



PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2023

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PARAGON UNION BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 30/9/2023 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 30/9/2022 RM'000	9 months Unaudited Current Period To Date 30/9/2023 RM'000	9 months Unaudited Preceding Period To Date (restate) 30/9/2022 RM'000
Revenue	25,232	17,931	62,251	46,079
Cost of Sales	(22,951)	(15,186)	(55,715)	(40,260)
Gross Profit	2,281	2,745	6,536	5,819
Operating expenses	(4,717)	(2,864)	(11,220)	(9,289)
Other incomes	11,587	272	12,598	1,034
Profit / (Loss) from operations	9,151	153	7,914	(2,436)
Finance costs	(196)	(279)	(772)	(879)
Profit / (Loss) before taxation	8,955	(126)	7,142	(3,315)
Taxation	(31)	-	(31)	(47)
Loss / total comprehensive expenses for the year	8,924	(126)	7,111	(3,362)
Attributable to:				
Owners of the Company	8,924	(125)	7,111	(3,361)
Non-controlling interest	-	(1)	-	(1)
	8,924	(126)	7,111	(3,362)
Loss per share (sen)				
- Basic and Diluted	10.65	(0.15)	8.48	(4.01)

(The Condensed Consolidated Statement of Profit or loss and other Comprehensive Income should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2023

		(Unaudited) As at end of Current Quarter 30/9/2023 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	30,763	33,133
Deferred tax assets		-	8
		30,763	33,141
Current Assets			
Inventories		16,312	16,809
Trade receivables		9,241	7,427
Other receivables, deposits and prepayments		4,635	3,663
Tax recoverable		81	146
Cash and cash equivalents		6,235	1,058
		36,504	29,103
Non-Current Assets classified as held for sale		-	3,863
		36,504	32,966
TOTAL ASSETS		67,267	66,107
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		84,902	84,902
Merger Reserves		(4,618)	(4,618)
Accumulated Losses		(38,390)	(45,501)
Equity attributable to equity holders of the company		41,894	34,783
Non-controlling interests		-	6
Total Equity		41,894	34,789
Non-Current Liabilities			
Lease Liabilities		130	215
Bank Borrowings	B10	5,056	9,678
		5,186	9,893
Current Liabilities			
Trade and Other Payables		12,813	12,193
Lease Liabilities		142	231
Tax payable		23	-
Bank Borrowings	B10	7,209	9,001
		20,187	21,425
TOTAL LIABILITIES		25,373	31,318
TOTAL EQUITY AND LIABILITIES		67,267	66,107
Net Assets Per Share (Sen)		49.92	41.44

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	← Non Distributable →		Distributable				
	Share Capital	Merger Reserve	Treasury Shares	Accumulated Losses	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	84,902	(4,618)	-	(45,501)	34,783	6	34,789
(Loss)/Total comprehensive (loss) for the financial year	-	-	-	7,111	7,111	-	7,111
Elimination of Non-Controlling interest at deregistration of 'Paragon Precision Industries Sdn Bhd' and 'Paragon Metal Components Sdn Bhd'						(6)	(6)
Balance as at 30 September 2023	84,902	(4,618)	-	(38,390)	41,894	-	41,894
Balance as at 1 January 2022	84,471	(4,618)	(679)	(39,815)	39,359	10	39,369
Sale of Treassury Shares	431	-	679	-	1,110	-	1,110
(Loss)/Total comprehensive (loss) for the financial year	-	-	-	(5,686)	(5,686)	(4)	(5,690)
Balance as at 31 December 2022	84,902	(4,618)	-	(45,501)	34,783	6	34,789

