directors under the ESS at share prices range from RM1.23 to RM1.50.

Directors of the Company

The directors of the Company in office at any time during the financial year and since the end of the financial year are:-

Koon Hoi Chun
Tong Siut Moi
Tan Vei Teck
Wong Ee-Coln
Koh Huey Min (Appointed on 1 April 2023)
Chan Weng Fui (Resigned on 31 January 2023)

The name of directors of subsidiary companies are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

Directors' interests

According to the register of directors' shareholding under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year are as follows:-

	No. of ordinary shares			At 31.12.2022
	At 1.1.2022	Addition	Disposal	
a) Shareholdings in which directors have direct interest in the Company:-				
Wong Ee-Coln	350,000	-	50,000	300,000
Koon Hoi Chun	-	832,000	-	832,000
b) Shareholdings in which directors have indirect interest in the Company:-				
Koon Hoi Chun ⁽¹⁾	39,979,794	-	-	39,979,794

⁽¹⁾ Deemed interest by virtue of his interest in AKK Capital Sdn. Bhd.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' Report

for the financial year ended 31 December 2022

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the Executives' Share Scheme ("ESS").

Directors' remuneration

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial year are disclosed in Note 39 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

Indemnifying directors, officers or auditors

No indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

Holding company

The directors regard AKK Capital Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the holding company.

Event after the reporting period

Details of event after reporting period are disclosed in Note 40 to the financial statements.

Auditors

- a) Details of the auditors' remuneration for the Group and for the Company are disclosed in Note 28 to the financial statements.
- b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Koon Hoi Chun

Wong Ee-Coln

Kuala Lumpur,
Date:

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF PARAGON UNION BERHAD
 (INCORPORATED IN MALAYSIA, REGISTRATION NO. 199401000779 (286457-V))

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paragon Union Berhad, which comprise the statements of financial position as at 31 December 2022, of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No.	Key audit matters	Our audit performed and responses thereon
1.	Revenue recognition (Refer to Note 25 – Significant accounting policies and Note 3(m) – Revenue)	
	<p>Revenue is one of the significant accounts in the financial statements and also an important driver of the Group's operating results. We identified revenue recognition to be an area of audit focus as it is to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised.</p> <p>We focused on this area as revenue is a default risk area under ISA 240, <i>The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements</i>, and there is a significant estimate and judgement involved.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Evaluated whether the accounting policy adopted by the management is consistent with the requirement of MFRS 15, <i>Revenue from Contracts with Customers</i>; • Tested the operating effectiveness of the Group's internal controls over timing and amount of revenue recognised; • Verified the documents for transactions selected based on sampling basis. • Check the sales prior and subsequent to the period-end and inspected the documents which evidenced the delivery of goods to customers; and • Tested sales transactions as well as credit notes issued, near to the period ended date to assess whether the revenue was recognised in the correct period.

Independent Auditors' Report

to members of Paragon Union Berhad
(Incorporated in Malaysia, Registration No. 199401000779 (286457-V))

Key Audit Matters (Cont'd.)

No.	Key audit matters	Our audit performed and responses thereon
2.	<p>Inventories (Refer to Note 8 – Significant accounting policies and Note 3(f) – Inventories)</p> <p>As at 31 December 2022, the Group held inventories of approximately RM16,809,171. As the inventories represent 25% of the total assets of the Group and is material, we considered this as a key audit matter.</p> <p>Significant estimate and judgement are involved in forming expectations about the demand and future sales value of those inventories.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> Evaluated the Group's inventory management process over the identification of indicators which may result in the net realisable value of inventories being lower than their recorded carrying values; Perused the inventory ageing that had shown little or no recent movement and corroborated such findings during our physical stock count observation of the Group's inventories at the end of the financial year; and Discussed with the management on their action plans and to address the slow-moving inventories and have evaluated the reasonableness and adequacy of the allowance for impairment loss on inventories during the financial year.
3.	<p>Trade receivables (Refer to Note 9 – Trade receivables)</p> <p>As at 31 December 2022, the Group has outstanding trade receivables of approximately RM7,426,690. As the trade receivables represent 11% of the total assets of the Group and is material, we considered this as a key audit matter.</p> <p>Significant estimate and judgement are involved in forming expectations on the recoverability of the outstanding balances.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> Obtained an understanding of the Group's control over the trade receivables, collection processes and made inquiries regarding the action plans to recover the overdue amounts; Reviewed the ageing analysis of trade receivables and test the reliability thereof; Reviewed subsequent collections from trade receivables; and Evaluated the reasonableness on the assessment on expected credit loss performed by the management.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

to members of Paragon Union Berhad
(Incorporated in Malaysia, Registration No. 199401000779 (286457-V))

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: -

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2024 J

Kuala Lumpur,
Date:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Note	2022 RM	2021 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	33,133,433	37,994,607
Deferred tax assets	7	8,044	54,907
Total Non-Current Assets		33,141,477	38,049,514
Current Assets			
Inventories	8	16,809,172	14,787,327
Trade receivables	9	7,426,690	7,728,000
Other receivables	10	3,663,413	4,441,502
Tax recoverable		145,831	145,831
Fixed deposits with licensed bank	11	756,767	742,947
Cash and bank balances		300,789	1,875,628
Non-current assets held for sale	12	3,863,360	-
Total Current Assets		32,966,022	29,721,235
Total Assets		66,107,499	67,770,749
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	84,902,259	84,470,706
Merger reserves	14	(4,618,481)	(4,618,481)
Treasury shares	15	-	(678,268)
Accumulated losses		(45,500,648)	(39,814,811)
		34,783,130	39,359,146
Non-controlling interests		6,102	9,668
Total Equity		34,789,232	39,368,814
Non-Current Liabilities			
Lease liabilities	17	214,661	443,135
Bank borrowings	18	9,677,754	11,354,426
Total Non-Current Liabilities		9,892,415	11,797,561
Current Liabilities			
Trade payables	22	4,804,977	5,435,296
Other payables	23	7,388,235	6,840,029
Lease liabilities	17	231,490	483,979
Bank borrowings	18	9,001,150	3,845,070
Total Current Liabilities		21,425,852	16,604,374
Total Liabilities		31,318,267	28,401,935
Total Equity and Liabilities		66,107,499	67,770,749

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM	2021 RM
Revenue	25	60,955,740	40,445,191
Cost of sales		(54,583,344)	(39,664,256)
Gross profit		6,372,396	780,935
Other operating income	26	1,992,374	1,100,131
Selling and distribution costs		(2,875,770)	(2,090,713)
Administrative expenses		(9,992,347)	(14,290,917)
Loss from operations		(4,503,347)	(14,500,564)
Finance costs	27	(1,139,275)	(1,088,909)
Loss before taxation	28	(5,642,622)	(15,589,473)
Taxation	30	(46,781)	188,131
Loss/Total comprehensive loss for the financial year		(5,689,403)	(15,401,342)
Loss/Total comprehensive loss for the financial year attributable to:-			
- Owners of the Company		(5,685,837)	(15,399,071)
- Non-controlling interests		(3,566)	(2,271)
		(5,689,403)	(15,401,342)
Basis earnings per share (sen)	31	(6.78)	(21.53)
Diluted earnings per share (sen)	31	(6.78)	(21.53)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<----- Non-Distributable ----->				Distributable			
	Share capital RM	Merger reserves RM	Treasury shares RM	Executive share scheme ("ESS") reserves RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2021	69,146,888	(4,618,481)	(3,041,864)	194,396	(24,415,740)	37,265,199	11,939	37,277,138
Issuance of shares (Note 13)	17,034,155	-	-	-	-	17,034,155	-	17,034,155
Share-based payment under ESS	-	-	-	458,863	-	458,863	-	458,863
Vesting of ESS (Note 13, 14 and 15)	(1,710,337)	-	2,363,596	(653,259)	-	-	-	-
Loss/Total comprehensive loss for the financial year	-	-	-	-	(15,399,071)	(15,399,071)	(2,271)	(15,401,342)
At 31 December 2021	84,470,706	(4,618,481)	(678,268)	-	(39,814,811)	39,359,146	9,668	39,368,814
At 1 January 2022	84,470,706	(4,618,481)	(678,268)	-	(39,814,811)	39,359,146	9,668	39,368,814
Resale of treasury shares (Note 12)	431,553	-	678,268	-	-	1,109,821	-	1,109,821
Loss/Total comprehensive loss for the financial year	-	-	-	-	(5,685,837)	(5,685,837)	(3,566)	(5,689,403)
At 31 December 2022	84,902,259	(4,618,481)	-	-	(45,500,648)	34,783,130	6,102	34,789,322

