

# **PARAGON UNION BERHAD**

Company No. 286457-V  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

### CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO THE INTERIM FINANCIAL STATEMENT	5-8
ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENT (APPENDIX 9 B)	9-12

**PARAGON UNION BERHAD (286457-V)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	14,232	13,073	41,648	38,212
Cost of Sales	(12,275)	(11,324)	(36,096)	(32,330)
Gross Profit	1,957	1,749	5,552	5,882
Operating expenses	(2,468)	(2,326)	(8,452)	(8,553)
Other incomes	812	62	2,186	250
Profit/(loss) from operations	301	(515)	(714)	(2,421)
Finance costs	(224)	(211)	(765)	(616)
Profit/(loss) before Taxation	77	(726)	(1,479)	(3,037)
Taxation	(24)	-	120	-
Profit/(loss)/total comprehensive income/(expenses) for the period	53	(726)	(1,359)	(3,037)
Profit/(loss) /total comprehensive income/(expenses) attributable to:				
Owners of the Company	53	(726)	(1,359)	(3,037)
Non-controlling interest	-	-	-	-
	53	(726)	(1,359)	(3,037)
Profit/(loss) per share (sen)				
- Basic and Diluted	0.08	(1.12)	(2.10)	(4.69)

(The Condensed Consolidated Statement of Profit or loss and other Comprehensive Income should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	(Unaudited) As at end of Current Quarter 30/09/2019 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2018 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	25,432	26,995
	25,432	26,995
<b>Current Assets</b>		
Inventories	26,195	22,225
Trade and Other Receivables	11,323	13,737
Tax recoverable	-	174
Cash and Bank balances	118	750
	37,636	36,886
<b>TOTAL ASSETS</b>	<b>63,068</b>	<b>63,881</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(4,221)	(4,221)
Accumulated Losses	(22,850)	(21,491)
<b>Equity attributable to equity holders of the company</b>	<b>38,311</b>	<b>39,670</b>
<b>Non-controlling interests</b>	<b>(31)</b>	<b>(31)</b>
<b>Total Equity</b>	<b>38,280</b>	<b>39,639</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	1,934	1,866
Finance Lease Liabilities	1,172	1,180
Bank Borrowings	5,891	1,579
	8,997	4,625
<b>Current Liabilities</b>		
Trade and Other Payables	4,734	6,862
Finance Lease Liabilities	136	627
Bank Borrowings	10,659	12,128
Tax Payables	262	-
	15,791	19,617
<b>TOTAL LIABILITIES</b>	<b>24,788</b>	<b>24,242</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>63,068</b>	<b>63,881</b>
<b>Net Assets Per Share (RM)</b>	<b>0.59</b>	<b>0.61</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019(UNAUDITED)

	← Attributable to Owners of the Company →				Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Accumulated Losses RM'000			
<b>Balance as at 1 January 2019</b>	70,000	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639
Loss/Total comprehensive expenses for the financial period	-	-	-	(1,359)	(1,359)	-	(1,359)
<b>Balance as at 30 September 2019</b>	70,000	(4,618)	(4,221)	(22,850)	38,311	(31)	38,280
<b>Balance as at 1 January 2018</b>	70,000	(4,618)	(4,221)	(20,567)	40,594	(28)	40,566
Loss/Total comprehensive expenses for the financial year	-	-	-	(924)	(924)	(3)	(927)
<b>Balance as at 31 December 2018</b>	70,000	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	(Unaudited) 9 Months Current Period to date 30/9/2019 RM'000	(Unaudited) 9 Months Preceding Period to date 30/9/2018 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(1,479)	(3,037)
Adjustments for:		
Depreciation of property, plant and equipment	1,089	1,728
Reversal of impairment loss on trade receivables	(240)	-
Inventories written back	(90)	(157)
Interest expenses	765	616
Operating profit/(loss) before working capital changes	<u>45</u>	<u>(850)</u>
Changes in working capital:		
Inventories	(3,880)	(750)
Trade & other receivables	2,654	5,763
Trade & other payables	<u>(2,128)</u>	<u>(4,575)</u>
Cash used in operations	(3,309)	(412)
Interest paid	(765)	(616)
Tax paid	<u>(175)</u>	<u>(139)</u>
<b>Net cash used in operating activities</b>	<u>(4,249)</u>	<u>(1,167)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	<u>474</u>	<u>167</u>
<b>Net cash generated from investing activities</b>	<u>474</u>	<u>167</u>
<b>Cash flows from financing activities</b>		
Repayments of term loans	(652)	(474)
Net Addition of term loan	4,810	-
(Repayments)/Net addition of banker's acceptance	(91)	520
Net addition/(Repayments) of usance letter of credit	1,294	(1,140)
Repayments of finance lease liabilities	<u>(500)</u>	<u>(507)</u>
<b>Net cash generated/(used in) from financing activities</b>	<u>4,861</u>	<u>(1,601)</u>
<b>Net changes in cash and cash equivalents</b>	1,086	(2,601)
<b>Cash and cash equivalent at beginning of period</b>	<u>(8,695)</u>	<u>(4,228)</u>
<b>Cash and cash equivalent at end of period</b>	<u>(7,609)</u>	<u>(6,829)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	118	137
Bank overdraft	<u>(7,727)</u>	<u>(6,966)</u>
Cash and cash equivalents at end of the period	<u>(7,609)</u>	<u>(6,829)</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS**

