PARAGON UNION BERHAD

Company No. 199401000779 (286457-V)

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ENHANCING
OUR POTENTIAL

ANNUAL REPORT 2023

PARAGON UNION BERHAD
Company No. 199401000779 (286457-V)

Inside this Report

30th Annual General Meeting

https://paragon-agm.digerati.com.my

Wednesday, 26 June 2024

10.30 a.m.

The digital version of Paragon Union Berhad Annual Report 2023 is available at our website.

Go to
www.paragon.com.my
or scan the QR code with your smartphone.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth ("30th") 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 at https://paragon-agm.digerati.com.my (Domain registration number D1A119533) provided by Digerati Technologies Sdn Bhd in Malaysia on Wednesday, 26 June 2024 at 10:30 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 2023 together with the Reports of the Directors and Auditors thereon.	***Please refer to Explanatory Note 1***
2.	To approve the payment of Directors' fees and other benefits payable of up to RM230,000.00 for the financial year ending 31 December 2024.	***Ordinary Resolution 1 (Please refer to Explanatory Note 2)***
3.	To re-elect Mr. Wong Ee-Coln, 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 (Please refer to Explanatory Note 3)***
4.	To re-elect Madam Tong Siut Moi, who retires by rotation in accordance with Clause 97.1 of the Company's Constitution and who being eligible, has offered herself for re-election.	***Ordinary Resolution 3 (Please refer to Explanatory Note 3)***
5.	To re-elect Ms. Teo Siang Ly, 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 4 (Please refer to Explanatory Note 3)***
6.	To re-appoint Messrs. Kreston John & Gan as auditors of the Company and to authorise the Directors to fix their remuneration.	***Ordinary Resolution 5 (Please refer to Explanatory Note 4)***

AS SPECIAL BUSINESS:

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

7. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 — ***Ordinary Resolution 6 (Please refer to Explanatory Note 5)***

"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 Annual General Meeting 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 Thirtieth Annual General Meeting

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

Ordinary Resolution 7 (Please refer to Explanatory Note 6)

"THAT, subject to the provisions of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, approval be and is hereby given to 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 30 April 2024 in relation to the Proposed Renewal of 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 Renewal of 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."

9. Proposed allocations of Share Options and/or Award of Paragon Shares to the Directors of the Company under the Long-Term Incentive Scheme ("LTIS" or "Scheme") ("Proposed Allocations")

"THAT, the Company has an existing LTIS which was effective on 20 April 2023 and shall expire on 19 April 2028, and subject to the approvals of the relevant authorities and/or parties (where required) being obtained, the approval be and is hereby given to the Board to authorise the committee which administer the Scheme in accordance to the By-Laws, to offer and grant, from time to time throughout the duration of the LTIS, such number of new ordinary shares in the Company ("Shares") in the Company which will be vested to the Directors at a future date and to allot and issue such number of options, Shares and/ or the equivalent cash value or combinations thereof comprised in the LTIS granted to the following Directors from time to time:

i. Koh Huey Min — ***Ordinary Resolution 8***
ii. Teong Siang Ly — ***Ordinary Resolution 9***

(Please refer to Explanatory Note 7)

PROVIDED ALWAYS THAT

i. he/ she must not participate in the deliberation or discussion of his/ her own allocation to be issued under the LTIS;
ii. not more than 10% of the total number of Paragon Shares to be issued under the LTIS shall be allocated to him/ her, if he/ she, either singly or collectively through persons connected to him, holds 20% or more of the total number of issued Paragon Shares (excluding treasury shares, if any);
iii. not more than 70% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group (excluding dormant subsidiaries) who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the LTIS Committee from time to time);
iv. it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time and subject always to such terms and conditions and/ or adjustments which may be made in accordance with the By-Laws; and
v. the Directors and senior management of the Group and members of the LTIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any.

Notice of Thirtieth Annual General Meeting

AND THAT subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws, the Board be and is hereby authorised to take such steps as necessary or expedient to implement, finalise or to give full effect to the Proposed Allocations above with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities and to take all such steps and do all acts and things thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the Proposed Allocations as above as well as to deal with all matters relating thereto and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.

AND THAT, in connection with the above, pursuant to Section 85 of the Act, to be read together with Article 54 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights to be offered under the LTIS and/or any new shares ranking equally to the existing issued shares of the Company"

10. 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)
Lim Wen Theng (MAICSA 7073397 / SSM PC No. 202308000441)
Company Secretaries

Kuala Lumpur
Dated this 30 April 2024

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, Aldpro Corporate Services Sdn. Bhd. 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 14 June 2024 (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.

EXPLANATORY NOTES TO ORDINARY BUSINESS:

1. Audited Financial Statements for the financial year ended 31 December 2023

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.

EXPLANATORY NOTES TO ORDINARY BUSINESS: (CONT'D)

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 2024.

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 Resolutions 2, 3 and 4: Re-election of Directors

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 (1/3) 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.

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.

The Nomination and Remuneration Committee ("NRC") have considered the performance and contribution of each of the retiring Directors and have also assessed the independence of the Independent Non-Executive Director seeking for re-election.

Based on the results of the Board Evaluation conducted for the financial year ended 31 December 2023, the performance of each of the retiring Directors was found to be satisfactory and they have effectively discharged their duties and responsibilities well.

The Board, on the recommendation of the NRC, supported the re-election of the retiring Directors.

The profile of the retiring Directors are set out in the Directors' Profile of this Annual Report.

4. Ordinary Resolution 5: 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.

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

The Ordinary Resolution 6, 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 6, 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 26 June 2023.

EXPLANATORY NOTES TO ORDINARY BUSINESS: (CONT'D)

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

   The Ordinary Resolution 7, 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 30 April 2024 in relation to Proposed Renewal of Shareholders' Mandate.

7. **Ordinary Resolutions 8 and 9 : Proposed allocations of Share Options and/or Award of Paragon Shares to the Directors of the Company under the Long-Term Incentive Scheme ("LTIS" or "Scheme") ("Proposed Allocations")**

   The LTIS which obtained via shareholders' approval at the Extraordinary General Meeting of the Company held on 6 January 2023, was implemented on 20 April 2023. Under the terms of the By-Laws governing and constituting the LTIS, Koh Huey Min and Teo Siang Ly (who were appointed as Independent Executive Director of the Company on 1 April 2023 and 30 June 2023 respectively) are eligible to participate in the LTIS. As both Koh Huey Min and Teong Siang Ly are deemed interested in the proposed issue of LTIS, they have abstained and will continue to abstain from all deliberations, discussions or voting of their own allocation as well as that of persons connected with them, if any, under the proposed grant of LTIS.

   By voting in favour of Resolutions 8 and 9, shareholders of the Company will agree to waive their pre-emptive rights under Section 85 of the of the Act and under Article 54 of the Constitution of the Company, over all options granted and/or to be offered/granted and all new shares to be issued pursuant to the LTIS.

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 30th 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 6 as stated in the Notice of AGM of the Company for the details.

ADMINISTRATIVE GUIDE

FOR 30TH ANNUAL GENERAL MEETING ("30TH AGM")

Meeting Day and Date	**:**	**Wednesday, 26 June 2024**
Time	**:**	**10:30 a.m.**
Broadcast Venue	**:**	**Board Room, Lot 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya, Batu 11, 43200 Cheras, Selangor Darul Ehsan**
Online Meeting Platform	**:**	**https://paragon-agm.digerati.com.my** **(Domain registration number D1A119533)**

1. Virtual Meeting

1.1 The 30th AGM will be conducted virtually through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities.

1.2 Kindly ensure that you are connected to the internet at all times in order to participate and/or vote at our virtual Meeting. Therefore, it is your responsibility to ensure that connectivity for the duration of the Meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants. The Company, the Board and its management, registrar and other professional advisers (if any) shall not be held responsible or be liable for any disruption in internet line resulting in the participants being unable to participate and/or vote at the Meeting.

2. Entitlement to Participate and Vote

2.1 Only depositors whose names appear on the Record of Depositors as at **14 June 2024** shall be entitled to participate and/or vote at the meeting or appoint proxy(ies) / corporate representative(s) to participate and/or vote on his/her behalf by returning the duly executed Form(s) of Proxy.

3. Appointment of Proxy

3.1 If you are unable to attend and participate at the meeting via RPV facilities, you may appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Form of Proxy in accordance with the notes and instructions printed therein.

3.2 The instrument appointing a proxy and the power of attorney or other authority i.e. the corporate representatives / authorised nominees or exempt authorised nominees who wishes to attend and participate at the meeting via RPV facilities, please ensure the duly executed original Form(s) of Proxy or the original / duly certified Certificate(s) of Appointment of its corporate / authorised representative / power of attorney / letter of authority or other documents proving authority must be deposited at the Share Registrar's office of the Company, B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur at least 48 hours before the time appointed for holding the meeting i.e. not later than **Monday, 24 June 2024 at 10:30 a.m.**

4. Submission of Questions

4.1 Members and proxies may submit their questions via the real time submission of typed texts through a text box at https://paragon-agm.digerati.com.my during the live streaming of the AGM. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/ relevant adviser during the meeting.

5. Voting Procedure

5.1 Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the Meeting will be conducted by poll.

5.2 For the purpose of the Meeting, e-Voting can be carried out using personal smart mobile phones, tablets, personal computers or laptops.

Administrative Guide
for 30th Annual General Meeting ("30th AGM")

5. Voting Procedure (cont'd)

5.3 The polling will commence from the scheduled starting time of the Meeting and close upon the Chairman announces the closing of voting period towards the end of the Meeting after the question-and-answer session.

5.4 The Independent Scrutineer will verify the poll results reports upon closing of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or not.

6. Remote Participation and Voting ("RPV")

6.1 Please note that all shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees, and proxies shall use the RPV facilities to participate and/or vote remotely at the meeting [(ii) to (iv) through their authorised representatives].

6.2 If you wish to participate in the Meeting, you will be able to view a live webcast of the Meeting, pose questions and/or submit your votes in real time whilst the Meeting is in progress.

6.3 Kindly follow the procedures to register for RPV.

REMOTE PARTICIPATION AND VOTING ("RPV") FACILITIES

Members/proxies/corporate representatives/attorneys who wish to participate the AGM remotely using RPV must follow the following procedures:-

Step	Action	Procedure
A	To register as a user at website: https://paragon-agm.digerati.com.my	• Click 'Register' to sign up as new user. • Upload your identity documents. • Complete & submit your registration. • Verify your email at your mailbox to complete the registration. • You will be notified upon successful or rejected registration. • You may pose your question, if any, to the Chairman/Board using the website. • Within three (3) days before the AGM, you will be notified with login credentials to join the meeting upon approval. • Please check your spam mailbox if you do not receive emails from us. • Registered user and proxy may skip this step. • Identity documents will be deleted after registration.
B	To appoint proxy or corporate representative at website (optional)	• Login your registered account at website. • Select "PARAGON 30TH AGM". • Fill up the information to appoint proxy(s). • Closing time for appointment is 48 hours prior to the meeting. No request will be entertained after closing time. • Within 3 days before the AGM, you and your proxy(s) will be notified upon approval or rejection of RPV.
C	On the day of AGM	• Access the meeting through the link on the website or received in the email. • If you have any questions for the Chairman/Board, utilize the Q&A section to submit your questions. • Submit your vote within a specified period once the Chairman announces that the voting is open. • Voting will close upon the expiry of the voting period. • The broadcast will terminate upon the Chairman's announcement of the poll results.

Administrative Guide
for 30th Annual General Meeting ("30th AGM")

Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Mondays to Fridays from 8.30a.m. to 5.30p.m. (except public holiday): -

The Share Registrar

Aldpro Corporate Services Sdn. Bhd.

Address	:	B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan
Email Address	:	admin@aldpro.com.my
Contact Persons	:	Ms. Wong Fui Sin / Ms. Christine Cheng
Telephone No.	:	+603 9770 2200

OR

RPV Technical Support

If you have any enquiry in relation to registration, logging in and system related, please contact the Technical Support:

Technical Support	:	Digerati Technologies Sdn. Bhd.
Tel No.	:	+6011-6338 8316
Email	:	support@digerati.com.my

CORPORATE INFORMATION

BOARD OF DIRECTORS

Koon Hoi Chun
Executive Chairman

Wong Ee-Coln
Managing Director

Tan Vei Teck
Executive Director
(Redesignated w.e.f 1 April 2023)

Koh Huey Min
Independent Non-Executive Director
(Appointed w.e.f 1 April 2023)

Tong Siut Moi
Independent Non-Executive Director

Teo Siang Ly
Independent Non-Executive Director
(Appointed w.e.f 30 June 2023)

AUDIT COMMITTEE

Chairperson
Koh Huey Min

Member
Tong Siut Moi
Teo Siang Ly

NOMINATION AND REMUNERATION COMMITTEE

Chairperson
Tong Siut Moi

Member
Koh Huey Min
Teo Siang Ly

RISK MANAGEMENT COMMITTEE

Chairperson
Koh Huey Min

Member
Tong Siut Moi
Teo Siang Ly

SHARE COMMITTEE

Chairman
Wong Ee-Coln

Member
Tan Vei Teck
Tan Teck Khong

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482)
SSM Practicing Certificate
No. 202208000250

Lim Wen Theng
(MAICSA 7073397)
SSM Practicing Certificate
No. 202308000441

REGISTERED OFFICE

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
: 03- 9770 2200
: 03- 2201 7774
: boardroom@boardroom.com.my

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPLE BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Bhd

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
: 03- 9770 2200
: 03- 2201 7774
: admin@aldpro.com.my

AUDITORS

KRESTON JOHN & GAN (AF 0113)
Unit B-10-8, Megan Avenue II,
Jalan Yap Kwan Seng
50450 Kuala Lumpur.
: 03 - 2381 2828
: assurance@kreston.com.my