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	(Unaudited) 9 months Current Period to date 30/09/2023 RM'000	(Restated unaudited) 9 months Preceding Period to date 30/09/2022 RM'000
Cash flows from operating activities		
Profit / (Loss) before taxation	7,142	(3,315)
Adjustments for:		
Depreciation of Property, Plant and Equipment ("PPE")	1,692	1,873
Gain on disposal of PPE	(11,606)	(181)
PPE written off	1,540	-
Impairment on receivables	-	32
Interest expenses	772	879
Other income	(992)	(853)
Operating profit/(loss) before working capital changes	(1,452)	(1,565)
Changes in working capital:		
Inventories	497	(1,972)
Trade & Other Receivables	(2,786)	(3,104)
Trade & Other Payables	620	2,859
Cash generated from operations	(3,121)	(3,782)
Interest paid	(772)	(879)
Bad debts recovered	11	101
Tax paid	(81)	-
Proceed from tax refund	146	-
Proceed from non-operations	10	83
Proceed from insurance claims	971	669
Net cash generated from/(used in) operating activities	(2,836)	(3,808)
Cash flows from investing activities		
Purchase of PPE	(858)	(1,110)
Real property gain tax paid	(1,455)	(13)
Net proceed from disposal of PPE	16,920	195
Net cash used in investing activities	14,607	(928)
Cash flows from financing activities		
Repayment of term loans	(4,850)	(1,165)
Net addition/(repayment) of bills payable	(2,500)	1,167
Repayment of lease liabilities	(174)	(410)
Proceed from sale of treasury shares	-	1,110
Net cash generated from financing activities	(7,524)	702
Net changes in cash and cash equivalents	4,247	(4,034)
Cash and cash equivalent at beginning of period	(3,531)	1,209
Cash and cash equivalent at end of period	716	(2,825)
Cash and cash equivalents comprise the following:		
Cash and bank balances	6,235	1,322
Bank overdraft	(5,519)	(4,147)
Net cash/(debts) at end of the period	716	(2,825)

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Selected Explanatory Notes:

- **Part A – Explanatory Notes Pursuant to MFRS 134 (Interim Financial Reporting)**
- **Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirement of Bursa Malaysia Securities Berhad**

Part A - Explanatory Notes Pursuant to MFRS134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting”, paragraph 9.22 and Part A of Appendix 9B of the Main Market Listing Requirements (“Main LR”) Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the Group’s audited Financial Statements for the financial year ended 31 December 2022. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31st December 2022.

A2. Accounting policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31st December 2022.

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 are 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; and
- Amendment to MFRS 112, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

MFRSs, Interpretations and amendments are 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

A3. Qualification of Annual Financial Statements

The auditors' annual financial statement of the Group for the financial year ended 31 December 2022 was not subject to any qualification.

A4. Seasonal or cyclical factors

The Group's business operation results were not materially affected by any seasonal or cyclical factors during the current quarter under review.

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

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

A6. Material changes in estimates

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

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

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

A8. Dividends paid

There was no dividend paid by the Company during the period from 1 January 2023 to 30 September 2023 (1 January 2022 to 31 December 2022: Nil).

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A9. Segment Information

Segmental information in respect of the Group's business segments for the 3rd quarter ended 30th September 2023 is as follows

	Investment and Others		Automotive		Commercial		Recycling		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM, '000	RM'000	RM'000
Revenue from external customers	-	-	35,265	38,305	8,825	7,774	18,161	-	-	-	62,251	46,079
Inter-segment revenue	-	-	-	-	3,983	4,561	-	-	(3,983)	(4,561)	-	-
Total Revenue	-	-	35,265	38,305	12,808	12,335	18,161	-	(3,983)	(4,561)	62,251	46,079
Profit / (Loss) before taxation	(819)	(507)	9,788	(1,788)	(2,275)	(771)	207	(449)	241	200	7,142	(3,315)
Less: Taxation	-	-	-	-	-	-	-	-	-	-	(31)	(47)
Consolidated Profit / (Loss) after taxation											7,111	(3,362)

A10. Property, plant & equipment

The property, plant and equipment ("PPE") of the Group have been stated at cost less accumulated depreciation and accumulated impairment losses.

- i. The Group does not revalue the property, plant and equipment for the current quarter under review.
- ii. There was no impairment of property, plant and equipment assets in the quarter under review.

A11. Subsequent material events

There are no other subsequent material events as of the date of this announcement.

A12. Changes in the composition of the Group

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

A13. Changes in contingent assets or contingent liabilities

There were no material changes to the contingent assets or contingent liabilities disclosed since the last annual financial report for the financial year ended 31st December 2022 up to the date of the issue of this quarterly report.