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM	2021 RM
Cash flows from operating activities			
Loss before taxation		(5,642,622)	(15,589,473)
Adjustments for:-			
Depreciation of property, plant and equipment		2,373,906	2,339,824
Loss on realised foreign exchange		141,879	-
Impairment loss on:-			
- inventories		123,786	4,737,665
- trade receivables		-	51,356
- other receivables		-	49,964
Interest expense		1,151,892	1,088,909
Interest income		(14,667)	(16,110)
Share-based payment under ESS		-	458,863
Property, plant and equipment written off		443	-
Reversal of impairment loss on trade receivables		(748,133)	(356,552)
Operating loss before changes in working capital		(2,613,516)	(7,235,554)
Changes in working capital:-			
Inventories		(2,145,631)	2,978,371
Trade and other receivables		1,685,653	(4,288,113)
Trade and other payables		(82,113)	2,648,934
Cash used in operations		(3,155,607)	(5,896,362)
Interest received		14,667	16,110
Interest paid		(1,151,892)	(1,088,909)
Tax refund		82	249,544
Net cash used in operating activities		(4,292,750)	(6,719,617)
Cash flows from investing activity			
Purchase of property, plant and equipment, representing net cash used in investing activity	31	(1,376,535)	(2,273,414)
Cash flows from financing activities			
Net drawdown/(repayment) of borrowings	32	301,591	(1,093,737)
Repayment of lease liabilities	32	(480,963)	(1,017,608)
Fixed deposit pledged		(13,820)	(15,625)
Proceeds from issuance of shares		-	17,034,155
Resale of treasury shares		1,109,821	-
Net cash generated from financing activities		916,629	14,907,185
Net (decrease)/increase in cash and cash equivalents		(4,752,656)	5,914,154
Cash and cash equivalents at the beginning of the financial year		466,148	(5,448,006)
Cash and cash equivalents at the end of the financial year	33	(4,286,508)	466,148

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Note	2022 RM	2021 RM
ASSETS			
Non-Current Assets			
Investment properties	5	10,096,942	10,313,295
Investment in subsidiary companies	6	56,909,134	63,111,456
Total Non-Current Assets		67,006,076	73,424,751
Current Assets			
Other receivables	10	195,262	70,414
Cash and bank balances		37,617	70,669
Total Current Assets		232,879	141,083
Total Assets		67,238,955	73,565,834
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	84,902,259	84,470,706
Treasury shares	15	-	(678,268)
Accumulated losses		(19,523,687)	(18,731,840)
Total Equity		65,378,572	65,060,598
Current Liabilities			
Other payables	23	202,218	161,806
Amount owing to subsidiary companies	24	1,658,165	8,343,430
Total Current Liabilities		1,860,383	8,505,236
Total Equity and Liabilities		67,238,955	73,565,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM	2021 RM
Revenue	25	120,000	480,000
Other operating income	26	81,900	25,000
Administrative expenses		(993,747)	(2,600,777)
Loss before taxation		(791,847)	(2,095,777)
Taxation	30	-	-
Loss/Total comprehensive loss for the financial year		(791,847)	(2,095,777)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<----- Non-distributable ----->			Distributable	
	Share capital	Treasury shares	Executives' share scheme ("ESS") reserve	Accumulated losses	Total
	RM	RM	RM	RM	RM
At 1 January 2021	69,146,888	(3,041,864)	194,396	(16,636,063)	49,663,357
Issuance of shares (Note 13)	17,034,155	-	-	-	17,034,155
Share-based payment under ESS	-	-	458,863	-	458,863
Vesting of ESS (Note 13 and 16)	(1,710,337)	2,363,596	(653,259)	-	-
Loss/Total comprehensive loss for the financial year	-	-	-	(2,095,777)	(2,095,777)
At 31 December 2021	84,470,706	(678,268)	-	(18,731,840)	65,060,598
Resale of treasury shares (Note 15)	431,553	678,268	-	-	1,109,821
Loss/Total comprehensive loss for the financial year	-	-	-	(791,847)	(791,847)
At 31 December 2022	84,902,259	-	-	(19,523,687)	65,378,572

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM	2021 RM
Cash flows from operating activities			
Loss before taxation		(791,847)	(2,095,777)
Adjustments for:-			
Depreciation of investment properties		216,353	216,353
Share-based payment under ESS		-	458,863
Operating loss before changes in working capital		(575,494)	(1,420,561)
Changes in working capital:-			
Other receivables		(124,848)	(1,164)
Other payables		40,412	(1,857)
Amount owing to subsidiary companies		(6,685,265)	(15,483,506)
Net cash used in operating activities		(7,345,195)	(16,907,088)
Cash flow from investing activities			
Investment in subsidiary company		-	(100,000)
Collection of quasi-investment	6	6,202,322	-
Net cash generated from/(used in) investing activities		6,202,322	(100,000)
Cash flow from financing activities			
Issuance of shares		-	17,034,155
Resale of treasury shares		1,109,821	-
Net cash generated from financing activities		1,109,821	17,034,155
Net (decrease)/increase in cash and cash equivalents		(33,052)	27,067
Cash and cash equivalents at the beginning of the financial year		70,669	43,602
Cash and cash equivalents at the end of the financial year	34	37,617	70,669

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. General information

Paragon Union Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The addresses of the principal place of business and registered office of the Company are as follows:-

Principal place of business : Lot 14, Jalan CJ 1/1
Kawasan Perindustrian Cheras Jaya
Batu 11
43200 Cheras, Selangor.

Registered office : B-21-1, Level 21
Tower B, Northpoint Midvalley City
No. 1 Medan Syed Putra
59200 Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include other entities.

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

These financial statements were authorized for issued by the Board of Directors on 26 April 2023.

2. Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendment 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 to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Error - Definition of Accounting Estimates
- Amendment to MFRS 112, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabilities with Covenants

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Notes to the Financial Statements

31 December 2022

2. Basis of preparation of financial statements (Cont'd.)

a) Statement of compliance (Cont'd.)

The Group and the Company plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above the accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of these financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items:-

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated the useful life of these assets are disclosed in Note 3(c). The long-term leasehold land is depreciated over the unexpired lease period. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Allowance for inventory write down

Allowance for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices and expected costs of sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(iii) Measurement of expected credit loss allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of these investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparative are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

a. Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, a foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

b. Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

b. Fair value through other comprehensive income (Cont'd.)

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss under the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

c. Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This include derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(h)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:-

a. Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- i. if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii. a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

a. Fair value through profit or loss (Cont'd.)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

b. Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting in the current year.

Trade date accounting refers to:

- a. the recognition of an asset to be received and the liability to pay for it on the trade date; and;
- b. derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

- a. The amount of the loss allowance; and
- b. The amount initially recognised loss, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

(v) Derecognition (Cont'd.)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

c) Property, plant and equipment (Cont'd.)

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leasehold land is depreciated over the period of the lease. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives of the property, plant and equipment are as follows:-

Factory buildings and building improvements	50 years
Plant and machinery	6 to 30 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	3 to 10 years
Electrical installation and renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line basis to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in profit or loss when the changes arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

e) Intangible assets

(i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

e) Intangible assets Cont'd.)

(ii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

(iii) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less than estimated costs of completion and the estimated costs necessary to make the sale.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

h) Impairment of assets

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

h) Impairment of assets (Cont'd.)