SOLICITORS

Halim Hong & Quek
Wilson Wong, Phan & Co.
Majid & Chen

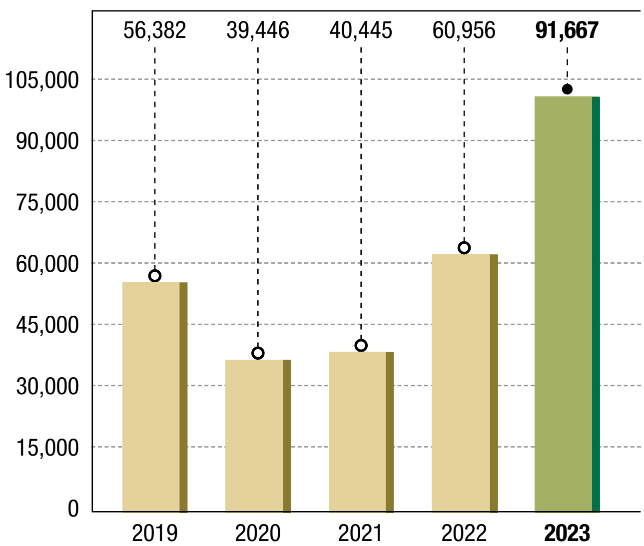
STOCK EXCHANGE LISTING

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

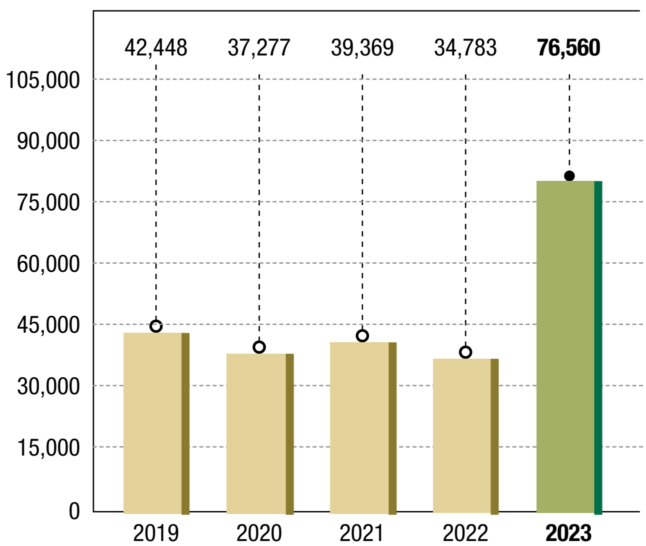
FINANCIAL HIGHLIGHTS

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
PERFORMANCE INTEREST					
Revenue	56,382	39,446	40,445	60,956	91,667
Gross profit	6,844	4,090	781	6,372	8,982
Profit /(loss) before taxation	1,811	(6,516)	(15,589)	(5,643)	9,253
Profit /(loss) after taxation	2,809	(5,691)	(15,401)	(5,699)	9,149
Total comprehensive income/(loss)	2,809	(5,691)	(15,401)	(5,689)	41,777
ASSETS EMPLOYED					
Non-current assets	37,327	38,061	38,050	33,141	74,379
Current assets	34,075	32,245	29,721	32,966	33,455
TOTAL ASSETS	71,402	70,306	67,771	66,107	107,834
FINANCED BY					
Share capital	70,000	69,147	84,471	84,902	84,902
Treasury shares	(4,221)	(3,042)	(678)	-	
Reserves	(4,618)	(4,424)	(4,618)	(4,618)	28,010
Accumulated losses	(18,680)	(24,416)	(39,816)	(45,501)	(36,352)
	42,481	**37,265**	**39,359**	**34,783**	**76,560**
Non-controlling interests	(33)	12	10	6	-
TOTAL EQUITY	42,448	37,277	39,369	34,789	76,560
Non-current liabilities	13,017	12,840	11,798	9,892	16,895
Current liabilities	16,937	20,189	16,604	21,426	14,379
TOTAL EQUITY AND LIABILITIES	72,402	70,306	67,771	66,107	107,834
SHAREHOLDER'S INTERESTS					
Gearing ratio	65.21%	57.83%	34.32%	51.95%	8.64%
Earnings/(loss) per share	4.35	(8.78)	(21.53)	(6.78)	10.91
Net tangible assets per share	65.61	56.33	47.43	41.44	91.33

REVENUE (RM'000)



TOTAL EQUITY (RM'000)



CORPORATE STRUCTURE

PARAGON UNION BERHAD
Registration No. 19940100779 (286457-7)

100%
PARAGON CAR CARPETS & COMPONENTS SDN BHD
198301013594
(108988-M)

- Manufacturing and trading in car carpets and automotive components

100%
PARAGON CARPETMAKER SDN BHD
199201014510
(246013-P)

- Manufacturing and trading in car carpets and commercial carpets

100%
PARAGON CARPET DISTRIBUTOR SDN BHD
198701004154
(162824-P)

- Distribution and trading in commercial carpets

100%
PARAGON EXPRESSION SDN BHD
199701021806
(437303-P)

- Inactive

100%
PARAGON PROPERTY DEVELOPMENT SDN BHD
200001000406
(503011-P)

- Inactive

100%
PARAGON METAL SDN BHD
202101017573
(1417873-H)

- Recycling business

100%
PARAGON CARPET ART SDN BHD
202301024534
(1518457-M)

- Manufacturing of hand tufted carpet

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.

BOARD OF DIRECTORS

MR TAN VEI TECK	**MADAM TEO SIANG LY**	**MADAM TONG SIUT MOI**	**MR KOON HOI CHUN**	**MADAM KOH HUEY MIN**	**MR WONG EE-COLN**
Executive Director	*Independent Non-Executive Director*	*Independent Non-Executive Director*	*Executive Chairman*	*Independent Non-Executive Director*	*Managing Director*

DIRECTORS' PROFILE

MR KOON HOI CHUN

Executive Chairman

Malaysian 45 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 1 January 2020, he ventured into the processing of industrial waste and metal scraps into ingots, through Technovate Holdings Sdn Bhd.

Mr. Koon holds direct 1,938,900 ordinary shares and total deemed interest of 39,979,794 ordinary shares via AKK Capital Sdn Bhd in the Company.

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

He has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.

MR WONG EE-COLN

Managing Director

Chairman of Share Scheme Committee

Malaysian 45 Male

Mr. Wong Ee-Coln ("Mr Wong") 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 of working experience in property development, investment, business development and senior management across Malaysia and other international markets such as China and the Philippines. He obtained his Chartered Financial Analyst (CFA) in 2011. Prior to his tenure at Paragon, he served as General Manager at Berjaya Land Bhd from 2013 to 2017, followed by promotion to Executive Director at Berjaya Group Bhd from 2018 to 2021. He was also appointed as the President of Berjaya Philippines Inc. from 2016 to 2021.

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

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

He has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.

Directors' Profile

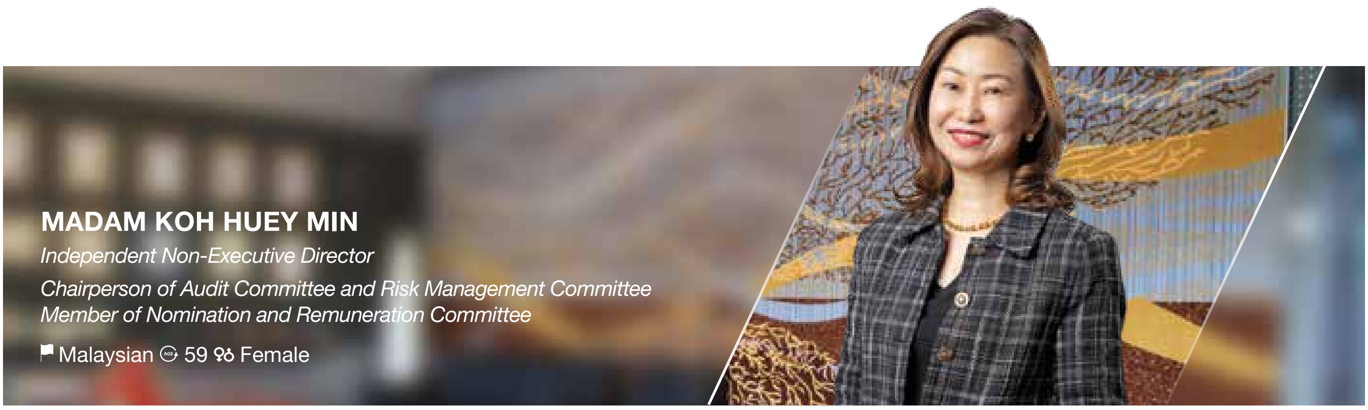
Mr Tan Vei Teck ("Mr Tan") was appointed as Independent Non-Executive Director of Paragon on 30 June 2021 and redesignated as Executive Director on 1 April 2023.

Prior to PUB, he was a Chief Executive Officer at Regina Group. He had more than 16 years of experience in property industry. In Regina Group, he manages and oversees the management team, operations and asset management for all properties throughout Malaysia including malls, entertainment, plantations and other businesses.

Mr Tan does not hold any shares in the Company.

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

He has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.



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 of Frontken Corporation Berhad, Scientex Packaging (Ayer Keroh) Berhad and Tropicana Corporation Berhad.

Madam Koh does not hold any shares in the Company.

She has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.

Directors' Profile

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

Madam Tong Siut Moi ("Madam 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.

Madam Tong obtained her proressional secretarial degree from the Institute of Chartered Secretaries and Administrators (United Kingdom). She has subsequently become a qualified Chartered Secretary since 1998.

Madam Tong is now a Fellow of the Malaysian Association of institute of Chartered Secretaries and Administrators (MAICSA).

Madam 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.

Madam Tong is also an Independent Non-Executive Director of Kinergy Advancement Berhad and Niche Capital Emas Holdings Berhad.

Madam Tong does not hold any shares in the Company.

She has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.

MADAM TEO SIANG LY

Independent Non-Executive Director

Member of Audit Committee
Member of Risk Management Committee
Member of Nomination and Remuneration Committee

Malaysian 36 Female

Madam Teo Siang Ly ("Madam Teo") was appointed to the Board on 30 June 2023 as an Independent Non-Executive Director. She is also appointed as the member of the Audit Committee, Nomination and Remuneration Committee and Risk Management Committee.

She has significant experience in advising financial institutions and corporate borrowers on a broad range of corporate loan financing matters including legal issues in relation to loan documentation, security documents, compliance matters, requirements and procedures, for both local and offshore transactions, bilateral and syndicated financing.

In addition to her extensive background in corporate banking, she provides advice on general corporate and commercial transactions, guiding clients from initial negotiation up to completion of the transaction. Her expertise spans various areas, including joint venture arrangements, share disposals and acquisitions, shareholder agreements, and other commercial contracts.

She is recognised as a banking and finance specialist by the Legal 500 with a fine record in syndicated loans, real estate financings and other transaction.

Madam Teo does not hold any shares in the Company.

She does not hold any directorship in any public companies and listed companies.

She has no family relationship with any directors and/or major shareholder of Paragon, no conflict of interests or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries, 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 ended 31 December 2023.

SENIOR MANAGEMENTS' PROFILE

ENCIK SHAHRUL HISHAM BIN MUSA

Malaysian 50 Male

Senior General Manager, Business and Operations
Management Representative IATF 16949
Management Representative SHE

Encik Shahrul Hisham was appointed as a Group Senior General Manager at Paragon Union Berhad in 2016 . He holds a Degree in Economics (Hons) from the National University of Malaysia. Currently, he oversees both the business and operations of the Group. With nearly 22 years of experience working with two automotive manufacturing companies, En Shahrul possesses adequate experience and exposure in managing the business standards and operations 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 directors and/or substantial shareholders of Paragon nor any conflict of interest situation or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries. 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 ended 31 December 2023.

DR TAN TECK KHONG, FCMA, CGMA

Malaysian 53 Male

Senior General Manager, Finance
Member of Share Scheme Committee

Dr Tan Teck Khong 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 responsible for overseeing the finance and accounts department, as well as the information and technology and human resources and administration departments 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 is a fellow member of the Institute of Corporate Directors Malaysia (ICDM).

He began his career as an audit trainee in an audit firm in 1993. The following year, in 1994, he worked for a multinational manufacturer specializing in formaldehyde-based resin, where he served as an accounts executive. In 1996, he joined a local plastic manufacturing company, taking on the role of assistant accountant. His career path led him to an Independent Power Producer in 1997, where he worked 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. In his capacity as director of finance, he assumed responsibility for administration of finance, accounts, treasury, corporate matters, human resource and admin, as well as the 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 or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries. 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 ended 31 December 2023.

Senior Managements' Profile

PUAN HALEZA BINTI HUSSIN

Malaysian 54 Female

Senior Head of Costing

Puan Haleza Binti Hussin 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 or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries. 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 ended 31 December 2023.

MADAM JESSIE TANG WAI CHEN

Malaysian 44 Female

Senior Sales & Marketing Manager (Commercial Division)

Madam Jessie Tang Wai Chen started her career at Paragon Union Berhad in 2006 as an Accounts Executive in the Finance Department. She provided support for product costing and conducted data analysis to assess the manufacturing performance within 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 coupled with a proven track record of success, she was entrusted with overseeing operational aspects within the commercial carpet sector. In 2022, she further advanced in her career, being promoted to Senior Sales and Marketing Manager within the commercial division.

She does not hold any directorship in other public companies or public listed companies.

She has no family relationship with any directors and/or substantial shareholders of Paragon nor any conflict of interest or potential conflict of interest, including any interest in any competing business with Paragon or its subsidiaries. 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 ended 31 December 2023.

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 2023 ("FY2023").

GROUP BUSINESSES AND OPERATION REVIEW

Our core businesses have been in the manufacturing of automotive components, manufacturing and distribution of commercial carpets and recycling which can be segregated into three (3) active business divisions as follows:

1. Automotive Division - Manufacturing of automotive carpets and Noise, Vibration and Harshness ("NVH") components;
2. Commercial Division - Manufacturing and distribution of commercial carpets; and
3. Recycling Division - Trading of recycled metal and related materials which consist of aluminium ingot, carbon block and/or powder, brass and others.

Although the Group's operations have recovered to the pre-pandemic level, FY2023 has been challenging for the automotive division which was affected by the fluctuating commodity prices which impacted the prices of raw materials used for production. Furthermore, throughout the year FY2023, the Group was further burdened with a depreciating currency that has significantly impacted the performance and to a great extent towards the profit margin of the automotive division. Going forward, the automotive division will continue to strive to increase its revenue with a greater product and customer base as the manufacturer of OEM automotive carpets and NVH components.

On the commercial carpet division, the Group continue to penetrate the domestic and overseas markets with current and new products range. The commercial division was also affected by the fluctuating commodity prices which have impacted the prices of raw materials and also burdened by the depreciating currency. The Group will continue to introduce new products range and designs to meet environmental friendly standards and/or include having sustainable carpets and committed to prioritising in use of environmental friendly compliance materials in producing eco-friendly carpets. The Group has been seeking opportunities to expand the commercial division business. On 7 December 2023, the Group entered into an agreement to acquire the business and operation of Carpet Art Manufacturing Sdn Bhd which specialises in hand-tufted carpets. This acquisition will complement our product range and shall be able to contribute positively to the Group's performance.

On the recycling division, the Group obtained shareholders' approval on 6 January 2023 at the Company's Extraordinary General Meeting to diversify the existing core business to include the recycling business. The recycling division commenced business in the first quarter of 2023 and the operations on itself is already sustainable. The division has been supplying the recycled products to the domestic and overseas markets and will strive to increase the revenue of this business division. Going forward, the Group intend to expand the business of the recycling division through acquisitions and partnerships.

The Group will remain focused on the three business divisions that include manufacturing of automotive carpets & NVH components, manufacturing and distribution of commercial carpets, and trading of recycled metal and related materials.

Chairman's Statement And Management Discussion And Analysis

FINANCIAL PERFORMANCE REVIEW

In FY2023, the Group registered an increase in revenue of 50.38% to RM91.67 million from RM60.96 million in the Financial Year Ended 31 December 2022 ("FY2022"). The increase in revenue was mainly driven by the newly diversified recycling business with a contribution in revenue of RM32.5 million.

The Group recognised an exceptional profit with a total comprehensive income of RM41.68 million in FY2023 compared to a comprehensive loss of RM5.69 million in FY2022. The exceptional comprehensive income in FY2023 was due to the recognition of gain on the disposal of property and surplus derived from the revaluation of land and buildings. The earnings per share for FY2023 has improved to 49.85 sen compared to the loss per share of 6.78 sen in FY2022.