### **Selected Explanatory Notes:**

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

### **Part A - Explanatory Notes Pursuant to MFRS134**

#### **A1. Basis of preparation**

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

The interim financial statements should be read in conjunction with the Group’s audited Financial Statements for the financial year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

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

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018. The adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments to accounting standards that are effective for the Group and the Company’s financial year beginning on or after 1 January 2018 are as follows:-

- MFRS 9, “Financial Instruments”
- MFRS 15, “Revenue from Contracts with Customers”
- Amendments to MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, “Classification and Measurement of Share-Based Payment Transactions”
- Amendments to MFRS 4, “Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts”
- Amendments to MFRS 128, “Investments in Associates and Joint Ventures” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, “Transfers of Investment Property”
- IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

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*Annual periods beginning on/after 1 January 2019*

- MFRS 16, “Leases”
- Amendments to MFRS 3, “Business Combinations” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- Amendments to MFRS 11, “Joint Arrangement” (Annual Improvement to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, “Income Taxes” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 119, “Employee Benefits”(Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, “Borrowing Costs” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23, “Uncertainty over Income Tax Treatments”

*Annual periods beginning on/after 1 January 2020*

- Amendments to References to the Conceptual Framework in MFRS Standards:
- Amendments to MFRS2, “Share Based Payments”
- Amendments to MFRS 3, “Business Combinations”
- Amendments to MFRS 6, “Exploration for and Evaluation of Mineral Resources”
- Amendments to MFRS 14, “Regulatory Deferral Accounts”
- Amendments to MFRS 101, “Presentation of Financial Statements”
- Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134, “Interim Financial Reporting”
- Amendments to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
- Amendments to MFRS 138, “Intangible Assets”
- Amendments to IC Interpretation 12, “Service Concession Arrangements”
- Amendments to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
- Amendments to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
- Amendments to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
- Amendments to IC Interpretation 132, “Intangible Assets-Web Site Costs”

*Annual periods beginning on/after 1 January 2021*

- MFRS 17, “Insurance Contracts”

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

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**A3. Qualification of Annual Financial Statements**

There has not been any qualification made by the auditors on the annual financial statements of the Group for the financial year ended 31 December 2018.

**A4. Seasonal or cyclical factors**

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

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

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

**A6. Material changes in estimates**

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

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

There was no issuances and repayment of debt and equity securities, share buy-back, share cancellations and resale of treasury shares in the current quarter under review and financial year to date.

**A8. Dividends paid**

There was no dividend paid during the current quarter under review and financial year to date.



**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

**A9. Segment Information**

Segmental information in respect of the Group's business segments is as follows:-

	Automotive		Commercial		Consolidated	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	33,679	26,797	7,969	11,415	41,648	38,212
Segment results	287	(455)	(2,806)	(353)	(2,519)	(808)
Unallocated Income					2,186	250
Unallocated expenses					(1,146)	(2,479)
Consolidated Loss before taxation					(1,479)	(3,037)

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

The property, plant and equipment of the Group are stated at cost less accumulated depreciation and accumulated impairment losses. There were no revaluation of property, plant and equipment for the current quarter and financial year ended 31 December 2018.

**A11. Subsequent material events**

There were no material events subsequent to the end of the current quarter under review.

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

There were no changes in the composition of the Group for the current quarter and financial year ended 31 December 2018.

**A13. Changes in contingent assets or contingent liabilities**

There were no material changes to the contingent assets or contingent liabilities disclosed since the last annual financial report for the financial year ended 31 December 2018 up to the date of issue of this quarterly report.

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

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

**B1. Review of performance**

**Group Performance**

Description	Current Period to date 30/09/2019 RM'000	Preceding Period To date 30/09/2018 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	41,648	38,212	3,436	8.99
Loss before tax	(1,479)	(3,037)	1,558	51.30

The Group recorded a revenue of RM 41.648million for the current period as compared to RM 38.212million in the previous corresponding period, representing improved of RM 3.436million. This is mainly due to improvement of sales generated for Automotive Sector of RM 6.882million but partly offset by deterioration of sales in Commercial Sector.

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

**Group Performance**

Description	Current Quarter 30/09/2019 RM'000	Immediate Preceding Quarter 30/06/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	14,232	15,773	(1,541)	(9.77)
Profit before tax	77	174	(97)	(55.75)

The Group revenue has decreased by RM 1.541million due to decreased in sales performance for both Automotive and Commercial Sector.

The Group registered a profit before tax in current quarter of RM 77k compared with immediate preceding quarter profit of RM 174k due to lesser sales recognition for the quarter with margin maintain in the region of approximately 13%.

**B3. Current Year Prospects**

Generally, the market would likely be experiencing a cautious attitude due to the anticipated economic slowdown as a whole.