(i) Financial assets (Cont'd.)

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

i) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:-

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

a. As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's entities incremental borrowing rate. Generally, the Group entities uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

i) Leases (Cont'd.)

(ii) Recognition and initial measurement (Cont'd.)

b. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

a. As a lessee

The right-of-use asset is a subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b. As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

j) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

j) Foreign currency (Cont'd.)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

m) Revenue

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

m) Revenue (Cont'd.)

(i) Revenue from contract with customers (Cont'd.)

a. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the control of the goods have been transferred to the customer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

b. Management fee

Management fees represent fees charged to subsidiary companies for assisting in the management of the subsidiary companies and these are recognised upon performance of services.

(ii) Other revenue and income

a. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

b. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

(iii) Executives' Share Scheme ("ESS")

The Company operates an equity-settled, share-based compensation plan, where shares grants are issued by the Company to eligible employees and directors of the Company and its subsidiaries. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense with a corresponding entry to reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted at the grant date and the number of shares vested by vesting date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the estimates of the number of the shares grant that are expected to become exercisable. The share grants by the Company over its equity instruments to the directors and employees of subsidiary undertaking in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

o) Operating segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Financial Statements

31 December 2022

3. Significant accounting policies (Cont'd.)

q) Income tax (Cont'd.)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

r) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows: -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

31 December 2022

4. Property, plant and equipment

Group	Factory buildings and building improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Right-of-use asset - Leasehold land RM	Right-of-use asset - Plant and machinery RM	Total RM
Costs								
At 1 January 2020	24,096,629	32,717,081	484,448	18,495,980	7,110,384	10,130,000	2,714,612	95,749,134
Additions	-	377,784	-	1,201,696	693,934	-	-	2,273,414
Reclassification	-	65,280	-	-	-	-	(65,280)	-
At 31 December 2021	24,096,629	33,160,145	484,448	19,697,676	7,804,318	10,130,000	2,649,332	98,022,548
Additions	188,296	411,336	-	716,347	60,556	-	-	1,376,535
Reclassification	-	969,332	-	-	-	-	(969,332)	-
Disposal/Written off	(63,791)	-	(121,748)	(628,961)	-	-	-	(814,500)
Reclassification to non-current assets held for sale(Note 12)	(2,936,658)	-	-	(2,608,699)	-	(2,720,000)	-	(8,265,357)
At 31 December 2022	21,284,476	34,540,813	362,700	19,785,062	7,864,874	7,410,000	1,680,000	90,319,226
Accumulated depreciation								
At 1 January 2020	5,756,362	26,417,704	389,693	16,888,171	5,372,374	2,714,683	149,130	57,688,117
Charge for the financial year	496,442	548,217	24,718	852,676	207,001	120,282	90,488	2,339,824
Reclassification	-	16,320	-	-	-	-	(16,320)	-
At 31 December 2021	6,252,804	26,982,241	414,411	17,740,847	5,579,375	2,834,965	223,298	60,027,941
Charge for the financial year	500,396	503,477	24,716	934,226	202,501	120,280	88,311	2,373,907
Reclassification	-	166,942	-	-	-	-	(166,942)	-
Disposal/Written off	(63,791)	-	(121,748)	(628,519)	-	-	-	(814,058)
Reclassification to non-current assets held for sale(Note 12)	(1,272,633)	-	-	(2,304,680)	-	(824,684)	-	(4,401,997)
At 31 December 2022	5,416,776	27,652,660	317,379	18,046,554	5,781,876	2,130,561	144,667	57,185,793
Carrying amount								
At 31 December 2021	17,843,825	6,177,904	70,037	1,956,829	2,224,943	7,295,035	2,426,034	37,994,607
At 31 December 2022	15,867,700	6,888,153	45,321	1,434,489	2,082,998	5,279,439	1,535,333	33,133,433

- a) The remaining period of the lease term of the leasehold land is 67 years (2021 – 68 years).
- b) The carrying amount of property, plant and equipment of the Group have been pledged to licensed banks as securities for credit facilities granted to subsidiary companies as disclosed in Note 18,19 and 20 to the financial statements are as follows:-

	Group	
	2022 RM	2021 RM
Right-of-use asset - leasehold land	5,279,439	7,295,035
Factory buildings	5,770,756	7,530,528
	<u>11,050,195</u>	<u>14,825,563</u>

Notes to the Financial Statements

31 December 2022

5. Investment properties

Company	Factory buildings RM
Cost	
At 1.1.2020/31.12.2020/31.12.2021	10,800,000
Accumulated depreciation	
At 1.1.2021	270,352
Charge for the financial year	216,353
At 31.12.2021	486,705
Charge for the financial year	216,353
At 31.12.2022	703,058
Carrying amount	
At 31.12.2021	10,313,295
At 31.12.2022	10,096,942

The total fair value of investment properties of the Company as at financial year end was RM10,800,000 (2021 – RM10,800,000). The fair value in total was arrived from Directors' estimation by reference to the actual transactions transacted for properties around the same vicinity.

Rental income of RM81,900 (2021 – RM NIL) received from a subsidiary company is recognised in profit or loss in respect of the investment properties.

Fair value information

The fair value of investment properties of the Company is categories as follows:-

	Level 3 RM
2022	
Investment properties	10,800,000
2021	
Investment properties	10,800,000

6. Investment in subsidiary companies

	Company 2022 RM	2021 RM
In Malaysia		
Unquoted shares, at cost	14,805,746	14,805,746
Addition by capitalisation of quasi-investment	19,000,000	-
Less: Accumulated impairment losses	(3,256,473)	(3,256,473)
	30,549,273	11,549,273
Advances to subsidiary companies treated as quasi-investment	26,359,861	51,562,183
	56,909,134	63,111,456

Notes to the Financial Statements

31 December 2022

6. Investment in subsidiary companies (Cont'd.)

Movement of quasi investment:

	Company	
	2022	2021
	RM	RM
As at 1 January	51,562,183	51,562,183
Capitalisation of quasi-investment	(19,000,000)	-
Repayment	(6,202,322)	-
As at 31 December	26,359,861	51,562,183

The advances to subsidiary companies are unsecured, interest-free with no fixed terms of repayment. The settlement of the advances is neither planned nor likely in the foreseeable future and they are determined to form part of the Company's quasi-investment in the subsidiary companies.

During the financial year, the Company increase its investment in the subsidiary company by way of capitalisation of RM19,000,000 (2021 – RM NIL) of the quasi-investment to the subsidiary company.

Movement of accumulated impairment losses as follows:-

	Company	
	2022	2021
	RM	RM
At 1 January/31 December	3,256,473	3,256,473

The details of the subsidiaries are as follows:-

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest	
			2022 %	2021 %
Paragon Car Carpets & Components Sdn Bhd*	Malaysia	Manufacturing and trading in car carpets and automotive components	100	100
Paragon Expression Sdn Bhd*	Malaysia	Investment holding and property development related activities	100	100
Paragon Precision Industries Sdn Bhd*	Malaysia	Dormant	78	78
Paragon Metal Components Sdn Bhd*	Malaysia	Dormant	77	77
Paragon Metal Sdn Bhd*	Malaysia	Dormant	100	100
Subsidiary company of Paragon Car Carpets & Components Sdn Bhd				
Paragon Carpetmaker Sdn Bhd	Malaysia	Manufacturing and trading in car carpets and commercial carpets	100	100
Subsidiary company of Paragon Carpetmaker Sdn Bhd				
Paragon Carpet Distributor Sdn Bhd*	Malaysia	Distribution and trading of commercial carpets	100	100
Subsidiary company of Paragon Expression Sdn Bhd				
Paragon Property Development Sdn Bhd	Malaysia	Dormant	100	100

* The auditors' report of the subsidiary companies contains an emphasis of material uncertainty related to going concern.