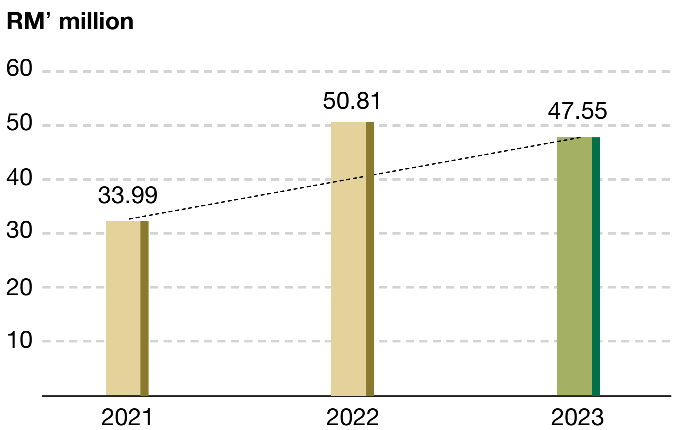
The FY2023 total assets stood at RM108.34 million compared to RM66.11 million in FY2022. The shareholders' funds attributable to shareholders stood at RM76.56 million from RM34.78 million in the previous financial year.

REVIEW OF OPERATIONS

Automotive Division

In FY2023, the automotive division had a marginal decrease in revenue of 6.42% to RM47.55 million in FY2023 compared to the prior year's revenue of RM50.81 million in FY2022. Generally, FY2022 achieved higher revenue due to fulfilment of backlog sales resulted from the lifting of Movement Control Order ("MCO") in FY2022 from our automotive clients.

Revenue - Automotive Division



The automotive division is in a position to maintain existing automotive clientele and has been supplying automotive carpets and components to OEM car manufacturers that comprises Perodua, Proton, KIA, Nissan, BMW, Mitsubishi, Peugeot, and Isuzu. In FY2023, the division secured numerous new contracts for the new model launches from existing automotive clientele.

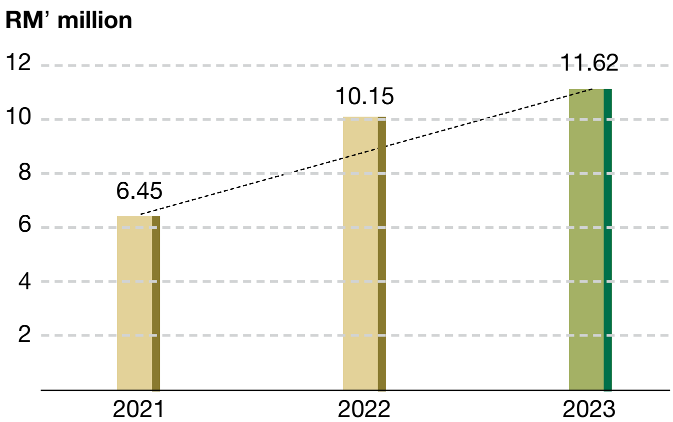
On capital expenditure, the company have invested more than RM2 million in new equipment and machinery in FY2023 and will continue to invest in new equipment, machinery and automation to enhance and improve our production capacity and efficiency.

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 markets.

Commercial Carpets Division

The commercial carpets division has achieved a higher revenue of RM11.62 million in FY2023 compared to the prior year's revenue of RM10.12 million in FY 2022. The Group foresee the commercial division to be able to generate a new source of revenue from the newly acquired hand-tufted carpets business and contribute positively to the performance of the commercial division upon completion of the acquisition.

Revenue - Commercial Division



Moving forward, the division will continue tendering for new projects and expand its range of products and network of customers.

Recycling Division

FY2023 was the first year of revenue generation from the recycling business which achieved a revenue of RM32.50 million. The new business has been generating marginal profits which has contributed to the Group's performance. The Group foresee good potential for this division and will strive to expand the supply of our products to the domestic and overseas markets.

Chairman's Statement And Management Discussion And Analysis

PROSPECT AND OUTLOOK

We enter into the new financial year optimistically cautious and will explore more growth and opportunities for the Group's three (3) core business divisions.

1. 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 7.5% in 2024 after surpassing the 799,731 units in 2023. According to the MAA publication, the annual TIV is expected to decline to 740,000 units in 2024 for passenger and commercial vehicles, mainly due to a reduction of consumer spending among others including the high cost of living and higher service tax for services that include motor vehicle repair and maintenance.

   The Group foresee a reduction in volume would have minimum impact on our automotive division performance as the Company has been progressively securing new contracts for new models and new clients to cushion this impact. Furthermore, the Group has invested in new equipment and machinery to enhance and improve our production efficiency.

2. In the commercial carpets division, the prospect will depend on the Malaysian economy in FY2024, the degree of market competition among the industry players and the ability to secure new projects. Nevertheless, the performance of the commercial carpets division will also depend on the authorised dealers' achievement and performance throughout the year. The Group foresee 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 division has generated revenue of RM32.50 million in FY2023. The Group foresee the recycling business to remains positive as the global market is focusing on sustainable materials. Malaysia's scrap metal recycling market is projected to grow at a CAGR of 5.6% during the 2022-2028 period based on the research published by 6Wresearch. Whereas, the global metal recycling market anticipates a CAGR of 6.01%, based on publication by Dun & Bradstreet.

Moving forward, the Group will expand the recycling division beyond trading and explore further opportunities downstream for the recycling division.

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 31 December 2023.

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 would 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

CORPORATE SUSTAINABILITY STATEMENT

1. ABOUT THIS REPORT

The Board of Directors ("Board") of Paragon Union Berhad and its subsidiaries ("Group and/or Paragon") recognise the importance of developing its business sustainably and responsibly. In preparing the Sustainability Statement, the Board adopted the Bursa Malaysia Sustainability Guideline, with disclosure based on the enhanced sustainability reporting framework and related disclosures in this reporting.

The Group has been embedding more responsibility toward economic, environmental, social and good governance but also in a strategic imperative. The Board and its committee understand that our actions today will have a long-lasting impact on the environment, community, businesses and also on the future generations to come.

This Sustainability Statement is in line with our Group's activities which consist of the manufacturing of carpets for commercial use, the manufacturing of car carpets and other NVH components for the automotive industry and also the trading of recycled metal and other related materials for the recycling business.

For a comprehensive overview of the Group's performance for the FY2023, this sustainability statement covers the sustainability performance during the period of 1 January 2023 to 31 December 2023 and should be read in conjunction with other statements in the Annual Report 2023.

2. REPORTING THE SCOPE AND OBJECTIVE

This Sustainability Statement ("Statement") underlines the Group's commitment towards ensuring that its manufacturing, distribution and recycling businesses are being conducted sustainably and responsibly and will focus on the economic, environmental, and social sustainability and governance; and efficiently managing and utilising the resources for good practice and corporate governance.

The implementation of Group sustainability has been integrated into the Paragon Group's businesses, its divisions and to a certain extent our business stakeholders when sourcing raw materials and services which are deemed necessary and appropriate.

3. SUSTAINABILITY GOVERNANCE STRUCTURE

The sustainability governance structure serves as the comprehensive supporting pillar to implement sustainability strategies and initiatives. The objective 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 sustainability 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 executives from various departments.

Board of Directors and Committee

Responsible for the Group's sustainability and business strategies and framework.

Managing Director and Key Management

- Support the board's strategies and policies.
- Oversee the implementation of sustainable strategies and policies.

Department Executives

- Consists of key executives from various departments.
- Responsible for and reporting the implementation of sustainable strategies and policies of the Group.

3. SUSTAINABILITY GOVERNANCE STRUCTURE (CONT'D)

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

4. STAKEHOLDER ENGAGEMENT

The Group believes that stakeholder engagement is important to the sustainability strategy and recognises that the business operations will influence a range of stakeholders, including the Board of Directors, employees, customers, suppliers, shareholders, investors and shareholders, regulatory authorities and the communities. Therefore, the Group initiate and prioritise stakeholder engagement with the main purpose of having meaningful dialogue, collaboration and better understanding, so that the Group can meet the expectations of the stakeholders.

The stakeholder engagement process has been designed to be inclusive, transparent and responsive. It has been engaged with our stakeholders regularly through a variety of modes, including interviews, focused groups, town hall meetings and online platforms. Through these interactions, the Group seek to understand the perspectives, concerns and aspirations of our stakeholders, and to use this feedback to guide our decision-making process and drive the sustainability initiatives.

Stakeholders	Issues of interest	Engagement channels
Board of Director	• Actively engage with the Board of Directors in driving effective decision-making processes • To engage with the Board of Directors to review audit matters, and corporate governance practices, and ensure compliance with regulations and ethical standards.	• Board meeting; • Company events • Communication through email and company website publishing;
Employees	• Compliance with Occupational Safety and Health in the workplace. • To have a work-life balance. • To have competitive remuneration and benefits. • Provide upskill training/courses. • Provide equal employment opportunity.	• Face-to-face meeting; • Teambuilding activities; • Staff training; • Yearly staff appraisal; • Internal communication through email, mobile phone and memos on notice board.
Customers	• To have a strong customer relationship. • To adhere to timely delivery; • To ensure product quality and services; • Prioritise using eco-friendly materials. • Data privacy.	• Customer/vendor meeting. • Mobile phone and email by company representative.
Suppliers	• Strive to provide fair and transparent procurement practices. • To make timely payments. • To establish long-term viability in our business with suppliers.	• Suppliers/Vendors meeting session. • Periodical supplier evaluation. • Mobile phone and email by company representative.
Investors and Shareholders	• Strive to provide timely disclosure to investors and shareholders with financial information and updates. • Business sustainability and transparency. • Comply with regulations.	• Corporate website; • Annual report and quarterly results. • Announcement. • Annual General Meeting. • Media.
Government/ Regulatory Authorities	• To ensure regulatory compliance with applicable laws and regulations. • To ensure regulatory disclosures.	• Statutory reporting. • Annual Report, Corporate Governance Report and Sustainability Statements
Communities	• To support the local community and its development; • Environment awareness	• Support through donation; • Local Communal work.

5. SUSTAINABILITY MATERIALITY

The Group carried out a materiality assessment to ensure the relevant key identification issues can be incorporated into the sustainability strategies and has been used as a basis to identify the key component in enhancing the sustainability of economic, environmental, social and governance ("EESG") at Paragon.

The assessment is to consider material topics such as EESG issues and opportunities that can impact the Group's businesses and its value creation. These topics are evaluated based on their influence on Paragon and their significance to the stakeholders and the community.

The sustainability materiality will be assessed and evaluated based on the following steps taken as below.

The Group has identified material matters which are relevant to the business and stakeholders:

	Material Matters	Description
1	Corporate governance and transparency	Business ethics, policies and practices.
2	Legal and regulatory compliances	Compliance with relevant laws, rules and regulations for business operation.
3	Energy and water management	Adopt efficiency in fossil fuel, electricity and water usage
4	Waste management	Manage and minimise effluent and discharge of waste.
5	Occupational health and safety	Strive to have zero accidents and provide a safe working environment for the employees.
6	Quality assurance	Strive to be the best in quality with good quality control.
7	Talent management	Attract and retain the right talent for the Group
8	Supply chain management	To establish long-term viability in our business with suppliers.
9	Social and local community	Financial and non-financial contributions to the local community
10	Employment practice	Fair and competitive remuneration for the employee and adhering to prevailing regulations.

Corporate Sustainability Statement

6. ECONOMIC SUSTAINABILITY

The Group seeks to maintain our business ethics and remain guided by its corporate governance by maintaining the policy that has been established. A list of our policies is available online on our website www.paragon.com.my. Our corporate policies that we strive to adhere to are as follows:

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 executive directors, senior management, employees and any person who represents the Group in executing their duties. Whistle-Blower Policy: The Group also has in place a Whistle-blower Policy where complaints are investigated while the identity of the whistle-blower is protected. 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.
Regulatory Compliance	The Group keeps abreast of changes in relevant laws, regulations and practices to ensure compliance with the prevailing regulations. The Quarterly Financial Reports, Annual Reports and Corporate Governance Reports are prepared and submitted to Bursa Securities in accordance with Bursa Securities' Listing requirements.
Procurements	Although the Group has no written procurement policies in the use of eco-friendly purchases, 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. 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; and polyester fibre from a recycled PET bottle.
Health and 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.

7. ENVIRONMENT SUSTAINABILITY

We take responsibility for the environment and support the green efforts 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.

7.1 Carbon and Other Greenhouse Gas Emissions

The Group recognised the importance of managing greenhouse gas emissions where the carbon dioxide, from burning fossil fuels such as coal, oil, and natural gas is one of the most important factors in causing climate change.

It has been the quest for the Group to reduce the environmental footprint and strive to minimise the impact of the operations and production process. Hence, the Group efforts are listed below:

7. ENVIRONMENT SUSTAINABILITY (CONT'D)

7.1 Carbon and Other Greenhouse Gas Emissions (Cont'd)

7.1.1 Energy Management and Consumption

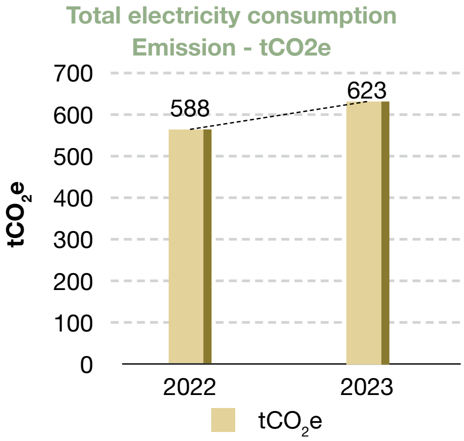
The Group are committed to making better use of energy to reduce carbon footprints, where the use of electricity and fossil fuels for manufacturing has been continuously monitored and managing the usage efficiently for business operations.

In FY2023, the Group used approximately 2,933 MWH of electricity to operate the production machinery, warehouses and offices, 3,976 GJ of natural gas for its boiler and latex drying machine; and 40,377 kg of LPG gas for cold press heating machines.

In FY2023, the Group replaced a unit of fossil fuel-operated forklifts with a battery-operated forklift and budgeted to replace another unit in FY2024. The Group is committed to replacing all fossil-fueled-operated forklifts in the near future.

The Group has a policy and is committed to using energy-saving light bulbs for all the Group facilities and will make further replacements in stages. Moving forward, the Group will also monitor the electricity usage for all the machinery and factory equipment where further capital investment will be carried out to replace old machinery that has high electricity consumption with more energy-efficient machinery.

Additionally, policies have been in place to encourage employees to use electricity more prudently such as switching off lights and air-conditioning when the workplaces are not in use such as during lunch/break time

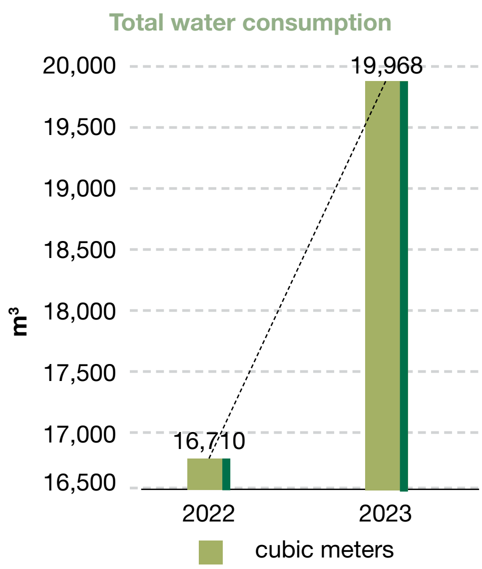


7.1.2 Water Management and Consumption

Water management for the Group involves the responsible use of water resources to ensure a sustainable future. In principle, it means being able to efficiently use water, collection and storage, ensuring dependable water supply services and mitigating water-related hazards during the production process to safeguard the environment. In the year 2023, the group used approximately 19,968 cubic meters of water. The water usage was for drinking, cleaning, washroom and production purposes.