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

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

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

**B5. Taxation**

There was no provision for taxation for the current quarter under review.

**B6. Corporate proposals**

As of 30 September 2019, there was no corporate proposal announced.

**B7. Profit before taxation**

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

Description	Current Period Quarter 30 Sep 2019 RM'000	Current Period To-Date 30 Sep 2019 RM'000
Other Income	(803)	(2,096)
Inventories written back	(9)	(90)
Interest expense	224	765
Depreciation of property, plant & equipment	31	1,089
Reversal of impairment loss on trade receivables	(240)	(240)

**B8. Details of treasury shares**

The Company did not buy-back, cancel or resell any of its own shares during the quarter under review and financial period to date. As at end of the reporting quarter, the number of treasury shares held by the company is 5,301,700 ordinary shares.

**B9. Group borrowings**

The total group borrowings as at 30 September 2019 were as follows:

	As at 30 Sep 2019 RM'000	As at 30 Sep 2018 RM'000
Short Term (current)		
Secured: Bills payable	2,249	768
Bank Overdrafts	7,727	6,966
Term Loan	683	317
Sub-Total	<u>10,659</u>	<u>8,051</u>
Long Term (non-current)		
Secured: Term Loan	<u>5,891</u>	<u>1,537</u>
Total	<u>16,550</u>	<u>9,588</u>

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

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**B10. Changes in material litigation**

Paragon Union Berhad("PUB" or "the Company") v Prestamewah Development Sdn. Bhd.("PDSB") and Liw Jun Wai("LJW") & Others

Further to the announcements made since FYE 2009 till FYE 2017 in relation to the company's action against PDSB & LJW and others, the Company wishes to further highlight the below further development :-

On 9 March 2018, the Court fixed for Decision Date on 16 March 2018 and the Court dismissed the appeal in part but allowed a restitution and thereby ordered the Respondents, PDSB and LJW to refund the sum of RM 18,000,000.00 to PUB.

On 18 April 2018, the Company has filed the Notice of Motion for Leave to Appeal to the Federal Court against the decision of Court of Appeal on 16 March 2018 inter alia held that Company's agreement and other agreements entered by various parties are unenforceable. Case Management has fixed on 3 May 2018.

On 7 May 2018, the above mentioned Notices of Motion for Leave to Appeal has fixed for Hearing on 30 August 2018 and parties are to file Written Submissions on or by 16 August 2018.

Subsequently on 10 August 2018, in view of the re-arrangement of the case, the abovementioned Notices of Motion for Leave to appeal have been rescheduled for Hearing on 5 November 2018. The Notice of Motion for Leave had been further rescheduled to 8 April 2019 and 15 July 2019 respectively.

On 18 February 2019, PUB; PDSB & LJW ("the parties") has executed the Settlement Agreement and the parties had agreed to a reduced sum of RM 13,500,000.00(PDSB's portion) and RM 3,000,000.00(LJW's portion) in which the total settlement sum of RM 16,500,000.00 as the full and final settlement of the Judgement of the Court of Appeal dated 16 March 2018 which ordered that PDSB & LJW to refund the sum of RM 18,000,000.00 to PUB.

Below are the salient terms as per the Settlement Agreement:-

- Upon execution of Settlement Agreement, PUB to receive RM 3,100,000.00 in cash term; PDSB's portion RM 100,000.00 and LJW's portion RM 3,000,000.00.
- PUB to receive the balance settlement sum of RM 2,400,000.00 in six equal post-dated cheques in the amount of RM 400,000.00 each from PDSB.
- PDSB shall cause the registered proprietor to transfer free of encumbrances 3 units of 3 storey factory at the agreed sum of RM 11,000,000.00.

On 15 July 2019, Federal Court dismissed the abovementioned Notice of Motion for Leave to Appeal against the decision of Court of Appeal on 16 March 2018 inter alia held that Company's agreement and other agreements entered by various parties are unenforceable.

**PARAGON UNION BERHAD**  
**(Company No. 286457-V)**  
**Quarterly Announcement For The Quarter Ended 30 September 2019**

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**B11. Dividends payable**

The Board does not recommend any dividend in the current quarter and financial year to date.

**B12. Earnings per share**

The basic earning/(loss) per share (“EPS”) is derived by dividing the profit/(loss) after taxation and profit/(loss) attributable to owner of the Company by weighted average number of 64,698,300 (preceding year to date 31 Dec 2017 : 64,698,300) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 5,301,700 units held by the Company:-

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 Sep 2019	Preceding Period Quarter 30 Sep 2018	Current Year To-Date 30 Sep 2019	Preceding Year To-Date 30 Sep 2018
<b>i)Earnings</b>				
Profit/(loss) attributable to owner of the company (RM'000)	53	(726)	(1,359)	(3,037)
<b>ii)Weighted average number of ordinary shares</b>				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic earning/(loss) per share (sen)	0.08	(1.12)	(2.10)	(4.69)

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

**B13. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28<sup>th</sup> November 2019.