A14 Capital commitments

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

	RM'000
Approved and contracted for Property, plant and equipment	RM1,131

A15 Significant Related Party Transactions

Save for the Recurrent Related Party Transactions (“RRPTs”) with parties outside the Group as mandated by the shareholders as in the circular issued on 20 December 2022 and 28 April 2023, where shareholders' approval has been obtained at respective General Meetings,

- (i) there were no Related Party Transactions (“RPT”) outside the Group in the current quarter under review and the prior twelve (12) months from 1 July 2022 to 30 June 2023.
- (ii) The RRPTs transacted value does not exceed the estimated value of RRPTs as disclosed in the circulars up to the date of this quarterly report.

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

B1. Review of performance

Group Performance

Description	(Unaudited) 9 months Current Period to date 30/9/2023 RM'000	(Unaudited) 9 months Preceding Period To date 30/9/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	62,251	46,079	16,172	35.10%
Profit / (Loss) before taxation	7,142	(3,315)		

The Group registered a revenue of RM62.25 million for the current reporting period as compared to RM46.08 million in the previous corresponding period.

The revenue for the automotive segment has a decrease of 7.93% compared to the previous corresponding period whereas the revenue for the commercial segment has increased by 13.52%. Overall, the revenue for the group has increased by RM16.17 million and was mainly attributable to the commencement of new business, recycling in the current reporting period that generated revenue of RM18.16 million.

The Group recorded a profit before taxation of RM7.14 million for the current reporting period compared to a loss before taxation of RM3.32 million in the previous corresponding period. The 9 months performance was mainly due to the following:

- i. The recycling business has begun operation and has been generating profit for the Group compared to losses in the previous corresponding period;
- ii. The Group received insurance compensation of RM0.97 million in the current reporting period.
- iii. The Group recognized a gain on disposal of PPE in the current reporting period of RM11.61 million; and
- iv. The performance was offset with a write-off of PPE of RM1.54 million in the current reporting period.

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B2. Comparison with the preceding quarter's result

Group Performance

Description	3 months Current Quarter 30/9/2023 RM'000	3 months Immediate Preceding Quarter 30/6/2023 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	25,232	20,104	5,128	25.51%
Profit / (Loss) before taxation	8,955	200		

The Group recorded revenue of RM25.23 million in the current quarter compared with the immediate previous quarter of RM20.10 million, an increase of RM5.13 million. The Group registered a profit before taxation of RM8.95 million in the current period as compared with an immediate preceding period profit of RM200,000.

The performance was mainly due:

- i. The recycling business has been generating a profit and is able to cover its operating expenses;
- ii. The Group recognized a gain on disposal of PPE in the current reporting period of RM11.58 million; and
- iii. The performance was off-set with a write-off of PPE of RM1.54 million in the current reporting period.

B3. Current Year Prospects

The Group continue to monitor the inflation and its impact that might have on the performance of the Group. Bearing unforeseen headwinds, the Group anticipates the performance of automotive and commercial divisions will move uptrend at a slow and steady pace.

The new business, recycling commenced business in the first quarter of 2023 and the Group anticipate the new business is able to contribute positively to the performance of the Group for the current reporting financial year.

B4. Explanatory notes on variances with profit forecasts or profit guarantee

Not applicable as the Group did not make any profit forecast for the current financial period in any public document.

B5. Taxation

There is taxation provided in the current quarter and the cumulative 9 months as of 30 September 2023.

	3 months Quarter ended		9 months Cumulative to date	
	30 Sept 2023	30 Sept 2022	30 Sept 2023	30 Sept 2022
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
	-	-	-	-
Taxation	(23)	-	(23)	-
Deferred Taxation	(8)	-	(8)	(47)
Total	(31)	-	(31)	(47)

B6. Status of Corporate proposals

There are no corporate proposals announced but not completed as to the date of this announcement.