The machinery and equipment used for production in the automotive and commercial carpets division do not have high water consumption except for yarn dying and high-pressure water-jet machines for cutting carpets and related components. The high-pressure water-jet machines can make precise and efficient cutting of the part which increases production and improves product quality. In particular, it can reduce wastages and/or rejection and save the use of raw materials, electricity and water consumption which is a better sustainable environmental practice.

The Group has emphasised and initiated various initiatives to reduce water wastage as part of its environmental management.



7. ENVIRONMENT SUSTAINABILITY (CONT'D)

7.1 Carbon and Other Greenhouse Gas Emissions (Cont'd)

7.1.3 Waste and Effluent Management

Being a responsible corporation, the Group has initiated various sustainable environmental policies to ensure all the employees of the Group have sufficient knowledge and are well-trained in managing the industrial effluent from colour dyeing facilities, co-products and/or carpets waste such as yarn and felt fabric generated from production.

The Group maintains its waste management system effectively to prevent environmental contamination from its colour dyeing facilities in the commercial carpet division. The employee is well-trained in handling the treatment and in discharging waste. Additionally, the Group has also engaged third-party professional services to carry out compliance tests yearly to ensure compliance.

On the disposal of co-products and/or waste generated from the production of carpets and NVH components, the Group has made an effort to separate recyclable waste materials and non-recyclable waste that is left over from production. The Group has engaged a licensed third-party waste collector for the disposal of waste and by-products.

The Group has been encouraging paperless documentation by going digital in stages. Since FY2022, the Group has not been circulating printed Annual Reports and any Circular to shareholders and made it available to be downloaded from our company website. Furthermore, the circulation of board papers to the directors has been made paperless with circulation via email and presentation in digital form.

In FY2023, there were no breaches of any laws and/or regulations or incidents in discharging untreated industrial effluent to public facilities.

7.1.4 Recycling Business

The Group began to trade recycling materials in FY2023 and foreseen the recycling business division could provide a strong platform for the Group's initiative for a better environment.

At the initial stage, the Group began as a trading unit for recycling metal and its related products. The Group foresees the recycling business division can contribute to the environment with the philosophy it is better to recycle those materials where they can be reused instead of sending them off to a landfill or incinerator where they will be burned or left to rot away. In FY2023, our recycling business traded 14,730.55 MT of recycled aluminium, carbon block and scrap metals.

8. SOCIAL SUSTAINABILITY

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.

8.1 Safety And Health Management

The Board reviews the safety and health of the Group in compliance with the regulations and safety risk policy. The safety and health matters within the Group are closely monitored by the group managing director, management and key executive where the relevant employees play an important role in fostering a safe place to work.

The Group has carried out fire-drill every year and has conducted the following training in the FY2023: -

i. Advanced First Aid & CPR + AED Training; and
ii. Safe Operation of forklift training.

In FY2023, there were no breaches of any laws and/or regulations or incidents in discharging duty related to the safety and health that matter to employees nor any breach at the workplace.

Corporate Sustainability Statement

8. SOCIAL SUSTAINABILITY (CONT'D)

8.2 Human Capital Development And Retention.

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.

8.2.1 Employment Practices

The following principles and standards reflect our employment values:

i. Positive working environment;
ii. Prohibition of child labour in our operation;
iii. Denounce discrimination where all employees are treated equally regard to race, creed, religion, gender, nationality, age and disability;
iv. Denounce forced labour in our workplace;
v. Fair and competitive remuneration for the employee and adhering to prevailing regulations.

8.2.2 Learning and Development

We strive to improve employee's skills and knowledge, the Group has been regularly sending relevant employees for courses and training for their current job and prepare for career progression. Key management and department leaders have carried out meeting groups to share knowledge, skills and updates among the working team. Employees were sent to various training and safety & health programmes necessary for their current job and prepared for career progression.

To further strengthen the teamwork, the Group carried out a team-building outing in FY2022 which will help to strengthen existing relationships and cohesiveness among employees. The Group is planning for another team-building activity in the financial year 2024.

8.2.3 Added Engagement

The Group provides a good working environment and infrastructure to promote a healthy working environment for employees. The Group has continuously upgraded and/or improved facilities such as improving Wi-Fi network connectivity and speed and office equipment to enable employees to perform their jobs more efficiently.

Additionally, the Group continuously monitors and improves the chain of panel clinics within the vicinity to provide better access to clinical treatment to employees as and when required for better healthcare coverage.

8.3 Social And Community Cares

The Group's social and community engagement is to encourage participation in community work.

The activities carried out and/or contributions during the financial year:

i. Donation of carpets to the local police station;
ii. Donation of carpets to Ideas Academy, a non-profit education centre for underprivileged students.
iii. Donation of carpets to the local Fire and Rescue Department of Malaysia.

8. SOCIAL SUSTAINABILITY (CONT'D)

8.3 Social And Community Cares (Cont'd)

Paragon Union Bhd
Mr. Wong Ee-Coln
Managing Director

Kuala Lumpur, 6 March 2024

Dear Mr. Wong Ee-Coln,

On behalf of **Ideas Academy**, we would like to thank you for supporting us with carpet tiles for many of our rooms, including our library and office space, in our new campus which will open this year.

IDEAS Academy believes in education for all. Education holds the key to global citizenship which is something that no one regardless of background, race or economic situation should be denied. Our primary aim is that every child between 12 and 18 years old should gain a strong secondary educational foundation to become responsible, confident and compassionate citizens of tomorrow. In order to meet our mission, we rely on the generosity of donors for support.

Without the assistance of individuals just like you, we wouldn't be able to pursue our mission to help these children. Your generosity will make a difference to our learning center by allowing us to continue in our work.

For more information about our organization, please visit our website at www.ideasacademy.org.my

Please know that your continued support is very much appreciated by our beneficiaries. If you need any further information at all, please do not hesitate to contact.

With warmest thanks,

Jan-Willem Smulders
Chairman

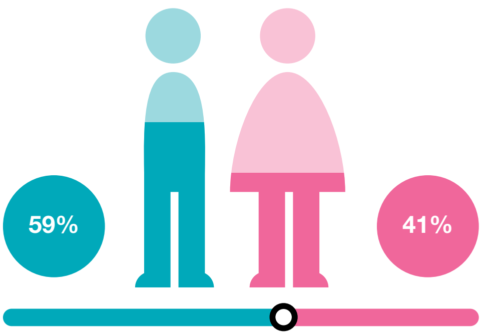
Stephanie van Alen
Head of Operations

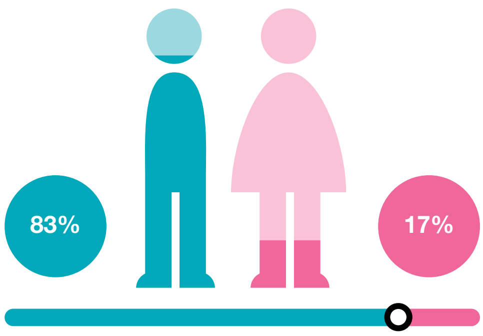
8.4 Diversity And Workplace

The Group believes that having a quality and conducive working environment would improve efficiency and productivity. As such, the Group continuously creates a safe, pleasant and conducive working environment for our employees and promotes employee safety, well-being and gender diversity.

The diagrams below present the diverse workforce of the Group.

Company employee distribution by gender



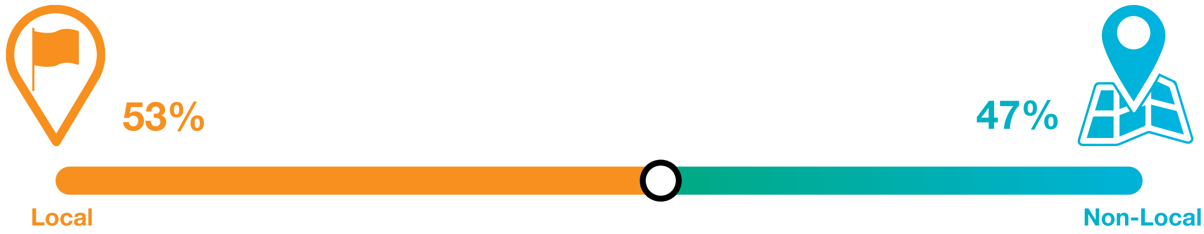


Corporate Sustainability Statement

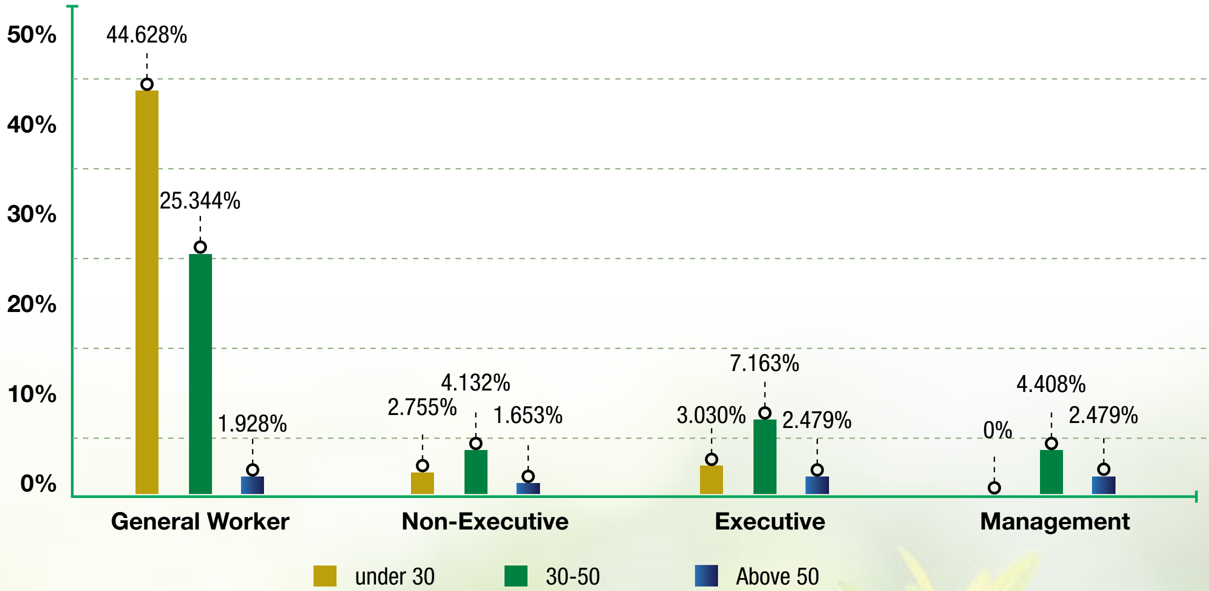
8. SOCIAL SUSTAINABILITY (CONT'D)

8.4 Diversity And Workplace (Cont'd)

Company employee distribution by local and non-local



Company employee distribution by Age Group



9. SUPPLY CHAIN MANAGEMENT

Having efficient supply chain management is an integral part of our business. In line with our commitment to contribute to and strengthen our local economy, we stress the importance of providing opportunities to local businesses, especially the local SMEs in sourcing materials and services for our operation.

10. THE GOVERNANCE

10.1 Anti-Bribery and Anti-Corruption Policy / Compliances

Having good corporate governance and ethical business conduct is important to achieve the Group's objectives that are able to enhance better value for shareholders and stakeholders; and to generate the long-term value of the Group as well as to grow its business sustainably.

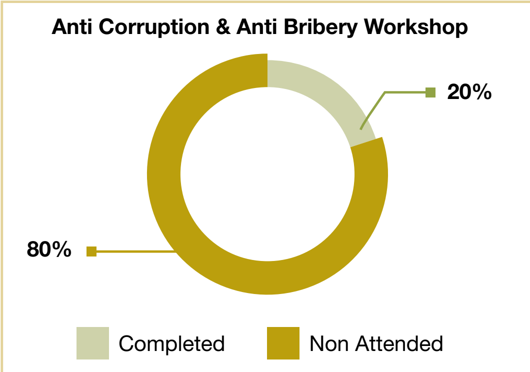
The Group has established policies to conduct business in a fair, honest and transparent manner and prevent any corrupt practices or acts of bribery to obtain an unfair advantage over others.

In line with good corporate governance practices, the Group has the following policies for its businesses and operations.

i. Code of Conducts and Ethics;
ii. Whistleblower policy;
iii. Related Party Transaction Policy and Procedures; and
iv. Anti-Bribery and Anti-Corruption Policy.

The executive directors, key management and managers have attended the anti-bribery and anti-corruption policy programme as of FY2023. The Group is committed and will carry out in stages the anti-bribery and anti-corruption training programme for other key executives.

In FY2023, there were no confirmed incidents of corruption or any significant fine or non-monetary sanction for non-compliance with laws and/or regulations against the Group or any of its directors, key management and employees that violated the policies and/or practices.



10.2 Products and Data Privacy Responsibility

The group operates in three business segments that consist of the automotive segment which supplies carpet mats and noise, vibration, and harshness (NVH) components to the automotive manufacturers; the commercial division which supplies commercial carpets to customers such as building contractors, property developers, hotels and offices; and the recycling division which trades aluminium ingot and carbon block. To ensure the highest level of quality and services in delivering our products, the Group records every complaint as well as feedback from customers to continuously enhance its products and supply chains.

The Group's customers entrust the Group with sensitive information, and the Group upholds this trust through privacy and information security programs. The Group protects its customers' privacy by securing their data in accordance with established policies.

In FY2023, there were no complaints received concerning breaches that relate to the Group employees, customers and suppliers of privacy and losses of data.

11. REVIEW OF THE STATEMENT BY AUDITOR

The Sustainability Statement is not mandated to be reviewed by auditor.

12. CONCLUSION

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

12. CONCLUSION (CONTINUED)

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.

SUSTAINABILITY PERFORMANCE REPORT

Indicator	Measurement Unit	2023
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	20000
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	3
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	100
Manager	Percentage	42
Executive	Percentage	0
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	0
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 30	Percentage	0
Management Between 30-50	Percentage	4.41
Management Above 50	Percentage	2.48
Executive Under 30	Percentage	3.03
Executive Between 30-50	Percentage	7.16
Executive Above 50	Percentage	2.48
Non-executive/Technical Staff Under 30	Percentage	2.75
Non-executive/Technical Staff Between 30-50	Percentage	4.13
Non-executive/Technical Staff Above 50	Percentage	1.65
General Workers Under 30	Percentage	44.63
General Workers Between 30-50	Percentage	25.34
General Workers Above 50	Percentage	1.93
Gender Group by Employee Category		
Management Male	Percentage	4.13
Management Female	Percentage	2.75
Executive Male	Percentage	7.44
Executive Female	Percentage	5.23
Non-executive/Technical Staff Male	Percentage	4.41
Non-executive/Technical Staff Female	Percentage	4.13
General Workers Male	Percentage	61.98
General Workers Female	Percentage	9.92
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	50
Female	Percentage	50

This Sustainability Performance Report table is generated from the Bursa ESG reporting platform.

SUSTAINABILITY PERFORMANCE REPORT

Indicator	Measurement Unit	2023
Under 30	Percentage	0
Between 30-50	Percentage	66.67
Above 50	Percentage	33.33
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	2923.2
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0
Bursa C5(c) Number of employees trained on health and safety standards	Number	35
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	323
Executive	Hours	133
Non-executive/Technical Staff	Hours	49
General Workers	Hours	217
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.55
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	3
Executive	Number	15
Non-executive/Technical Staff	Number	4
General Workers	Number	91
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	70.61
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	19.97

This Sustainability Performance Report table is generated from the Bursa ESG reporting platform.