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7. Deferred tax assets/(liabilities)

The movement on the net deferred tax assets/(liabilities) is as follows:-

	Group	
	2022 RM	2021 RM
At 1 January	54,907	(133,224)
Recognised in profit or loss (Note 29)	(46,863)	188,131
At 31 December	8,044	54,907

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

	Group	
	2022 RM	2021 RM
Deferred tax assets		
- Unutilised tax losses	15,415,667	3,041,098
- Provisions and others	8,044	54,907
	15,423,711	3,096,005
Offsetting	(15,415,667)	(3,041,098)
	8,044	54,907

The deductible temporary difference and unutilised tax losses of the Group and of the Company for which no deferred tax assets were recognised is as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Property, plant and equipment	(12,834,542)	(12,671,007)	-	-
Unutilised tax losses	23,445,478	22,864,848	3,175,116	3,689,660
Provision and others	11,601,351	9,473,946	-	-
	22,212,287	19,667,787	3,175,116	3,689,660
Deferred tax assets not recognised at 24% (2021 – 24%)	5,330,949	4,720,269	762,028	885,518

Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unabsorbed tax losses of the Group and of the Company will only be available for carrying forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded.

8. Inventories

	Group	
	2022 RM	2021 RM
At cost		
Raw material	8,718,609	12,172,950
Work-in-progress	1,479,522	994,394
Finished goods	6,734,826	6,357,648
	16,932,957	19,524,992
Less: Impairment losses	(123,786)	(4,737,665)
	16,809,171	14,787,327

Notes to the Financial Statements

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8. Inventories (Cont'd.)

Movement of allowance for accumulated impairment losses are as follows:-

	Group	
	2022 RM	2021 RM
At 1 January	4,737,665	1,521,757
Addition	123,786	4,737,665
Written off	(4,737,665)	(1,521,757)
At 31 December	123,786	4,737,665
Recognised in profit or loss:-		
- Inventories recognised as cost of sales	47,741,352	26,754,121
- Impairment loss on inventories	123,786	4,737,665

9. Trade receivables

	Group	
	2022 RM	2021 RM
Trade receivables	7,456,044	8,649,775
Less: Impairment loss (Note 35(b)(i))	(29,354)	(921,775)
	7,426,690	7,728,000

The Group's normal trade credit terms range from 30 to 60 days (2021 – 30 to 60 days). Other credit terms are assessed and approved on a case-to-case basis.

10. Other receivables

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Other receivables	731,942	392,119	114,434	24,164
Less: Impairment loss (Note 35(b)(i))	(49,964)	(49,964)	-	-
	681,978	342,155	114,434	24,164
Deposits	229,523	123,773	51,250	46,250
Prepayments	2,751,912	3,975,574	29,578	-
	3,663,413	4,441,502	195,262	70,414

11. Fixed deposits with licensed bank

The carrying amount of the fixed deposit of the Group has been pledged to a licensed bank as securities for credit facilities granted to the Group as disclosed in Note 21 to the financial statements.

The fixed deposits with licensed bank of the Group have maturity period of 12 months (2021 – 12 months). The interest rate of fixed deposits with licensed bank during the financial year is 2.15% (2021 – 2.15%) per annum.

Notes to the Financial Statements

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12. Non-current assets held for sale

Group

On 5 January 2023, the Group entered into a sales and purchase agreement to dispose of a parcel of industrial land with a single storey detached factory with three storey office annexed for a cash consideration of RM17,500,000.

	Group 2022 RM
Property, plant and equipment	3,863,360

13. Share capital

	Group/Company		
	2022	2021	2022
	Number of shares		RM
<u>Issued and fully paid</u>			
At 1 January	83,829,652	70,000,000	84,470,706
Issuance of shares	-	13,829,652	-
Vesting of ESS	-	-	-
Gain on resale of treasury shares	-	-	431,553
At 31 December	83,829,652	83,829,652	84,902,259

During the financial year, Company had resold 851,740 treasury shares through Bursa Malaysia Securities Berhad at share prices range from RM1.23 to RM1.50.

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari-passu with regard to the Company's residual assets.

14. Merger reserves

The merger reserve is related to the subsidiaries which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

15. Treasury shares

	Group/Company		
	2022	2021	2022
	Number of shares		RM
<u>Issued and fully paid</u>			
At 1 January	851,740	3,821,100	678,268
Vesting of ESS	-	(2,969,360)	-
Resale of treasury shares	(851,740)	-	(678,268)
At 31 December	-	851,740	-

At the Extraordinary General Meeting held on 18 December 2000, the shareholders approved the share buy-back of up to 10% or up to 7,000,000 ordinary shares of the issued and paid-up share capital of the Company. The authority from the shareholders has been renewed consecutively for five years at the shareholders' meeting. No resolution for renewal of share buy-back was tabled at the Annual General Meeting ("AGM") of the Company held on 29 June 2009. Accordingly, the previous shareholders' approval for share buy-back has ceased to take effect.

Notes to the Financial Statements

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15. Treasury shares (Cont'd.)

Movement of treasury shares are as follows:-

Financial year	No. of ordinary shares RM	Average price per share	Total cost RM
Purchase from open market			
2001	2,681,000	1.03	2,758,037
2002	46,000	0.80	37,010
2003	143,000	0.86	123,665
2005	269,700	0.64	172,687
2006	825,500	0.60	491,883
2007	579,200	0.47	274,751
2008	730,200	0.48	351,465
2009	27,100	0.42	11,210
	5,301,700	0.80	4,220,708
<u>Vesting of ESS</u>			
2020	(1,480,600)	0.80	(1,178,844)
2021	(2,969,360)	0.80	(2,363,596)
2022	(851,740)	0.80	(678,268)
	851,740		678,268

During the duration of share buy-back, the Company had purchased the ordinary shares of its issued and paid-up share capital from the open market.

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with Section 127 of the Companies Act, 2016 in Malaysia.

16. Executives' share scheme ("ESS") Reserve

On 12 May 2020, the Company announced the establishment of an Executives' Share Scheme ("ESS") of up to 5,301,700 ordinary shares representing up to 7.57% of the total number of issued ordinary shares in the Company via utilisation of Treasury Shares to eligible employees and Directors of the Company and its subsidiaries.

The ESS take effect on 15 May 2020 following the submission of the By-Laws of ESS to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the ESS. On 22 July 2020, Bursa Malaysia Securities Berhad had approved the transfer of securities.

On 31 July 2020, 4,449,960 ESS shares were granted to the eligible employees and Directors of the Company and its subsidiaries in accordance to the By-Law of ESS.

The main features of the ESS which is constituted under the by-laws are as follows:-

a) Eligibility

Any director or employee of the Group who meets the following criteria as at the offer date shall be eligible for consideration and selection as a selected executive by the ESS Committee:-

- (i) if he/she has attained the age of 18 years;
- (ii) if he is a director, the specific allocation of scheme shares granted by the Company to him in his capacity as a director under the ESS has been approved by the shareholders of the Company at a general meeting;
- (iii) if he is serving under an employment contract for a fixed duration, the contract should be of a duration of at least 3 years in the Group;

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16. Executives' share scheme ("ESS") Reserve (Cont'd.)

The main features of the ESS which is constituted under the by-laws are as follows:- (Cont'd.)

a) Eligibility (Cont'd.)

- (iv) if he is serving in a specific designation under an employment contract for a fixed duration but not if he is merely employed for a specific project;
- (v) if he is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and
- (vi) if he fulfills any other criteria and/or falls within such category as may be determined by the ESS Committee from time to time.