B7. Long-Term Incentive Scheme (“LTIS”)

The Group has implemented the LTIS of up to fifteen per cent (15%) of the issued and paid-up share capital to eligible employees, executive directors and non-executive directors as to the Circular issued on 20 December 2022.

At the Extraordinary General Meeting held on 6 January 2023, shareholders approved the Proposed LTIS resolution. The effective date for the implementation of the LTIS is 20 April 2023 and was announced on the event date.

As of the effective date of 20 April 2023 to the current reporting date, there were no share options and share grant allocation and/or exercise by the employees, executive directors and non-executive directors.

B8. Utilization proceeds from corporate proposal

On the circular issued on 10 March 2023 in relation to the disposal of a parcel of leasehold industrial land where erected upon is a single-storey detached factory with 3 storey office annexed for RM17,500,000 where the shareholders' approval has been obtained at the Extraordinary General Meeting on 27 March 2023; and the disposal completed as of 11 August 2023.

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The Company has fully utilized the proceeds received with a summary as follows:

	Proposed Utilization as in Circular RM'000	Actual Utilization RM'000	Deviation RM'000	Explanations
Repayment of bank borrowing	RM6,397	RM7,933	(RM1,536)	<i>Higher redemption due to usage of trade credit facilities compared to LPD</i>
Payment of RPGT to DGIR	RM1,155	RM1,455	(RM300)	<i>Higher RPGT due to non-deductible expenses.</i>
General working capital	RM9,225	RM7,477	RM1,748	<i>The deviation was due to the utilisation of proceeds for the additional bank redemption and RPGT payment.</i>
Expenses in relation to the proposed disposal	RM723	RM635	RM88	<i>Mainly due to lower incidental expenses incurred than the estimated.</i>
Total	RM17,500	RM17,500		

Under Chapter 9, Appendix 9B, Part A, Section 9 (b)

B9. Profit / (Loss) before taxation

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

Description	Current Period Quarter (3 months) 30 Sept 2023 RM'000	Cumulative Period To- Date (9 months) 30 Sept 2023 RM'000
Other Incomes	11,587	12,598
- Insurance claims	-	971
- Non-operation income	-	10
- Bad debts recovered	-	11
- Gain on disposal of PPE	11,579	11,606
Interest expenses	(196)	(772)
Depreciation and amortization of PPE	(557)	(1,692)
Write-off of PPE	(1,540)	(1,540)

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B9. Details of treasury shares

There is no treasury share held by the Company as of 30 September 2023.

B10. Group borrowings

The total group borrowings are as follows:

		As at 30 September 2023 RM'000	(Audited) As at 31 December 2022 RM'000
<u>Short Term (Current)</u>			
Secured:	Bills payables	1,488	3,986
	Bank Overdraft	5,519	4,587
	Term loans	202	428
Sub-Total		7,209	9,001
<u>Long-term (Non-Current)</u>			
Secured:	Term loans	5,056	9,678
Total		12,265	18,679

B 11. Derivatives

There were no derivatives entered by the Group as of 30 September 2023.

B12. Changes in material litigation

There was no material litigation for the current quarter under review as of 27 November 2023

B13. Dividends payable

The Board does not recommend any dividend in the current quarter under review (31st December 2022: Nil).

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B14. Loss per share

The basic earning/loss per share ("EPS") is derived by dividing the profit/ (loss) after taxation and loss attributable to the owner of the Company by the weighted average number of 83,829,652 ordinary shares of the Company in issue during the financial period under review.

	Individual Quarter (3 months)		Cumulative Period (9 months)	
	Current Period Quarter 30 Sept 2023 RM'000	Preceding Period Quarter 30 Sept 2022 RM'000	Current Year To-Date 30 Sept 2023 RM'000	Preceding Year-To- Date 30 Sept 2022 RM'000
i)Earnings				
Profit / (Loss) attributable to the owner of the company (RM'000)	8,924	(125)	7,111	(3,361)
ii) the Weighted average number of ordinary shares				
The weighted average number of shares in issue (‘000)	83,829	83,829	83,829	83,829
Basic earnings/loss per share (sen)	10.65	(0.15)	8.48	(4.01)

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

B15. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 November 2023.