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 ensuring 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 2023. 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 2023 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 Executive 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 (“AC”), Nomination & Remuneration Committee (“NRC”) and Risk Management Committee (“RMC”) 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 published and 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 Executive 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 Executive 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 Executive 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 to 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 Group has published ethical standards for the Board in its Code of Conduct and Ethics, Whistleblowing Policy and Anti-Bribery and Corruption Policy at 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 Diversity Policy, including gender diversity, has been established outlining the principle and objectives, independence, skills and experience, gender and ethnicity of Board members, and it is subject to update and/or revision, whenever necessary. The Board is mindful of the need to comply with the gender diversity requirement. The Company has six (6) directors on the Board member and three (3) are female directors, representing 50% of the total Board Members.

The Board recognises the MCCG's recommendation that 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, the 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. Presently, none of the Independent Directors have 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 at least once every quarter and additional meetings being convened as and when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the MMLR. During the financial year ended 31 December 2023, Six (6) Board meetings were held and the details of attendance of the Board at the Board Meetings are as follows:

Name of Directors	Meeting Attended
Koon Hoi Chun	6/6
Wong Ee-Coln	6/6
Koh Huey Min *(Appointed on 1 April 2023)*	4/4
Tan Vei Teck	6/6
Tong Siut Moi	6/6
Teo Siang Ly *(Appointed on 30 June 2023)*	2/2

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.

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 2023 were as follows:

Name of Directors	Training Programmes/ Seminars Attended
Koon Hoi Chun	• Anti Bribery & Anti-Corruption Workshop
Wong Ee-Coln	• Virtual Tax Conference 2023 - Tackling Practical Problems Faced by Taxpayers; • Mastering Legal Risk Management for SMEs: Strategies and Tools; • China (Shandong) - Malaysia Business Co-operation and Matchmaking Conference; • Malaysia-China Hubei Enterprises Match-Making Meeting; • Matrade Maximising Export Opportunities for Malaysia MSMES Via E-commerce & FTAS; • Virtual Sharing Session Registration Dissecting and Analyzing 2023 Transfer Pricing Rules; • How To Get Ready For e-Invoicing; • Adopting E-Signature to Advance your Organization's ESG Goal; • Baker Tilly: Tax & Budget Webinar; • Anti Bribery & Anti-Corruption Workshop
Koh Huey Min	• International Women's Day Coffee Talk by AICPA & CIMA : Innovation And Technology For Gender Equality; • SRI 2023 Conference: Revving Up The Race For Sustainability; • Bursa Academy: Conflict Of Interest And Governance Of Conflict of Interest; • Bursa Webinar on Management Of Cyber Risk; • Mandatory Accreditation Program Part II : Leading For Impact (LIP).
Tan Vei Teck	• Anti Bribery & Anti-Corruption Workshop
Tong Siut Moi	• Task Force on Climate-related Financial Disclosures (TCFD) Climate Scenario Analysis; • Sustainability Related Capital and Fanancing; • SO 37001:2016 Anti-Bribery Management System; • Recent Amendments to Listing Requirements; • Conflict of Interest ("COI") and what can go wrong - Unpacking its implications to listed issuers and their Directors
Teo Siang Ly	• Bursa: Mandatory Accreditation Programmes

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 Secretaries 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 in 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.

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

Nomination and Remuneration Committee

The NRC comprises exclusively of three (3) Independent Non-Executive Directors as follows:

Name of Directors	Designation
Tong Siut Moi *(Chairperson)*	Independent Non-Executive Director
Koh Huey Min *(Member)* *(Appointed on 1 April 2023)*	Independent Non-Executive Director
Teo Siang Ly *(Member)* *(Appointed w.e.f 30 June 2023)*	Independent Non-Executive Director

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.

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 regulations; 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 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.

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

Nomination and Remuneration Committee (Cont'd)

The details of the Directors' remuneration and fees received from the Company in the financial year ended 31 December 2023 are as follows:

Category	Fees (RM)	Meeting Allowances (RM)	Salaries and Bonus (RM)	Statutory Contribution (RM)	Benefit in Kind (RM)	Total (RM)
Executive Directors						
Koon Hoi Chun	-	-	140,000	17,959	-	157,959
Wong Ee-Coln			797,500	96,859	15,267	909,626
Tan Vei Teck *(Redesignated on 1 April 2023)*	-	-	90,000	11,669	-	101,669
Non-Executive Directors						
Chan Weng Fui *(Resigned on 31 January 2023)*	5.000	-	-	-	-	5,000
Tan Vei Teck *(Redesignated on 1 April 2023)*	15,000	1,500	-	-	-	16,500
Tong Siut Moi	60,000	4,200	-	-	-	64,200
Koh Huey Min *(Appointed on 1 April 2023)*	54,000	2,700	-	-	-	56,700
Teo Siang Ly *(Appointed on 30 June 2023)*	30,000	1,200	-	-	-	31,200
Total	**164,000**	**9,600**	**1,027,500**	**126,487**	**15,267**	**1,342,854**

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 2023 are as follows:

Range of Remuneration (RM)	No of Employee
50,000 – 100,000	-
100,001 – 150,000	2 persons
150,001 – 200,000	-
200,001 – 250,000	-
250,001 – 300,000	2 persons

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board is assisted by the Audit Committee ("AC") which comprises solely of three (3) Independent Non-Executive Directors, to oversee the Group's financial reporting process.

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

The composition of the AC is reviewed annually with the view to maintaining an independent and effective AC, and to be 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 2023, the Board is satisfied that the Chairperson and the members of AC have discharged their responsibilities effectively.

The independence, suitability and appointment/re-appointment of the External Auditor 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 48 to 50 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 continuously. 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 44 to 47 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 modes 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 timely dissemination of all material information. Minority shareholders may communicate with the Company through the Company's website at www.paragon.com.my for stakeholders' information.

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 respond to questions raised by the shareholders during the AGM.

The Company will conduct the upcoming 30th AGM through virtually 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 30th 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 be published at the Company's website.

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 25 April 2024.

ADDITIONAL COMPLIANCE INFORMATION

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

1. Non-audit fees

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 2023 were as follows:

	Company (RM)	Group (RM)
Audit fees	30,000	120,000
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 2023 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 2023.

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

On 5 January 2023, the Company had announced that Paragon Car Carpets & Components Sdn Bhd ("PCCC"), a wholly-owned subsidiary of the Company had on 5 January 2023 entered into a conditional sale and purchase agreement ("SPA") with Attractive Venture (KL) Sdn Bhd ("AVKL" or "Purchaser"), a wholly-owned subsidiary of D'nonce Technology Bhd ("DTB"), for the proposed disposal by PCCC of a parcel of leasehold industrial land ("Land") where erected upon is a single storey detached factory with 3 storey office annexed, held under H.S.(M) 4080, PT 7667, Tempat Cheras Jaya, Mukim Ceras, Daerah Hulu Langat, Negeri Selangor ("Subject Property") for a cash consideration of RM17,500,000 ("Disposal Consideration") ("Proposed Disposal").

The proposed Disposal was approved at the extraordinary General Meeting held on 27 March 2023 and was completed on 11 August 2023.

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

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance unutilised/ (Over Utilised) RM'000
Repayment of bank borrowings	6,397	7,933	(1,536)
Payment of Real Property Gain Tax to the Director General of Inland Revenue	1,155	1,455	(300)
Working capital	9,225	9,225	-
Estimated expenses relating to the Proposed Disposal	723	723	-
TOTAL	**17,500**		

Additional Compliance Information

6. Recurrent Related Party Transactions

At the Twenty-Ninth Annual General Meeting of the Company held on 26 June 2023, the Company obtained a mandate from its shareholders for recurrent related party transactions ("RRPTs") of a revenue or trading in nature with related parties.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of RRPTs conducted during the financial year ended 31 December 2023 pursuant to the shareholders' mandate are set out below:-

Related Party	Contracting Party	Nature of transactions	Amount RM'000
Technovate Trading Sdn Bhd	Paragon Metal Sdn Bhd	Carbon block	18,134
KYH Recycle Industries Sdn Bhd	Paragon Metal Sdn Bhd	Aluminium alloy ingot	5,806
Metahub Industries Sdn Bhd	Paragon Metal Sdn Bhd	Aluminium alloy ingot	278
Total			**24,218**

This is no RRPTs transactions exceed the estimated value disclosed in the Circular to Shareholder dated 28 April 2023.

7. Long-Term Incentive Scheme

On 7 October 2022 and 13 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 6 January 2023. The LTIS scheme took effect on 20 April 2023 following the submission of the By-Laws to Bursa Malaysia Securities Berhad.

During the financial year ended 31 December 2023, the Company has not granted the share option scheme and/or the share grant scheme to employees and 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 2023 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 Audit Committee (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.

Statement of Risk Management and Internal Control

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

c. Other Key Elements of Internal Controls (Cont'd)

- 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.

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 2023.

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, automotive industry and trading of recycled products. 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 and Assurance

The Board has the overall responsibility for Risk Management and Internal 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.

In producing this statement, the Board has received assurance from the Managing Director and Chief Financial Officer that, to the best of their knowledge, the Group's risk management and Internal Control Systems are operating adequately and efficiently in all material aspects.

Statement of Risk Management and Internal Control

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.

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 AC 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 three 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 material errors 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.

Statement of Risk Management and Internal Control

Main Risks (Cont')

Risk category	Risk description	Mitigation
Products and Process - Quality and standard of our products and labour 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.
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.
Credit Risk	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 monitoring to enable timely discovery of such risks.

This statement is issued in accordance with a resolution of directors on 25 April 2024.

AUDIT COMMITTEE REPORT

COMPOSITION

The present Audit Committee ("AC") comprises of three (3) members who are all Independent Non-Executive Directors. The Chairperson, Madam Koh Huey Min is a member of the Malaysian Institute of Accountant. The Composition of the AC meets the requirements of Paragraph 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC currently compromises the following members:

Name of Directors	Status of Directorship
Koh Huey Min (Chairperson)	Independent Non-Executive Director
Tong Siut Moi (Member)	Independent Non-Executive Director
Teo Siang Ly (Member)	Independent Non-Executive Director

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.

FINANCIAL LITERACY OF THE MEMBERS OF AC

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC. The Chairperson of the AC is a member of the Malaysian Institute of Accountants. The qualification and experience of the individual AC members are disclosed in the Directors' Profile in the Annual Report.

All members of AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2023, 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 2023.

In the AC meetings, the External Auditors and the Internal Auditors were given opportunities to raise any matters and unrestricted access to the 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 ended 31 December 2023.

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

Members	Designation	Attendance
Koh Huey Min *(Appointed on 1 April 2023)*	Chairperson	4/4
Tong Siut Moi	Member	5/5
Teo Siang Ly *(Appointed on 30 June 2023)*	Member	2/2

Audit Committee Report

SUMMARY ACTIVITIES

The activities undertaken by the AC during the financial year under ended 31 December 2023 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 the Board's approval, focusing particularly on:
  - Any change in accounting policies;
  - Significant adjustments arising from the audit; and
  - Compliance with accounting standards and other legal requirements

External Audit

i. Reviewed the Audit Plan for the financial year ended 31 December 2023 ("FY2023") 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 recommended to the Board for approval of the audit fees payable to the external auditors;
iii. Reviewed the external audit review memorandum for FY2023 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

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;
iii. Reviewed and made 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; and
iv. Considered and recommended to the Board for approval of the fees payable to the Internal auditors;

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, Recurrent Related Party Transactions and Conflict of Interest

At each quarterly meeting, the AC reviewed the related party transaction ("RPT") and/or recurrent related party transactions ("RRPTs") as well as the Conflict of Interest or potential 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, RRPTs 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 situations before entering into the transaction.

Other Matters

In the FY2023, 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.

Audit Committee Report

SUMMARY ACTIVITIES (CONT'D)

Internal Audit function and Activities

The Group outsources its Internal Audit Function to a professional services firm namely Messrs Talent League Sdn Bhd. 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.

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.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2023 was approximately RM20,000 and the fees were based on the scope of work carried out.

During the financial year ended 31 December 2023, the activities carried out by the Internal Auditors in discharging its responsibilities on the audit planned for the year:

a. The revenue management;
b. Credit risk management;
c. Human Resource management;
d. Fixed assets management; and
e. Conducted follow-up review on the status of the Management's implementation;

The AC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

For further details on the risk management and internal control, please refer to the Statement on Risk Management and Internal Control set out in this Annual Report.

Conclusion

The Board is satisfied with the AC's performance in accordance with the Terms of Reference set for 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 25 April 2024.

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 ("the Act") 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.

In preparing the financial statements for the financial year ended 31 December 2023, the Directors have considered:

i. The adoption of appropriate accounting policies and applied them consistently;
ii. Reasonable and prudent judgements and estimates were made;
iii. Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
iv. The financial statements are prepared on a going concerns basis.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2023, 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.

LIST OF PROPERTIES HELD BY THE GROUP
31 DECEMBER 2023

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 2023 RM'000
Lot No. PT 7637 14, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	31 years	Paragon Car Carpets & Components Sdn Bhd	Leasehold (Expiry 14.05.2088)	Leasehold Land Factory & Office	8,094	3,190 3,929	factory office	26,000
Lot No. PT 7641 11A, Jalan CJ 1/1, Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	30 years	Paragon Carpetmaker Sdn Bhd	Leasehold (Expiry 14.05.2088)	Leasehold Land Factory & Office	12,128	7,919	factory	28,000
Lot No. PT 3301 No 12A, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	7 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,500
Lot No. PT 3300 No 15, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	7 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,500
Lot No. PT 3297 No 21, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	7 years	Paragon Union Berhad	Leasehold (Expiry 23.10.2093)	Leasehold Land 3 Storey Semi Detached Factories	1,375	816	factory	3,500

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2024

Issued Paid-up Capital	:	RM84,902,259
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	42	563	0.00
100 to 1,000	417	351,816	0.42
1,001 to 10,000	753	3,413,466	4.07
10,001 to 100,000	323	10,577,300	12.62
100,001 to less than 5% of issued shares	74	29,506,713	35.20
5% and above of issued shares	1	39,979,794	47.69
Total	**1,610**	**83,829,652**	**100.00**

DIRECTORS' SHAREHOLDINGS

		Direct		Indirect	
	Name	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	KOON HOI CHUN	1,938,900	2.31	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	-	-
6.	TEO SIANG LY *(Appointed on 30 June 2023)*	-	-	-	-

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

SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
	Name	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	1,938,900	2.31	39,979,794*	47.69

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

Analysis of Shareholdings
As At 29 March 2024

THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares	Percentage (%)
1.	AKK CAPITAL SDN BHD	39,979,794	47.69
2.	LIM SEW CHON	3,802,452	4.54
3.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM AH SENG	2,070,000	2.47
4.	NG SOON TONG	1,529,200	1.82
5.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON HOI CHUN	1,491,000	1.78
6.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG YEW CHEONG	1,136,000	1..36
7.	SIM AH YOKE	1,009,800	1.20
8.	TAN POH HUA	800,000	0.95
9.	JAYSHREE A/P MAHENDRAN	784,500	0.94
10.	SIM KOK HOU	700,000	0.84
11.	NG YOON LING	680,500	0.81
12.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD	589,700	0.70
13.	FOO MOONG MOI @ FOO MONG MOOI	545,000	0.65
14.	TAN THEAN HOCK	540,400	0.64
15.	APEX NOMINEES (TEMPATAN) SDN. BHD.	500,000	0.60
16.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO CHIN SER (MY4491)	500,000	0.60
17.	SHENG HSIA HWEI	500,000	0.60
18.	CGS INTERNATIONAL NOMINEES MALAYSIA (ASING) SDN. BHD. EXEMPT AN FOR CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD. (RETAIL CLIENTS)	451,500	0.54
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KOON HOI CHUN (PB)	447,900	0.53
20.	SU MING KEAT	440,740	0.53
21.	LAU YOKE KEEN	428,000	0.51
22.	WONG KOK LIANG	420,000	0.50
23.	KONG SEE KUAN	415,000	0.50
24.	LIM KWONG HON	402,700	0.48
25.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HO WEE FATT (MY4522)	365,000	0.44
26.	CHAN YAT WAI	359,200	0.43
27.	MAK HON LEONG	352,700	0.42
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO CHIN SER (6000194)	350,000	0.42
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHRISTINA LOH YOKE LIN (3001426)	350,000	0.42
30.	LAI YEOW KEONG KENNETH	350,000	0.42
		62,291,086	**74.31**

Financial **Statements**

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023.