Provided always that the selection of any eligible executive for participation in the ESS shall be at the discretion of the ESS Committee and the decision of the ESS Committee shall be final and binding.

b) Maximum number of ESS available

The total number of ESS which may be made available pursuant to the ESS shall not exceed 5,301,700, being the existing number of treasury shares in the Company, subject to not more than 7.57% of the total number of issued ordinary shares in the Company at all times.

c) Maximum allowable allocation and basis of allotment

The aggregate maximum number of the shares that may be allocated to any one category or designation of the eligible executives shall be determined by the ESS committee provided that:-

- (i) the directors and senior management of the Group do not participate in the deliberation or discussion of their own respective allocation;
- (ii) not more than 80% of the scheme shares available under the ESS on any date shall be allocated to the director and senior management of the Group; and
- (iii) the allocation to any eligible executive who either singly or collectively through persons connected with the eligible executives, holds 20% or more of the total issued ordinary share capital of the Company, shall not exceed 10% of the maximum scheme shares available.

d) ESS share price

The reference price of the ESS to be granted pursuant to the offers shall be at a discount of not more than 10% of the five-day weighted average market price of shares of Paragon Union Berhad transacted on Bursa Securities immediately preceding the date of the offer.

e) Duration of the ESS

The ESS shall take effect on the date on which the last of the approvals and/or conditions stipulated in the Listing Requirements of Bursa Securities have been obtained and/or complied with and shall be in force for a period of three years from the effective date. The Board shall have the discretion to extend the duration of the proposed ESS by another two years or such shorter period as it deems fit immediately from the expiry of the first three years.

On the expiry of the ESS, any award which have yet to be exercised or vested shall be deemed cancelled and be null and void.

f) Retention period

The ESS Committee shall be entitled to prescribe or impose, in relating to any offer, any condition relating to any retention period or restriction on transfer as it deems fit. A participant who is a Non-Executive Director must not sell, transfer or assign Paragon Union Berhad shares obtained from the ESS within one year from the date of offer.

Notes to the Financial Statements

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16. Executives' share scheme ("ESS") Reserve (Cont'd.)

The main features of the ESS which is constituted under the by-laws are as follows:- (Cont'd.)

g) Takeover and disposal of assets

In the event:-

- (i) of a takeover offer being made, under Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-overs, Mergers and Compulsory Acquisitions, for the Company through a general offer to acquire the whole of the issued share capital of the Company and such takeover offer is announced by the offeror as being unconditional or have become unconditional, the unvested scheme shares shall immediately vest in a selected executive or as selected executive's legal and personal representatives, as the case may be, during the takeover period or until the expiry of the period which scheme shares may be transferred to the selected executive as may be specified by the offer, whichever is earlier.
- (ii) of the offeror becoming entitled or bound to exercise the right of compulsory acquisition of Paragon Union Berhad shares under provisions of the Company Act and/or Capital Markets and Services Act 2007 or other relevant law applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date, any unvested scheme shares shall immediately vest in a selected executives or a selected executive's legal and personal representatives, as the case may be, from the date of service of the said notice to the Company until and inclusive of the date on which the right of the compulsory acquisition is exercised or until the expiry of the ESS window period, whichever is earlier. The Company disposes of all or substantially all of its assets and the disposal becomes unconditional, the unvested scheme shares shall immediately vest in a selected executive or a selected executive's legal and personal representatives, as the case may be, commencing from the unconditional date of the said disposal until the date prescribed by the ESS Committee within the ESS window period.

This subject to such terms and conditions as may be prescribed by the ESS Committee notwithstanding that the vesting date is not due or has not occurred, the ESS window period has not commenced and/or other terms and conditions set out in the offer have not been fulfilled or satisfied.

h) Termination of the ESS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the ESS may be terminated by the Company at any time before its expiry without obtaining the approvals or consents from the selected executives or its shareholders provided that the Company makes an announcement immediately to Bursa Securities. In the event of such termination: -

- (i) no further offer shall be made by the ESS Committee from the effective date of termination of the ESS; and
- (ii) all offers of scheme shares which have yet to be accepted by selected executives shall automatically lapse on the termination date.

The details of ESS to eligible employees are as follows:-

	No. of ESS share grants			At 31 December Units
	At 1 January Units	Granted Units	Vested Units	
2021				
Executive director	927,925	-	(927,925)	-
Non-executive directors	1,113,510	-	(1,113,510)	-
Key management personnel	927,925	-	(927,925)	-
	2,969,360	-	(2,969,360)	-

The fair value of the ESS shares at grant date is RM0.22 per share, determined based on the 5 days weighted average market price of shares of the Company with a discount of not more than 10%.

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17. Lease liabilities

	Group 2022 RM	2021 RM
Minimum lease payments:-		
- not later than one year	258,880	532,318
- between one to five years	228,867	487,746
	487,747	1,020,064
Less: Future interest charges	(41,596)	(92,950)
Present value of lease liabilities	446,151	927,114
Repayable as follows:-		
- current	231,490	483,979
- non-current	214,661	443,135
	446,151	927,114
	2022 %	2021 %
Effective interest rate	6.47	4.83 – 5.82

18. Bank borrowings

	Group 2022 RM	2021 RM
Current		
Bank overdrafts	4,587,297	1,409,480
Banker's acceptance	247,000	265,000
Usance letter of credit	3,738,911	1,431,593
Term loans	427,942	738,997
	9,001,150	3,845,070
Non-Current		
Term loans	9,677,754	11,354,426
	18,678,904	15,199,496
Total borrowings		
<u>Secured</u>		
Bank overdrafts (Note 19)	4,587,297	1,409,480
Banker's acceptance (Note 20)	247,000	265,000
Usance letter of credit (Note 20)	3,738,911	1,431,593
Term loans (Note 21)	10,105,696	12,093,423
	18,678,904	15,199,496

The effective interest rates for the Group is as follows:-

	Group 2022 %	2021 %
Bank overdrafts	6.05 – 8.15	6.10 – 6.90
Banker's acceptance	3.25 – 4.45	2.80
Usance letter of credit	3.00 – 5.35	1.51 – 5.35
Term loans	3.30 – 4.40	3.30 – 10.60

Notes to the Financial Statements

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19. Bank overdrafts

Group

Secured

The bank overdraft is secured by the following:-

- a) corporate guarantee by the Company;
- b) legal charge over the investment properties of the Company as disclosed in Note 5 to the financial statements; and
- c) legal charge over the factory building of the Group as disclosed in Note 4 to the financial statements.

20. Banker's acceptance and usance letter of credit

Group

Secured

The banker's acceptance and usance letter of credit are secured by the following:-

- a) corporate guarantee by the Company; and
- b) legal charge over the factory building of the Group as disclosed in Note 4 to the financial statements.

21. Term loans

	Group	
	2022 RM	2021 RM
<u>Secured</u>		
Term loan 1	-	821,263
Term loan 2	5,411,209	5,573,038
Term loan 3	4,694,487	4,876,247
Term loan 4	-	822,875
	10,105,696	12,093,423
Repayable as follows:-		
Non-current liabilities		
- Later than one year not later than two years		
Term loan 1	-	204,263
Term loan 2	238,307	214,848
Term loan 3	198,983	209,961
Term loan 4	-	154,154
	437,290	783,226
- Later than two years and not later than five years		
Term loan 1	-	431,433
Term loan 2	774,910	695,479
Term loan 3	676,038	666,371
Term loan 4	-	526,330
	1,450,948	2,319,613

Notes to the Financial Statements

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21. Term loans (Cont'd.)

	Group 2022 RM	2021 RM
- Later than five years		
Term loan 1	-	-
Term loan 2	4,169,033	4,455,831
Term loan 3	3,620,483	3,795,756
Term loan 4	-	-
	7,789,516	8,251,587
Current liabilities		
- Not later than one year		
Term loan 1	-	185,567
Term loan 2	228,959	206,880
Term loan 3	198,983	204,159
Term loan 4	-	142,391
	427,942	738,997
	10,105,696	12,093,423

Secured

Term loan 1

The term loan is secured by the following:-

- a) assignment of a Single Premium Reducing Term Plan under the name of a director of the Company for the sum insured of not less than RM500,000;
- b) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad;
- c) corporate guarantee by its' subsidiary company; and
- d) joint and several guarantee by third parties.

Term loan 2

The term loan is secured by the following:-

- a) 1st legal charge over the leasehold land of the Group as disclosed in Note 4 of the financial statements;
- b) fixed deposit pledge as disclosed in Note 11 of the financial statements;
- c) corporate guarantee by its subsidiary company; and
- d) joint and several guarantee by the Company directors.