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
Profit/(Loss) for the financial year attributable to : -		
- Owners of the Company	9,149,159	(876,626)

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 2023

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.

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)
Teo Siang Ly (Appointed on 30 June 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 1.1.2023	**Addition**	**Disposal**	**At 31.12.2023**
a)	Shareholdings in which directors have direct interest in the Company:-				
	Wong Ee-Coln	300,000	-	-	300,000
	Koon Hoi Chun	832,000	1,106,900	-	1,938,900
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 2023

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 expect as disclosed in Note 38 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 38 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.

Auditors

a) Detail of the auditors' remuneration for the Group and the Company for the financial year ended 31 December 2023 are as follows : -

	Group RM	Company RM
Auditors' remuneration : -		
- statutory audit	120,000	30,000
- other services	11,000	11,000
	131,000	41,000

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: 25 April 2024

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 2023, 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 63 to 115.

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 2023, 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 Statement*s 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 – Material accounting policies and Note 3(m) – Revenue)	
	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. We focused on this area as revenue is a default risk area under ISA 240, The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements, and there is a significant estimate and judgement involved.	Our procedures included, amongst others:- • Evaluated whether the accounting policy adopted by the management is consistent with the requirement of MFRS 15, *Revenue from Contracts with Customers*; • 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.)

<table>
<tr><th>No.</th><th>Key audit matters</th><th>Our audit performed and responses thereon</th></tr>
<tr><td>2.</td><td>Inventories
(Refer to Note 8 – Material accounting policies and Note 3(f) – Inventories)

As at 31 December 2023, the Group held inventories of approximately RM17,009,576. As the inventories represent 16% of the total assets of the Group and is material, we considered this as a key audit matter.

Significant estimate and judgement are involved in forming expectations about the demand and future sales value of those inventories.</td><td>Our procedures included, amongst others:-

• 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.</td></tr>
<tr><td>3.</td><td>Trade receivables
(Refer to Note 9 – Trade receivables)

As at 31 December 2023, the Group has outstanding trade receivables of approximately RM9,085,021. As the trade receivables represent 8% of the total assets of the Group and is material, we considered this as a key audit matter.

Significant estimate and judgement are involved in forming expectations on the recoverability of the outstanding balances.</td><td>Our procedures included, amongst others:-

• 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.</td></tr>
<tr><td>4.</td><td>Property, plant and equipment
(Refer to Note 4 – Material accounting policies and Note 3(c) – Property, plant and equipment)

As at 31 December 2023, the Group held property, plant and equipment of approximately RM74,379,214 which represented 69% of the total assets of the Group and is material, we considered this as a key audit matter.

The management has assessed if there are any indication of impairment and performed an assessment on the carrying amount of the leasehold land and leasehold factory buildings.

We focused on this area due to complexities in determining the fair value of the property, plant and equipment, investment properties, which involved significant estimates and judgements in determining the appropriate valuation methodologies and estimating the underlying assumption to be applied.</td><td>Our procedures included, amongst others:-

• Reviewed and checked the ownership and physical existence of major property, plant and equipment;
• Reviewed the insurance coverage of major items, if any;
• Review the valuation methodology on recoverable amount on adopted by the Group in accordance to the requirements of MFRS 136 Impairment of Assets;
• Comparing the Group's assumption to externally derived data as well as our assessment; and
• Testing the mathematical accuracy of the impairment assessment.</td></tr>
</table>

Independent Auditors' Report

to members of Paragon Union Berhad

(Incorporated in Malaysia, Registration No. 199401000779 (286457-V))

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 materiality 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.

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.

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 (Cont'd.)

- 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: 02892/04/2026 J

Kuala Lumpur,
Date: 25 April 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

	Note	2023 RM	2022 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	74,379,214	33,133,433
Deferred tax assets	7	-	8,044
Total Non-Current Assets		74,379,214	33,141,477
Current Assets			
Inventories	8	17,009,576	16,809,172
Trade receivables	9	9,085,021	7,426,690
Other receivables	10	2,771,622	3,663,413
Tax recoverable		66,000	145,831
Fixed deposit with licensed bank	11	3,300,000	756,767
Cash and bank balances		1,222,964	300,789
Non-current assets held for sale	12	-	3,863,360
Total Current Assets		33,455,183	32,966,022
Total Assets		107,834,397	66,107,499
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	84,902,259	84,902,259
Merger reserves	14	(4,618,481)	(4,618,481)
Revaluation reserve	16	32,628,210	-
Accumulated losses		(36,351,489)	(45,500,648)
		76,560,499	34,783,130
Non-controlling interests		-	6,102
Total Equity		76,560,499	34,789,232
Non-Current Liabilities			
Lease liabilities	17	649,950	214,661
Bank borrowings	18	4,993,444	9,677,754
Deferred tax liability	7	11,251,497	-
Total Non-Current Liabilities		16,894,891	9,892,415
Current Liabilities			
Trade payables	22	4,732,469	4,804,977
Other payables	23	4,152,076	7,388,235
Lease liabilities	17	270,086	231,490
Bank borrowings	18	5,224,376	9,001,150
Total Current Liabilities		14,379,007	21,425,852
Total Liabilities		31,273,898	31,318,267
Total Equity and Liabilities		107,834,397	66,107,499

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 2023

	Note	2023 RM	2022 RM
Revenue	25	91,667,539	60,955,740
Cost of sales		(82,685,717)	(54,583,344)
Gross profit		8,981,822	6,372,396
Other operating income	26	16,454,993	1,992,374
Selling and distribution costs		(3,158,602)	(2,875,770)
Administrative expenses		(12,064,174)	(9,992,347)
Profit/(Loss) from operations		10,214,039	(4,503,347)
Finance costs	27	(960,836)	(1,139,275)
Profit/(Loss) before taxation	28	9,253,203	(5,642,622)
Taxation	30	(104,044)	(46,781)
Profit/(Loss) for the financial year		9,149,159	(5,689,403)
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		9,149,159	(5,685,837)
- Non-controlling interests		-	(3,566)
		9,149,159	(5,689,403)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on lands and buildings		43,789,707	-
Tax effects relating to revaluation of lands and buildings		(11,251,497)	-
Total comprehensive income/(loss)		41,777,369	(5,689,403)
Total comprehensive income/(loss) attributable to:-			
- Owners of the Company		41,777,369	(5,685,837)
- Non-controlling interests		-	(3,566)
		41,777,369	(5,689,403)
Basis earnings/(loss) per share (sen)	31	10.91	(6.78)
Diluted earnings/(loss) per share (sen)	31	10.91	(6.78)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<-------- Non-Distributable	------->		Distributable			
	Share capital RM	Merger reserves RM	Treasury shares RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
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 15)	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	34,789,232

	<-------------- Non-Distributable			----------------->	Distributable			
	Share capital RM	Merger reserves RM	Treasury shares RM	Revaluation reserves RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2023	84,902,259	(4,618,481)	-	-	(45,500,648)	34,783,130	6,102	34,789,232
Revaluation surplus on lands and buildings	-	-	-	32,628,210	-	32,628,210	-	32,628,210
Profit for the financial year	-	-	-	-	9,149,159	9,149,159	-	9,149,159
Total comprehensive income for the financial year	-	-	-	32,628,210	9,149,159	41,777,369	-	41,771,369
Effect on deconsolidation of subsidiary companies	-	-	-	-	-	-	(6,102)	(6,102)
At 31 December 2023	84,902,259	(4,618,481)	-	32,628,210	(36,351,489)	76,560,499	-	76,560,499

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit/(Loss) before taxation		9,253,203	(5,642,622)
Adjustments for : -			
Depreciation of property, plant and equipment		2,221,361	2,373,906
Loss on realised foreign exchange		-	141,879
Impairment loss on inventories		-	123,786
Interest expense		960,836	1,151,892
Interest income		(14,013)	(14,667)
Property, plant and equipment written off		2,204,888	443
Reversal of impairment loss on trade receivables		(1,983)	(748,133)
Gain on disposal of property, plant and equipment		(11,453,671)	(194,975)
Operating profit/(loss) before changes in working capital		3,170,621	(2,808,491)
Changes in working capital : -			
Inventories		(200,404)	(2,145,631)
Trade and other receivables		(764,557)	1,685,653
Trade and other payables		(3,308,667)	(82,113)
Cash used in operations		(1,103,007)	(3,350,582)
Interest received		14,013	14,667
Interest paid		(960,836)	(1,151,892)
Tax paid		(162,000)	-
Tax refund		145,831	82
Net cash used in operating activities		(2,065,999)	(4,487,725)
Cash flows from investing activities			
Purchase of property, plant and equipment, representing net cash used in investing activity		(2,014,611)	(1,376,535)
Proceeds from disposal of property, plant and equipment		15,533,217	194,975
Net cash generated from/(used in) investing activities		13,518,606	(1,181,560)
Cash flows from financing activities			
Net (repayment)/drawdown of borrowings		(6,532,293)	301,591
Drawdown/(repayment) of lease liabilities		473,885	(480,963)
Withdrawn/(uplifted) of fixed deposit pledged		(2,543,233)	(13,820)
Resale of treasury shares		-	1,109,821
Net cash (used in)/generated from financing activities		(8,601,641)	916,629
Net increase/(decrease) in cash and cash equivalents		2,850,966	(4,752,656)
Cash and cash equivalents at the beginning of the financial year		(4,286,508)	466,148
Cash and cash equivalents at the end of the financial year	33	(1,435,542)	(4,286,508)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

	Note	2023 RM	2022 RM
ASSETS			
Non-Current Assets			
Investment properties	5	10,500,000	10,096,942
Investment in subsidiary companies	6	54,772,642	56,909,134
Total Non-Current Assets		54,272,642	67,006,076
Current Assets			
Other receivables	10	59,006	195,262
Cash and bank balances		27,074	37,617
Total Current Assets		86,080	232,879
Total Assets		65,358,722	67,238,955
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	84,902,259	84,902,259
Accumulated losses		(20,400,313)	(19,523,687)
Total Equity		64,501,946	65,378,572
Non-Current Liability			
Deferred tax liability		148,659	-
Current Liabilities			
Other payables	23	40,480	202,218
Amount owing to subsidiary companies	24	667,637	1,658,165
Total Current Liabilities		708,117	1,860,383
Total Liabilities		856,776	1,860,383
Total Equity and Liabilities		65,358,722	67,238,955

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM	2022 RM
Revenue	25	-	120,000
Other operating income	26	869,035	81,900
Administrative expenses		(1,597,002)	(993,747)
Loss before taxation		(727,967)	(791,847)
Taxation	30	(148,659)	-
Loss/Total comprehensive loss for the financial year		(876,626)	(791,847)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<---- Non-distributable	-->	Distributable	
	Share capital RM	Treasury shares RM	Accumulated losses RM	Total RM
At 1 January 2022	84,470,706	(678,268)	(18,731,840)	65,060,598
Resale of treasury shares (Notes 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
Loss/Total comprehensive loss for the financial year	-	-	(876,626)	(876,626)
At 31 December 2023	84,902,259	-	(20,400,313)	64,501,946

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Loss before taxation		(727,967)	(791,847)
Adjustments for : -			
Depreciation of investment properties		216,352	216,353
Revaluation gain		(619,410)	-
Operating loss before changes in working capital		(1,131,025)	(575,494)
Changes in working capital : -			
Other receivables		136,256	(124,848)
Other payables		(161,738)	40,412
Amount owing to subsidiary companies		(990,528)	(6,685,265)
Net cash used in operating activities		(2,147,035)	(7,345,195)
Cash flow from investing activities			
Investment in subsidiary company		(100,000)	-
Collection of quasi-investment	6	2,236,492	6,202,322
Net cash generated from investing activities		2,136,492	6,202,322
Cash flow from financing activity			
Resale of treasury shares		-	1,109,821
Net cash generated from financing activity		-	1,109,821
Net decrease in cash and cash equivalents		(10,543)	(33,052)
Cash and cash equivalents at the beginning of the financial year		37,617	70,669
Cash and cash equivalents at the end of the financial year	33	27,074	37,617

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2023

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

Registered office	:	B-21-1, Level 21 Tower B, Northpoint Midvalley City No. 1 Medan Syed Putra Utara 59200 Kuala Lumpur.
Principal place of business	:	Lot 14, Jalan CJ 1/1 Kawasan Perindustrian Cheras Jaya Batu 11 43200 Cheras, Selangor.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 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 2023 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 25 April 2024.

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 Group and the Company have applied the following accounting standards, interpretations and amendments to the MFRSs for the financial year beginning on 1 January 2023 : -

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

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

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

a) Statement of compliance (Cont'd.)

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 2024

- Amendments to MFRS 7, Financial Instruments : Disclosures – Supplier Finance Arrangements
- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabiliites with Covenants
- Amendments to MFRS 107, Statement of Cash Flows – Supplier Finance Arrangements

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

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

The Group and the Company plan 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.

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.

Notes to the Financial Statements
31 December 2023

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

d) Use of estimates and judgements (Cont'd.)

(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.

3. Material 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 though 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 as 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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

a) Basis of consolidation (Cont'd.)

(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.

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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

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

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 appliable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

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.

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.

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

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.

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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

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

Financial liabilities (Cont'd.)

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.

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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

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.

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.

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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

c) Property, plant and equipment

iv) Revaluation of assets

Leasehold land and factory buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on building and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the leasehold land and factory buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The revaluation reserve is transferred in full directly to retained earnings when the asset is derecognised

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) Inventories

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

The cost of inventories is calculated using the weighted average 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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

f) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measure at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for 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 under 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.

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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

h) Impairment of assets (Cont'd.)

(i) Financial assets (Cont'd.)

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 of 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 2023

3. Material 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.

(ii) Definition of a lease

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.

(iii) 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.

Notes to the Financial Statements
31 December 2023

3. Material accounting policies (Cont'd.)

i) Leases (Cont'd.)

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

a. As a lessee (Cont'd.)

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.

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".

3. Material accounting policies (Cont'd.)

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.

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.

3. Material accounting policies (Cont'd.)

m) Revenue (Cont'd.)

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

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.

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 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 2023

3. Material 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 2023

3. Material 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 2023

4. Property, plant and equipment

Group	Factory buildings and building improvements RM	Right-of-use asset - Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Right-of-use asset - Plant and machinery RM	Total RM
	<-------- At valuation ---->		<---------------------------- At cost ---------------------------->					
At 1 January 2022	24,096,629	10,130,000	33,160,145	484,448	19,697,676	7,804,318	2,649,332	98,022,548
Additions	188,296	-	411,336	-	716,347	60,556	-	1,376,535
Reclassification	-	-	969,332	-	-	-	(969,332)	-
Written off	(63,791)	-	-	(121,748)	(628,961)	-	-	(814,500)
Reclassification to non-current assets held for sale (Note 12)	(2,936,658)	(2,720,000)	-	-	(2,608,699)	-	-	(8,265,357)
At 31 December 2022	21,284,476	7,410,000	34,540,813	362,700	17,176,363	7,864,874	1,680,000	90,319,226
Additions	-	-	1,155,317	-	307,426	24,143	527,725	2,014,611
Revaluation (Note 16)	10,115,524	25,690,000	-	-	-	-	-	35,805,524
Disposal	-	-	(701,102)	(145,540)	-	-	-	(846,642)
Written off	-	-	(12,985,856)	-	(8,672,699)	-	-	(21,658,555)
At 31 December 2023	31,400,000	33,100,000	22,009,172	217,160	8,811,090	7,889,017	2,207,725	105,634,164

Group	Leasehold Factory buildings and building improvements RM	Right-of-use asset - Leasehold land RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Right-of-use asset - Plant and machinery RM	Total RM
Accumulated depreciation								
At 1 January 2022	6,252,804	2,834,965	26,982,241	414,411	17,740,847	5,579,375	223,298	60,027,941
Charge for the financial year	500,396	120,280	503,477	24,716	934,225	202,501	88,311	2,373,906
Reclassification	-	-	166,942	-	-	-	(166,942)	-
Written off	(63,791)	-	-	(121,748)	(628,518)	-	-	(814,057)
Reclassification to non-current assets held for sale (Note 12)	(1,272,633)	(824,684)	-	-	(2,304,680)	-	-	(4,401,997)
At 31 December 2022	5,416,776	2,130,561	27,652,660	317,379	15,741,874	5,781,876	144,667	57,185,793
Charge for the financial year	440,436	86,410	509,663	24,718	1,008,058	67,666	84,410	2,221,361
Revaluation (Note 16)	(5,857,212)	(2,216,971)	-	-	-	-	-	(8,074,183)
Disposal	-	-	(478,814)	(145,540)	-	-	-	(624,354)
Written off	-	-	(11,446,255)	-	(8,007,412)	-	-	(19,453,667)
At 31 December 2023	-	-	16,237,254	196,557	8,742,520	5,849,542	229,077	31,254,950
Carrying amount								
At 31 December 2022	15,867,700	5,279,439	6,888,153	45,321	1,434,489	2,082,998	1,535,333	33,133,433
At 31 December 2023	31,400,000	33,100,000	5,771,918	20,603	68,570	2,039,475	1,978,648	74,379,214

The leasehold lands and leasehold factory buildings and building improvements of the Group have been revalued on 31 December 2023 by external independent valuers, Laurelcap Sdn. Bhd., a member of the Institute of Valuers in Malaysia. Fair value is determined by comparison and investment method of valuation.

Notes to the Financial Statements
31 December 2023

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

a) The remaining period of the lease term of the leasehold land is 66 years (2022 – 67 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 19, Note 20 and Note 21 to the financial statements are as follows : -

	Group	
	2023 RM	**2022 RM**
Right-of-use asset - leasehold land	33,100,000	5,279,439
Leasehold factory buildings	20,900,000	5,770,756
	54,000,000	11,050,195

c) Fair value information

The fair value of property, plant and equipment of the Group is categorised as follows : -

Group	**Level 3 RM**
2023	
Leasehold land	33,100,000
Leasehold factory buildings	31,400,000
	64,500,000
2022	
Leasehold land	7,410,000
Leasehold factory buildings	21,284,476
	28,694,476

5. Investment properties

Company	**Leasehold land and factory buildings RM**
Cost	
At 1.1.2022/31.12.2022/1.1.2023	10,800,000
Revaluation	(300,000)
31.12.2023	10,500,000
Accumulated depreciation	
At 1.1.2022	486,705
Charge for the financial year	216,353
At 31.12.2022	703,058
Charge for the financial year	216,352
Revaluation	(919,410)
At 31.12.2023	-
Carrying amount	
At 31.12.2022	10,096,942
At 31.12.2023	10,500,000

Notes to the Financial Statements
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5. Investment properties (Cont'd)

The leasehold land and factory buildings of the Company have been revalued on 31 December 2023 by external independent valuers, Laurelcap Sdn. Bhd., a member of the Institute of Valuers in Malaysia. Fair value is determined by comparison and investment method of valuation.

The total fair value of investment properties of the Company as at financial year end was RM10,500,000 (2022 – cost at RM10,800,000).

Rental income of RM210,600 (2022 – RM81,900) 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
2023	
Investment properties	10,500,000
2022	
Investment properties	10,800,000

6. Investment in subsidiary companies

	Company 2023 RM	 2022 RM
In Malaysia		
Unquoted shares, at cost	32,591,322	14,805,746
Addition by cash	100,000	-
Addition by capitalisation of quasi-investment	900,000	19,000,000
	33,591,322	33,805,746
Less: Accumulated impairment losses	(2,042,049)	(3,256,473)
	31,549,273	30,549,273
Advances to subsidiary companies treated as quasi-investment	23,223,369	26,359,861
	54,772,642	56,909,134

Movement of quasi-investment : -

	Company 2023 RM	 2022 RM
As at 1 January	26,359,861	51,562,183
Capitalisation of quasi-investment	(900,000)	(19,000,000)
Repayment	(2,236,492)	(6,202,322)
As at 31 December	23,223,369	26,359,861

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.

Notes to the Financial Statements
31 December 2023

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

During the financial year, the Company increase its investment in the subsidiary company by way of capitalisation of RM900,000 (2022 – RM19,000,000) of the quasi-investment to the subsidiary company.

Movement of accumulated impairment losses as follows : -

	Company 2023 RM	Company 2022 RM
At 1 January	3,256,473	3,256,473
Written off	(1,214,424)	-
31 December	2,042,049	3,256,473

The details of the subsidiary companies are as follows : -

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2023 %	Effective ownership interest 2022 %
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	Deregistered in 2023	Nil	78
Paragon Metal Components Sdn Bhd	Malaysia	Deregistered in 2023	Nil	77
Paragon Metal Sdn Bhd	Malaysia	Recycling and related activities	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
Paragon Carpet Art Sdn Bhd#	Malaysia	Newly incorporate, dormant.	100	100

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

The unaudited management accounts were consolidated in the Group financial statements as the subsidiary company was newly incorporated at the end of financial year and remain dormant.

Notes to the Financial Statements
31 December 2023

7. Deferred tax (liabilities)/assets

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

	Group	
	2023	**2022**
	RM	**RM**
At 1 January	8,044	54,907
Recognised in profit or loss (Note 30)	(8,044)	(46,863)
Recognised in equity	(11,251,497)	-
At 31 December	(11,251,497)	8,044

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

	Group	
	2023	**2022**
	RM	**RM**
Deferred tax assets		
- Unutilised tax losses	8,044	15,415,667
- Provisions and others	-	8,044
	8,044	15,423,711
Offsetting	(8,044)	(15,415,667)
	-	8,044
Deferred tax liabilities		
- Revaluation surplus	(11,251,497)	-

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	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment	(7,948,603)	(12,834,542)	-	-
Unutilised tax losses	26,274,446	23,445,478	3,825,967	3,175,116
Provision and others	9,130,741	11,601,351	-	-
	27,456,584	22,212,287	3,824,967	3,175,116
Deferred tax assets not recognised at 24% (2022 – 24%)	6,589,580	5,330,949	917,992	762,028

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 10 consecutive years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

Notes to the Financial Statements
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8. Inventories

	Group	
	2023	**2022**
	RM	**RM**
At cost		
Raw material	7,472,102	8,718,609
Work-in-progress	1,718,381	1,479,522
Finished goods	7,942,879	6,734,827
	17,133,362	16,932,958
Less: Impairment losses	(123,786)	(123,786)
	17,009,576	16,809,172

Movement of accumulated impairment losses are as follows : -

	Group	
	2023	**2022**
	RM	**RM**
At 1 January	123,786	4,737,665
Addition	-	123,786
Written off	-	(4,737,665)
At 31 December	123,786	123,786

Recognised in profit or loss : -		
- Inventories recognised as cost of sales	40,971,957	47,741,352
- Impairment loss on inventories	123,786	123,786

9. Trade receivables

	Group	
	2023	**2022**
	RM	**RM**
Trade receivables	9,112,273	7,456,044
Less: Impairment loss (Note 35(b)(i))	(27,252)	(29,354)
	9,085,021	7,426,690

The Group's normal trade credit terms range from 30 to 60 days (2022 – 30 to 60 days). Other credit terms are assessed and approved on a case-to-case basis.

Movement of accumulated impairment losses are as follows : -

	Group	
	2023	**2022**
	RM	**RM**
At 1 January	29,354	29,354
Reversal	(2,102)	-
At 31 December	27,252	29,354

Notes to the Financial Statements
31 December 2023

10. Other receivables

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Other receivables	115,766	731,942	12,756	114,434
Less: Impairment loss (Note 35(b)(i))	(49,964)	(49,964)	-	-
	65,802	681,978	12,756	114,434
Deposits	470,102	229,523	46,250	51,250
Prepayments	2,235,718	2,751,912	-	29,578
	2,771,622	3,663,413	59,006	195,262

11. Fixed deposit 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 19 and Note 20 to the financial statements.

The fixed deposit with licensed bank of the Group has maturity period of 12 months (2022 – 12 months). The interest rate of fixed deposit with licensed bank is 3.10% (2022 – 2.15%) per annum.

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 2023 RM	Group 2022 RM
Property, plant and equipment	-	3,863,360

The carrying amount of property, plant and equipment was the same as its carrying amount before it was reclassified to current asset.

13. Share capital

	Group/Company 2023 Number of shares	Group/Company 2022 Number of shares	Group/Company 2023 RM	Group/Company 2022 RM
Issued and fully paid				
At 1 January	84,902,259	84,902,259	84,902,259	84,470,706
Gain on resale of treasury shares	-	-	-	431,553
At 31 December	84,902,259	84,902,259	84,902,259	84,902,259

In the previous 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.

Notes to the Financial Statements
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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			
	2023	**2022**	**2023**	**2022**
	Number of shares		**RM**	**RM**
Issued and fully paid				
At 1 January	-	851,740	-	678,268
Resale of treasury shares	-	(851,740)	-	(678,268)
At 31 December	-	-	-	-

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.

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
Vesting of ESS			
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)
	-		-

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.

Notes to the Financial Statements
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16. Revaluation reserves

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Revaluation reserve	43,879,707	-	-	-
Deferred tax	(11,251,497)	-	-	-
	32,628,210	-	-	-

The revaluation reserve represents the surplus arising from the revaluation of the leasehold land and factory buildings, net of deferred tax effect.

17. Lease liabilities

	Group	
	2023	**2022**
	RM	**RM**
Minimum lease payments : -		
- not later than one year	324,160	258,880
- between one to five years	702,644	228,867
	1,026,804	487,747
Less: Future interest charges	(106,768)	(41,596)
Present value of lease liabilities	920,036	446,151
Repayable as follows : -		
- current year	270,086	231,490
- non-current	649,950	214,661
	920,036	446,151

	2023	**2022**
	%	**%**
Effective interest rate	6.75	6.47

18. Bank borrowings

	Group	
	2023	**2022**
	RM	**RM**
Current		
Bank overdrafts	2,658,506	4,587,297
Banker's acceptance	-	247,000
Usance letter of credit	2,354,354	3,738,911
Term loans	211,516	427,942
	5,224,376	9,001,150
Non-Current		
Term loans	4,993,444	9,677,754
	10,217,820	18,678,904

Notes to the Financial Statements
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18. Bank borrowings (Cont'd.)

	Group	
	2023	**2022**
	RM	**RM**
Total borrowings		
Secured		
Bank overdrafts (Note 19)	2,658,506	4,587,297
Banker's acceptance (Note 20)	-	247,000
Usance letter of credit (Note 20)	2,354,354	3,738,911
Term loans (Note 21)	5,204,960	10,105,696
	10,217,820	18,678,904

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

	Group	
	2023	**2022**
	%	**%**
Bank overdrafts	6.85 – 8.40	6.05 – 8.15
Banker's acceptance	-	3.25 – 4.45
Usance letter of credit	6.35 – 8.15	3.00 – 5.35
Term loans	4.40 – 4.65	3.30 – 4.40

19. Bank overdrafts

Group

Secured

The bank overdraft is secured by the following : -

a) corporate guarantee by the Company and subsidiary;

b) legal charge over the factory buildings of the Group as disclosed in Note 4 to the financial statements; and

c) pledged of fixed deposit.

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 subsidiary;

b) legal charge over the factory buildings of the Group as disclosed in Note 4 to the financial statements; and

c) pledged of fixed deposit.

Notes to the Financial Statements
31 December 2023

21. Term loans

	Group	
	2023	**2022**
	RM	**RM**
<u>Secured</u>		
Term loan 1	5,204,960	5,411,209
Term loan 2	-	4,694,487
	5,204,960	10,105,696
Repayable as follows : -		
Non-current liabilities		
- Later than one year not later than two years		
Term loan 1	453,652	238,307
Term loan 2	-	198,983
	453,652	437,290
- Later than two years and not later than five years		
Term loan 1	497,776	774,910
Term loan 2	-	676,038
	497,776	1,450,948
- Later than five years		
Term loan 1	4,042,016	4,169,033
Term loan 2	-	3,620,483
	4,042,016	7,789,516
Repayable as follows : -		
Current liabilities		
- Not later than one year		
Term loan 1	211,516	228,959
Term loan 2	-	198,983
	211,516	427,942
	5,204,960	10,105,696

<u>Secured</u>

<u>Term loan 1</u>

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) corporate guarantee by its subsidiary company; and

c) guarantee by the Company's director.

<u>Term loan 2</u>

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.

Notes to the Financial Statements
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22. Trade payables

The Group's normal trade credit terms range from 30 to 90 days (2022 – 30 to 90 days).

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

	Group	
	2023	**2022**
	RM	**RM**
Ringgit Malaysia	3,975,425	3,752,535
Chinese Renminbi	135,927	562,543
United State Dollar	480,393	303,666
Euro	704	74,090
Thailand Baht	130,301	112,143
Swedish Krona	9,719	-
	4,732,469	4,804,977

23. Other payables

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Other payables	3,509,678	6,281,870	6,980	177,618
Deposit received	498,033	928,253	-	-
Accruals	100,065	101,143	-	-
Provision	44,300	76,969	33,500	24,600
	4,152,076	7,388,235	40,480	202,218

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.