Term loan 3

The term loan is secured by the following:-

- a) legal charge over the leasehold land and factory building of the Group as disclosed in Note 4 of the financial statements;
- b) corporate guarantee by its subsidiary companies; and
- c) joint and several guarantee by third parties.

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21. Term loans (Cont'd.)

Term loan 4

The term loan is secured by the following:-

- a) 1st legal charge over the leasehold land and factory building of the Group as disclosed in Note 4 of the financial statements;
- b) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad;
- c) corporate guarantee by its subsidiary company;
- d) joint and several guarantee by third parties; and
- e) assignment of a Single Premium Reducing Term Plan under the name of a director of the Company for the sum insured of not less than RM500,000.

22. Trade payables

The Group's normal trade credit terms range from 30 to 90 days (2021 – 30 to 90 days).

The currency exposure profiles of trade payables are as follows:-

	Group	
	2022 RM	2021 RM
Ringgit Malaysia	3,752,535	3,494,020
Chinese Renminbi	562,543	1,164,257
United State Dollar	303,666	495,908
Euro	74,090	168,968
Thailand Baht	112,143	112,143
	4,804,977	5,435,296

23. Other payables

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Other payables	6,281,870	4,509,119	177,618	69,556
Deposit received	928,253	1,658,560	-	-
Accruals	101,143	637,845	-	92,250
Provision	76,969	34,505	24,600	-
	7,388,235	6,840,029	202,218	161,806

24. Amount owing to subsidiary companies

Amount owing to subsidiary companies are non-trade in nature, interest-free and repayable on demand by cash and cash equivalents.

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25. Revenue

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Revenue recognised from contracts with customers	60,955,740	40,445,191	-	-
Management fee	-	-	120,000	480,000
	60,955,740	40,445,191	120,000	480,000

Breakdown of revenue recognised from contracts with customers is as follows:-

	Group	
	2022 RM	2021 RM
Major segments:-		
- commercial	10,146,023	6,450,954
- automotive	50,809,717	33,994,237
	60,955,740	40,445,191
Geographical market:-		
- Malaysia	59,920,934	40,350,792
- Singapore	539,455	67,412
- Brunei	30,960	21,473
- South Korea	-	5,514
- United Arab Emirates	464,391	-
	60,955,740	40,445,191
Timing of revenue recognition:-		
- at a point in time	54,358,587	39,577,643
- over time	6,597,153	867,548
	60,955,740	40,445,191

26. Other operating income

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Insurance claims	672,254	-	-	-
Rental income	-	-	81,900	-
Gain on disposal of property, plant and equipment	194,975	-	-	-
Interest income	14,667	16,110	-	-
Reversal of impairment loss on trade receivables no longer required	748,133	226,565	-	-
Bad debt recovered	-	25,000	-	25,000
Realised gain on foreign exchange	-	18,262	-	-
Scale of scrap	362,435	286,394	-	-
Wages subsidy	-	527,800	-	-
	1,992,374	1,100,131	81,900	25,000

Notes to the Financial Statements

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27. Finance costs

	Group	
	2022	2021
	RM	RM
Interest expenses on:-		
Bank overdrafts	339,006	417,200
Banker's acceptance	19,036	35,908
Lease liabilities	51,351	90,996
Usance letter of credit	132,185	86,466
Term loans	597,697	448,339
	1,139,275	1,088,909

28. Loss before taxation

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
This is arrived at after charging:-				
Auditors' remuneration				
- current year	99,500	81,500	32,500	24,500
- other services	11,000	11,000	11,000	11,000
Depreciation of property, plant and equipment	2,232,224	2,339,824	-	-
Depreciation of investment properties	-	-	216,353	216,353
Director remuneration (Note 38)	1,145,121	1,631,805	195,000	1,437,069
Impairment loss on:-				
- inventories	123,786	4,737,665	-	-
- trade receivables	-	51,356	-	-
- other receivables	-	49,964	-	-
Realised loss on foreign exchange	141,879	249,514	-	-
Staff costs (Note 28)	8,040,964	8,572,626	-	-
and crediting:-				
Reversal of impairment loss on trade receivables no longer required	(748,133)	(356,552)	-	-
Gain on disposal of property, plant and equipment	(194,975)	-	-	-
Realised gain on foreign exchange	-	(18,262)	-	-
Rental income	-	-	(81,900)	-
Interest income	(14,667)	(16,110)	-	-

29. Staff costs

	Group	
	2022	2021
	RM	RM
Salaries, bonus, wages and allowances	7,678,180	7,620,751
Employees Provident Fund	263,682	685,190
Social Security Cost and Employment Insurance System	99,102	123,291
Share-based payment under ESS	-	143,394
	8,040,964	8,572,626

Notes to the Financial Statements

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30. Taxation

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Malaysian income tax:-				
- over provision in prior years	(82)	-	-	-
Deferred tax (Note 7)				
- over provision in prior years	46,863	188,131	-	-
	46,781	188,131	-	-

Income tax is calculated at the Malaysian statutory tax rates of 24% (2021 – 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Applicable tax rate	24	24	24	24
Non-deductible expenses	(6)	(12)	(18)	(8)
Income not subject to tax	1	*	-	*
Deferred tax assets not recognised	(19)	(12)	(6)	(16)
Over provision of taxation in prior years	*	-	-	-
Over provision of deferred tax in prior years	(1)	1	-	-
Effective tax rate	(1)	1	-	-

* Less than 1%

31. Loss per share

Basic

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the financial year as follows:-

	Group	
	2022	2021
Loss for the financial year attributable to owners of the Company (RM)	(5,685,837)	(15,399,071)
Weighted average number of ordinary shares in issue (Unit)	83,829,652	71,507,688
Loss per share (sen)	(6.78)	(21.53)

Diluted

There is no diluted loss per share as the Company did not have any dilutive potential ordinary shares during the financial year.

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32. Addition on property, plant and equipment

	Group	
	2022 RM	2021 RM
Addition on property, plant and equipment (Note 4)	1,376,535	2,273,414
Less: Acquire under lease agreements	-	-
Cash payments	1,376,535	2,273,414

33. Changes in liabilities arising from financing activities

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows:-

	Lease liabilities RM	Bank borrowings (excluding bank overdrafts) RM	Total RM
At 1 January 2021	1,944,722	14,883,753	16,828,475
Net changes from financing cash flows	(1,017,608)	(1,093,737)	(2,111,345)
At 31 December 2021	927,114	13,790,016	14,717,130
Net changes from financing cash flows	(480,963)	301,591	(179,372)
At 31 December 2022	446,151	14,091,607	14,537,758

	Note	Group RM	RM
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	27	51,351	90,996
Included in net cash from financing activities:			
Payment of lease liabilities		480,963	1,017,608
Total cash outflows for leases		532,314	1,108,604

34. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the followings amounts:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	300,789	1,875,628	37,617	70,669
Bank overdraft (Note 17)	(4,587,297)	(1,409,480)	-	-
Fixed deposit with licensed banks	756,767	742,947	-	-
	(3,529,741)	1,209,095	37,617	70,669
Less: Fixed deposit pledged	(756,767)	(742,947)	-	-
	(4,286,508)	466,148	37,617	70,669

Notes to the Financial Statements

31 December 2022

34. Cash and cash equivalents (Cont'd.)

The currency exposure profiles of cash and cash equivalents are as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	291,255	2,612,120	37,617	70,669
United State Dollar	9,534	6,455	-	-
	300,789	2,618,575	37,617	70,669

35. Segmental information

Segmental information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:-

Automotive : Car carpets and components

Commercial : Commercial carpets

Other non-reportable segments comprise operations to subsidiary companies which are dormant.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Executive Director. Segment total assets are used to measure the return of assets of each segment.

a) Business segment

	Automotive RM	Commercial RM	Non-reportable segments RM	Total RM
2022				
Revenue				
Revenue from external customers	50,809,717	10,146,022	-	60,955,740
Results				
Finance income	790	13,877	-	14,667
Reversal of impairment loss on trade receivables no longer required	556,655	191,478	-	748,133
Depreciation of property, plant and equipment	(1,640,309)	(517,224)	(216,353)	(2,373,886)
Impairment loss on:-				
- inventories	(123,786)	-	-	(123,786)
Finance costs	(531,902)	(607,373)	-	(1,139,275)
Taxation	-	(46,863)	82	(46,781)
Segment results	(1,131,964)	(3,252,339)	(1,305,100)	(5,689,403)
Segment assets	33,853,907	21,857,620	10,394,425	66,105,952
Segment liabilities	15,232,613	15,838,029	247,625	31,318,267

Notes to the Financial Statements

31 December 2022

35. Segmental information (Cont'd.)

a) Business segment (Cont'd)

	Automotive RM	Commercial RM	Non- reportable segments RM	Total RM
2021				
Revenue				
Revenue from external customers	33,994,236	6,450,955	-	40,445,191
Results				
Finance income	388	15,722	-	16,110
Reversal of impairment loss on trade receivables no longer required	159,241	197,311	-	356,552
Depreciation of property, plant and equipment	(1,590,495)	(532,977)	(216,352)	(2,339,824)
Impairment loss on:-				
- inventories	(1,958,337)	(2,779,328)	-	(4,737,665)
- trade receivables	-	51,356	-	51,356
- other receivables	-	49,964	-	49,964
Finance costs	(610,088)	(478,821)	-	(1,088,909)
Taxation	-	188,132	-	188,132
Segment results	(7,599,143)	(5,168,911)	(2,633,288)	(15,401,342)
Segment assets	35,047,461	22,281,474	10,441,814	67,770,749
Segment liabilities	12,530,470	15,665,094	206,371	28,401,935

b) Geographical information

Geographical information of revenue by location of customers is disclosed in Note 24 to the financial statements.

c) Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:-

	Segment	2022 RM	2021 RM
Customer A	Automotive	12,029,412	14,059,377
Customer B	Automotive	9,586,160	9,949,070
Customer C	Automotive	-	4,008,342

36. Financial instruments

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (i) Financial assets measured at amortised cost ("FAAC"); and
- (ii) Financial liabilities measured at amortised cost ("FLAC").

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

Group	Carrying amount RM	FAAC RM	FLAC RM
2022			
Financial assets			
Trade receivables	7,426,690	7,426,690	-
Other receivables	901,501	911,501	-
Fixed deposit with licensed bank	756,767	756,767	-
Cash and bank balances	300,789	300,789	-
	<u>9,395,747</u>	<u>9,395,747</u>	<u>-</u>
Financial liabilities			
Trade payables	(4,804,977)	-	(4,804,977)
Other payables	(7,388,235)	-	(7,388,235)
Lease liabilities	(446,151)	-	(446,151)
Bank borrowings	(18,678,904)	-	(18,678,904)
	<u>(31,318,267)</u>	<u>-</u>	<u>(31,318,267)</u>
2021			
Financial assets			
Trade receivables	7,728,000	7,728,000	-
Other receivables	465,928	465,928	-
Fixed deposit with licensed bank	742,947	742,947	-
Cash and bank balances	1,875,628	1,875,628	-
	<u>10,812,503</u>	<u>10,812,503</u>	<u>-</u>
Financial liabilities			
Trade payables	(5,435,296)	-	(5,435,296)
Other payables	(6,840,029)	-	(6,840,029)
Lease liabilities	(927,114)	-	(927,114)
Bank borrowings	(15,199,496)	-	(15,199,496)
	<u>(28,401,935)</u>	<u>-</u>	<u>(28,401,935)</u>
Company			
2022			
Financial assets			
Other receivables	165,684	165,684	-
Cash and bank balances	37,617	37,617	-
	<u>203,301</u>	<u>203,301</u>	<u>-</u>
Financial liabilities			
Other payables	(202,218)	-	(202,218)
Amount owing to subsidiary companies	(1,658,165)	-	(1,658,165)
	<u>(1,860,383)</u>	<u>-</u>	<u>(1,860,383)</u>

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

	Carrying amount RM	FAAC RM	FLAC RM
2021			
Financial assets			
Other receivables	70,414	70,414	-
Cash and bank balances	70,669	70,669	-
	141,083	141,083	-
Financial liabilities			
Other payables	(161,806)	-	(161,806)
Amount owing to subsidiary companies	(8,343,430)	-	(8,343,430)
	(8,505,236)	-	(8,505,236)

b) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments as follows:-

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes from managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit valuations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect or recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

At the end of each reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Concentration of credit risk

As at 31 December 2022, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM6,227,690 due from top five trade receivables which represents 81% of the trade receivables of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECLs") of trade receivables for all segments, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature:-

	Gross RM	Loss allowance RM	Net RM
Group			
2022			
Neither past due nor individually impaired	4,475,199	-	4,475,199
Past due but not individually impaired:-			
- 1 – 30 days	1,280,576	-	1,280,576
- 31 – 60 days	1,012,664	-	1,012,664
- 61 – 365 days	484,073	-	484,073
- more than 365 days	203,532	(29,354)	174,178
	7,456,044	(29,354)	7,426,690
2021			
Neither past due nor individually impaired	4,838,470	(37,610)	4,800,860
Past due but not individually impaired:-			
- 1 – 30 days	1,575,027	(21,625)	1,553,402
- 31 – 60 days	1,001,465	(11,484)	989,981
- 61 – 365 days	50,925	(241)	50,684
- more than 365 days	1,183,888	(850,815)	333,073
	8,649,775	(921,775)	7,728,000

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables during the financial year are as follows:-

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 January 2021	204,518	1,022,453	1,226,971
Addition	-	51,356	51,356
Reversal of impairment loss on trade receivables no longer required	(130,807)	(225,745)	(356,552)
At 31 December 2021	73,711	848,064	921,775
Reversal of impairment loss on trade receivables no longer required	(44,357)	(848,064)	(892,421)
At 31 December 2022	29,354	-	29,354

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The movement in the allowance form impairment losses in respect of other receivables during the financial year is as follows:-

	Group 2022 RM	2021 RM
At 1 January	49,964	-
Addition	-	49,964
At 31 December	49,964	49,964

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Liquidity risk (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:-

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
2022							
<i>Non-derivative financial liabilities</i>							
Trade payables	4,804,977	-	4,804,977	4,804,977	-	-	-
Other payables	7,388,235	-	7,388,235	7,388,235	-	-	-
Lease liabilities	446,151	6.47	487,747	258,880	111,362	117,505	-
Bank borrowings	18,678,904	3.00 - 8.15	19,993,686	830,268	830,268	2,490,804	9,759,942
	<u>31,318,267</u>		<u>32,674,645</u>	<u>13,282,360</u>	<u>941,630</u>	<u>2,608,309</u>	<u>9,759,942</u>

2021

Non-derivative financial liabilities

Trade payables	5,435,296	-	5,435,296	5,435,296	-	-	-
Other payables	6,840,029	-	6,840,029	6,840,029	-	-	-
Lease liabilities	927,114	4.83 - 5.82	1,020,064	532,318	258,880	228,866	-
Bank borrowings	15,199,496	1.51 - 10.60	18,080,576	3,347,517	1,211,351	3,337,534	10,184,174
	<u>28,401,935</u>		<u>31,375,965</u>	<u>16,155,160</u>	<u>1,470,231</u>	<u>3,566,400</u>	<u>10,184,174</u>

Company	Carrying Amount RM	Contractual Interest rate %	Contractual Cash flows RM	Within 1 year RM
2022				
<i>Non-derivative financial liabilities</i>				
Other payables	202,218	-	202,218	202,218
Amount owing to subsidiary companies	1,658,165	-	1,658,165	1,658,165
Financial guarantee*	-	-	8,573,208	8,573,208
	<u>1,860,383</u>		<u>10,433,591</u>	<u>10,433,591</u>
2021				
<i>Non-derivative financial liabilities</i>				
Other payables	161,806	-	161,806	161,806
Amount owing to subsidiary companies	8,343,430	-	8,343,430	8,343,430
Financial guarantee*	-	-	2,959,143	2,959,143
	<u>8,505,236</u>		<u>11,464,379</u>	<u>11,464,379</u>

* Based on the maximum amount that can be called for under the financial guarantee contract.