25. Revenue

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Revenue recognised from contracts with customers	91,667,539	60,955,740	-	-
Management fee	-	-	-	120,000
	91,667,539	60,955,740	-	120,000

Notes to the Financial Statements
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25. Revenue (Cont'd)

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

	Group	
	2023	**2022**
	RM	**RM**
Major segments : -		
- commercial	11,618,629	10,146,023
- automotive	47,549,728	50,809,717
- recycling	32,499,183	-
	91,667,539	60,955,740
Geographical market : -		
- Malaysia	80,467,341	59,920,934
- Singapore	859,722	539,455
- Brunei	8,053	30,960
- South Korea	129,791	-
- United Arab Emirates	65,030	464,391
- Thailand	2,171,142	-
- China	2,417,147	-
- Vietnam	389,164	-
- Indonesia	2,195,850	-
- Mozambique	1,942,251	-
- Tanzania	684,026	-
- Pakistan	67,688	-
- Philippines	270,334	-
	91,667,539	60,955,740
Timing of revenue recognition : -		
- at a point in time	84,520,838	54,358,587
- over time	7,146,701	6,597,153
	91,667,539	60,955,740

26. Other operating income

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Insurance claims	3,131,223	672,254	-	-
Rental income	-	-	210,600	81,900
Gain on disposal of property, plant and equipment	11,453,671	194,975	-	-
Interest income	14,013	14,667	-	-
Reversal of impairment loss on trade receivables no longer required	1,983	748,133	-	-
Other payable waived	39,025	-	39,025	-
Revaluation gain	-	-	619,410	-
Sales of scrap and tools	1,815,078	362,345	-	-
	16,454,993	1,992,374	869,035	81,900

Notes to the Financial Statements
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27. Finance costs

	Group	
	2023	**2022**
	RM	**RM**
Interest expenses on : -		
Bank overdrafts	407,086	339,006
Banker's acceptance	14,833	19,036
Lease liabilities	41,964	51,351
Usance letter of credit	138,846	132,185
Term loans	358,107	597,697
	960,836	1,139,275

28. Profit/(Loss) before taxation

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
This is arrived at after charging : -				
Auditors' remuneration				
- current year	120,000	85,500	30,000	25,000
- other services	11,000	11,000	11,000	11,000
Bad receivables written off	-	-	162,460	-
Depreciation of property, plant and equipment	2,221,361	2,373,906	-	-
Depreciation of investment properties	-	-	216,352	216,353
Property, plant and equipment written off	2,204,888	443	-	-
Director remuneration (Note 38)	1,312,987	1,145,121	159,000	195,000
Impairment loss on inventories	-	123,786	-	-
Realised loss on foreign exchange	-	141,879	-	-
Staff costs (Note 29)	13,656,536	8,040,964	-	-
and crediting : -				
Reversal of impairment loss on trade receivables no longer required	(1,983)	(748,133)	-	-
Gain on disposal of property, plant and equipment	(11,453,671)	(194,975)	-	-
Other payables waived	(39,025)	-	(39,025)	-
Rental income	-	-	(210,600)	(81,900)
Interest income	(14,013)	(14,667)	-	-

29. Staff costs

	Group	
	2023	**2022**
	RM	**RM**
Salaries, bonus, wages and allowances	12,533,503	7,678,180
Employees Provident Fund	958,448	263,682
Social Security Cost and Employment Insurance System	164,585	99,102
	13,656,536	8,040,964

Notes to the Financial Statements
31 December 2023

30. Taxation

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Malaysian income tax : -				
- over provision in prior years	96,000	(82)	-	-
Deferred tax (Note 7)				
- current year	-	-	148,659	-
- over provision in prior years	8,044	46,863	-	-
	104,400	46,781	148,659	-

Income tax is calculated at the Malaysian statutory tax rates of 24% (2022 – 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 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Applicable tax rate	24	24	24	24
Non-deductible expenses	7	(6)	(20)	(18)
Income not subject to tax	(34)	1	14	*
Deferred tax assets not recognised	-	(19)	(18)	(6)
Over provision of taxation in prior years	3	*	-	-
Over provision of deferred tax in prior years	1	(1)	-	-
Effective tax rate	1	*	-	

** Less than 1%*

31. Earnings/(Loss) per share

Basic

Basic earnings/(loss) 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 2023	Group 2022
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	9,149,159	(5,685,837)
Weighted average number of ordinary shares in issue (Unit)	83,829,652	83,829,652
Earnings/(Loss) per share (sen)	10.91	(6.78)

Diluted

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

Notes to the Financial Statements
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32. 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 2022	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
Net changes from financing cash flows	473,885	(6,532,293)	(6,058,408)
At 31 December 2023	920,036	7,559,314	8,479,350

		Group	
	Note	2023 RM	2022 RM
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	27	(41,964)	(51,351)
Included in net cash from financing activities:			
Drawdown/(Payment) of lease liabilities		473,885	(480,963)
Total cash inflows/(outflows) for leases		431,921	(532,314)

33. Cash and cash equivalents

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	1,222,964	300,789	27,074	37,617
Bank overdraft (Note 18 and Note 19)	(2,658,506)	(4,587,297)	-	-
Fixed deposit with licensed bank	3,300,000	756,767	-	-
	1,864,458	(3,529,741)	27,074	37,617
Less: Fixed deposit pledged	(3,300,000)	(756,767)	-	-
	(1,435,542)	(4,286,508)	27,074	37,617

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	4,439,408	1,048,022	27,074	37,617
United State Dollar	83,284	9,534	-	-
EURO	272	-	-	-
	4,522,964	1,057,556	27,074	37,617

Notes to the Financial Statements
31 December 2023

34. 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

Recycling : Metal recycling

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	Recycling RM	Non-reportable segments RM	Total RM
2023					
Revenue					
Revenue from external customers	47,549,728	11,618,629	32,499,182	-	91,667,539
Results					
Finance income	-	14,013	-	-	14,013
Reversal of impairment loss on trade receivables no longer required	-	1,983	-	-	1,983
Depreciation of property, plant and equipment	1,529,141	474,217	1,650	216,353	2,221,361
Finance costs	456,420	504,416	-	-	960,836
Taxation	-	-	96,000	8,044	104,044
Segment results	10,631,490	(420,185)	396,294	(1,458,440)	9,149,159
Segment assets	49,384,074	45,965,455	2,047,986	10,436,882	107,834,397
Segment liabilities	15,522,099	14,137,111	1,388,953	225,735	31,273,898

Notes to the Financial Statements
31 December 2023

34. Segmental information (Cont'd.)

a) Business segment (Cont'd.)

	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 eceivables 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	33,855,454	21,857,620	10,394,425	66,107,499
Segment liabilities	15,232,613	15,838,029	247,625	31,318,267

b) Geographical information

Geographical information of revenue by location of customers is disclosed in Note 25 to the financial statements.

c) Information about major customers

	Segment	2023 RM	2022 RM
Customer A	Automotive	16,714,764	13,403,727
Customer B	Automotive	7,066,856	7,965,270
Customer C	Automotive	7,782,554	7,297,953
Customer D	Recycling	8,613,128	-

35. 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 2023

35. Financial instruments (Cont'd.)

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

	Carrying amount RM	FAAC RM	FLAC RM
Group			
2023			
Financial assets			
Trade receivables	9,085,021	9,085,021	-
Other receivables and deposits	535,904	535,904	-
Cash and bank balances	1,222,964	1,222,964	-
	10,843,889	10,843,889	-
Financial liabilities			
Trade payables	(4,732,469)	-	(4,732,469)
Other payables, deposits, accruals and provision	(4,152,076)	-	(4,152,076)
Lease liabilities	(920,036)	-	(920,036)
Bank borrowings	(10,217,820)	-	(10,217,820)
	(20,022,401)	-	(20,022,401)
2022			
Financial assets			
Trade receivables	7,426,690	7,426,690	-
Other receivables and deposits	911,501	911,501	-
Fixed deposit with licensed bank	756,767	756,767	-
Cash and bank balances	300,789	300,789	-
	9,395,747	9,395,747	-
Financial liabilities			
Trade payables	(4,804,977)	-	(4,804,977)
Other payables, deposits, accruals and provision	(7,388,235)	-	(7,388,235)
Lease liabilities	(446,151)	-	(446,151)
Bank borrowings	(18,678,904)	-	(18,678,904)
	(31,318,267)	-	(31,318,267)
Company			
2023			
Financial assets			
Other receivables and deposits	59,006	59,006	-
Cash and bank balances	27,074	27,074	-
	86,080	86,080	-
Financial liabilities			
Other payables and provision	(40,480)	-	(40,480)
Amount owing to subsidiary companies	(667,637)	-	(667,637)
	(708,117)	-	(708,117)
2022			
Financial assets			
Other receivables and deposits	165,684	165,684	-
Cash and bank balances	37,617	37,617	-
	203,301	203,301	-
Financial liabilities			
Other payables	(202,218)	-	(202,218)
Amount owing to subsidiary companies	(1,658,165)	-	(1,658,165)
	(1,860,383)	-	(1,860,383)

Notes to the Financial Statements
31 December 2023

35. Financial instruments (Cont'd.)

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.

<u>Trade receivables</u>

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.

Concentration of credit risk

As at 31 December 2023, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM4,608,561 due from top five trade receivables which represents 51% 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.

Notes to the Financial Statements
31 December 2023

35. 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

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			
2023			
Neither past due nor individually impaired	6,794,232	-	6,794,232
Past due but not individually impaired : -			
- 1 – 30 days	1,260,796	-	1,260,796
- 31 – 60 days	510,882	-	510,882
- 61 – 365 days	510,276	-	510,276
- more than 365 days	36,087	(27,252)	8,835
	9,112,273	(27,252)	9,085,021
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

Notes to the Financial Statements
31 December 2023

35. 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 accumulated 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 2022	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
Reversal of impairment loss on trade receivables no longer required	(2,102)	-	(2,102)
At 31 December 2023	27,246	-	27,246

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 accumulated impairment losses in respect of other receivables during the financial year is as follows : -

	Group	
	2023 RM	2022 RM
At 1 January/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 2023

35. 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
2023							
Non-derivative financial liabilities							
Trade payables	4,732,469	-	4,732,469	4,732,469	-	-	-
Other payables	4,152,076	-	4,152,076	4,152,076	-	-	-
Lease liabilities	920,036	6.75	1,026,805	324,160	219,828	482,817	-
Bank borrowings	10,217,820	4.40 – 8.40	12,504,747	5,461,936	898,152	1,796,304	4,348,355
	20,022,401		22,416,097	14,670,641	1,117,980	2,279,121	4,348,355
2022							
Non-derivative financial liabilities							
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
	31,318,267		32,674,645	13,282,360	941,630	2,608,309	9,759,942

Company	Carrying Amount RM	Contractual Interest rate %	Contractual Cash flows RM	Within 1 year RM
2023				
Non-derivative financial liabilities				
Other payables and provision	40,480	-	40,480	40,480
Amount owing to subsidiary companies	667,637	-	667,637	667,637
Financial guarantee*	-	-	13,849,000	13,849,000
	708,117		14,557,117	14,557,117
2022				
Non-derivative financial liabilities				
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
	1,860,383		10,433,591	10,433,591

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

Notes to the Financial Statements
31 December 2023

35. 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.

<u>Currency risk</u>

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"), Thai Baht ("THB") and Swedish Krona ("SEK")

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 : -

	Group	
	2023	**2022**
	RM	**RM**
Balance recognised in the statement of financial position		
Denominated in RMB		
- Trade payables	(135,927)	(562,543)
Denominated in USD		
- Trade payables	(480,393)	(303,666)
- Cash and cash equivalents	83,284	9,534
	(397,109)	(294,132)
Denominated in EUR		
- Trade payables	(704)	(74,090)
Denominated in THB		
- Trade payables	(130,301)	(112,143)
Denominated in SEK		
- Trade payables	9,719	-

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.

35. 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.)

	2023		2022	
Group	**Equity RM**	**Profit or loss RM**	**Equity RM**	**Profit or loss RM**
RMB	6,796	6,796	28,127	28,127
USD	19,855	19,855	14,707	14,707
EUR	35	35	3,705	3,705
THB	6,515	6,515	5,607	5,607
SEK	486	486	-	-

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 : -

	2023		2022	
Group	**RM**	**%**	**RM**	**%**
Fixed rate instruments				
Lease liabilities	920,036	6.75	446,151	6.47
Floating rate instruments				
Bank overdrafts	2,658,506	6.85 – 8.40	4,587,297	6.05 – 8.15
Banker's acceptance	-	-	247,000	3.25 – 4.45
Usance letter of credit	2,354,354	6.35 – 8.15	3,738,911	3.00 – 5.35
Term loans	5,204,960	4.40 – 4.65	10,105,696	3.30 – 4.40

Notes to the Financial Statements
31 December 2023

35. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

(ii) Market risk (Cont'd.)

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 RM77,655 (2022 – RM141,969) 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.

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 : -

	2022		2021	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Lease liabilities	920,036	1,026,805	446,151	487,747

(i) the carrying amount of cash and cash equivalents and short-term receivables and payables reasonably approximately 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.

Notes to the Financial Statements
31 December 2023

36. 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	
	2023	**2022**
	RM	**RM**
Bank borrowings	10,217,820	18,678,904
Lease liabilities	920,036	446,151
Less: Fixed deposit with licensed bank	(3,300,000)	(756,767)
Less: Cash and bank balances	(1,222,964)	(300,789)
Net bank borrowings	6,614,892	18,067,499
Equity attributable to owners of the Company	76,560,499	34,783,130
Gearing ratio	8.64	51.954

37. Financial guarantee

	Group	
	2023	**2022**
	RM	**RM**
Unsecured corporate guarantees in respect of banking facilities granted to subsidiary companies	13,849,000	8,573,208

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

38. 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.

Notes to the Financial Statements
31 December 2023

38. Related parties (Cont'd.)

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 show below. The related party balances are shown in Note 24 to the financial statements.

	Company	
	2023	**2022**
	RM	**RM**
Management fee received/receivable from subsidiary companies	-	120,000
Management fee paid/payable to a subsidiary company	101,058	66,185
Rental income received/receivable from subsidiary companies	210,600	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.

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Director remuneration : -				
Fees	159,000	195,000	159,000	195,000
Salaries and other emoluments	1,027,500	846,533	-	-
	1,186,500	1,041,533	159,000	195,000
Post-employment benefits				
Defined contribution plan	126,487	103,588	-	-
	1,312,987	1,145,121	159,000	195,000
Other key management personnel : -				
Salaries and other emoluments	785,798	701,145	-	-
Estimated monetary value of benefits-in-kind	6,500	6,500	-	-
	792,298	707,645	-	-
Post-employment benefits				
Defined contribution plan	69,423	87,065	-	-
	861,721	794,710	-	-

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 63 to 115 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 2023 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: 25 April 2024

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 63 to 115, 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 on 25 April 2024.

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 Thirtieth 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 at https://paragon-agm.digerati.com.my (Domain registration number D1A119533) provided by Digerati Technologies Sdn Bhd in Malaysia on Wednesday, 26 June 2024 at 10:30 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 ending 31 December 2024.		
2	To re-elect Wong Ee-Coln as Director.		
3	To re-elect Tong Siut Moi as Director.		
4	To re-elect Teo Siang Ly as Director.		
5	To re-appoint Messrs Kreston John & Gan as auditors of the Company and to authorise the Directors to fix their remuneration.		
6	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
7	Proposed Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	Proposed allocation of Share Options and/or Award of Paragon Shares to Koy Huey Min under the Long-Term Incentive Scheme		
9	Proposed allocation of Share Options and/or Award of Paragon Share to Teo Siang Ly under the Long-Term Incentive Scheme.		

(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 _________ ,2024

____

(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, Aldpro Corporate Services Sdn. Bhd. 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 14 June 2024 (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.*

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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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PARAGON UNION BERHAD
Company No. 199401000779 (286457-V)

Lot 14, Jalan Satu, Kawasan Perindustrian Cheras Jaya
Batu 11, Cheras 43200, Selangor Darul Ehsan, Malaysia

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