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. Other than foreign exchange rate risk and interest rate risk, the Group is not exposed to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases, assets and liabilities that are denominated in a currency other than Ringgit Malaysia. The currencies giving risk to this risk are primarily Chinese Renminbi ("RMB"), United States Dollar ("USD"), Euro ("EUR") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The exposure to currency risk is monitored by the management and it is not expected to have a material impact on the financial performance of the Group.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:-

	2022 RM	Group 2021 RM
<i>Balance recognised in the statement of financial position</i>		
Denominated in RMB		
- Trade payables	(562,543)	(1,164,257)
Denominated in USD		
- Trade payables	(303,666)	(495,908)
- Cash and cash equivalents	9,534	6,455
	(294,132)	(489,453)
Denominated in EUR		
- Trade payables	(74,090)	(168,968)
Denominated in THB		
- Trade payables	(112,143)	(112,143)

Currency risk sensitivity analysis

A 5% strengthening of RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Currency risk sensitivity analysis (Cont'd.)

Group	2022		2021	
	Equity RM	Profit or loss RM	Equity RM	Profit or loss RM
RMB	28,127	28,127	88,483	88,483
USD	14,707	14,707	37,198	37,198
EUR	3,705	3,705	12,842	12,842
THB	5,607	5,607	8,523	8,523

A 5% weakening of RM against the above foreign currencies at the end of the reporting period would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rate. Short-term investments such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:-

Group	2022		2021	
	RM	%	RM	%
Fixed rate instruments				
Lease liabilities	446,151	2.55	927,114	4.83 - 5.82
Floating rate instruments				
Bank overdrafts	4,587,297	6.10 - 6.90	1,409,480	6.10 - 6.90
Banker's acceptance	247,000	2.80	265,000	2.80
Usance letter of credit	3,738,911	1.51 - 5.35	1,431,593	1.51 - 5.35
Term loans	10,105,696	4.70 - 10.75	12,093,423	3.30 - 10.60

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM8,300 respectively higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements

31 December 2022

36. Financial instruments (Cont'd.)

c) Fair value information

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:-

Level 1 : quoted prices in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial statements not carried at fair value in the statements of financial position:-

Group	2022		2021	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Lease liabilities	446,151	427,161	927,114	846,144

- (i) the carrying amount of cash and cash equivalents and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.
- (ii) the carrying amount of long-term bank borrowings carried on the statements of financial position reasonably approximate their fair values as they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.
- (iii) the aggregate fair value of the other financial assets and liabilities carried on the statement of financial position approximates the carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

37. Capital management

The primary objective of capital management is to ensure that an entity maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure to safeguard its ability to continue as a going concern in order to maintain investor, creditors and market confidence and to sustain future business development. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors the capital using gearing ratio, which is net of bank borrowings divided by equity attributable to owners of the Company.

	Group	
	2022 RM	2021 RM
Bank borrowings	18,678,904	15,199,496
Lease liabilities	446,151	927,114
Less: Fixed deposit with licensed bank	(756,767)	(742,947)
Cash and bank balances	(300,789)	(1,875,628)
Net bank borrowings	18,067,499	13,508,035
Equity attributable to owners of the Company	34,781,583	39,359,146
Gearing ratio	51.95%	34.32%

Notes to the Financial Statements

31 December 2022

38. Financial guarantee

	Group	
	2022	2021
	RM	RM
Unsecured corporate guarantees in respect of banking facilities granted to subsidiary companies	8,573,208	2,959,143

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

39. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company, and certain members of the senior management of the Group and of the Company.

The Group and the Company have related party relationship with their directors and key management personnel.

Significant related party transactions

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The related party balances are shown in 23 to the financial statements.

	Company	
	2022	2021
	RM	RM
Management fee received/receivable from subsidiary companies	120,000	480,000
Rental income received/receivable from a subsidiary company	81,900	-

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibilities for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group and certain member of senior management of the Group.

Notes to the Financial Statements

31 December 2022

39. Related parties (Cont'd.)

Compensation of key management personnel (Cont'd.)

The remuneration paid to key management personnel during the financial year are as follows:-

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Director remuneration:-				
Fees	195,000	248,000	195,000	248,000
Salaries and other emoluments	846,533	953,871	-	780,000
Share-based payment under ESS	-	315,469	-	315,469
	1,041,533	1,517,340	195,000	1,343,469
Post-employment benefits				
Defined contribution plan	103,588	114,465	-	93,600
	1,145,121	1,631,805	195,000	1,437,069
Other key management personnel:-				
Salaries and other emoluments	701,145	1,237,893	-	-
Estimated monetary value of benefits-in-kind	6,500	5,000	-	-
	707,645	1,242,893	-	-
Post-employment benefits				
Defined contribution plan	87,065	160,379	-	-
	794,710	1,403,272	-	-

40. Event after the reporting period

On 5 January 2023, one of the subsidiary companies, Paragon Car Carpets & Components Sdn. Bhd., entered into a sales and purchase agreement to dispose of a parcel of industrial land with a single storey detached factory with three storey office annexed for a cash consideration of RM17,500,000.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Koon Hoi Chun and Wong Ee-Coln, being two of the directors of Paragon Union Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 46 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2022 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors

Koon Hoi Chun

Wong Ee-Coln

Kuala Lumpur,
Date: 26 April 2023

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Tan Teck Khong, MIA No. 33013, being the officer primarily responsible for the financial management of Paragon Union Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 98, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur this date of 26 April 2023.

Tan Teck Khong
(MIA No. 33013)

Before me,

Commissioner for Oaths



PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))

PROXY FORM

(Before completing this form please refer to the notes below)

NO. OF SHARES HELD	CDS ACCOUNT NO.

I/We (Full name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

Of _____

being a member/members of Paragon Union Berhad [Registration No. 199401000779 (286457-V)], hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Phone No.:			

and / or

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Phone No.:			

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Twenty-Ninth ("29th") Annual General Meeting of the Company to be held and conducted on a virtual basis at Broadcast Venue at Board Room, Lot 14, Jalan Satu, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities via Cloud AGM Platform operated by ARB WeMeet Sdn Bhd at <https://member.arbwemeet.com> (Domain registration numbers with MYNIC: D1A457700) on Monday, 26 June 2023 at 10:00 a.m. and at any adjournment thereof in the manner as indicate below:-

No.	Description of Resolution	For	Against
1	To approve the payment of Directors' fees and other benefits payable for the financial year ended 31 December 2022.		
2	To re-elect Tan Vei Teck as Director.		
3	To re-elect Koh Huey Min as Director.		
4	To re-appoint Messrs Kreston John & Gan as auditors of the Company and to authorise the Directors to fix their remuneration.		
5	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
6	Proposed New and Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this _____ day of _____, 2023

(If the shareholder is a corporation, this form should be executed under seal)



Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy(ies) to attend and vote on his(her) behalf.
2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
3. A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in the one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officers.
6. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company situated at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for the taking of poll at the meeting or adjourned meeting.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 June 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend and/or vote on his(her) behalf.

Fold this flap for sealing

AFFIX
STAMP

**THE SHARE REGISTRAR OF
PARAGON UNION BERHAD**
[Registration No.: 199401000779 (286457-V)]
c/o Aldpro Corporate Services Sdn Bhd
B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur

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Fold This Flap For Sealing



www.paragon.com.my



PARAGON UNION BERHAD

Registration No. 199401000779 (286457-V)

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Batu 11, Cheras 43200, Selangor Darul Ehsan, Malaysia

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