

PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

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PARAGON UNION BERHAD 199401000779 (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2020

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	8,573	11,643	8,573	11,643
Cost of Sales	(8,025)	(10,479)	(8,025)	(10,479)
Gross Profit	548	1,164	548	1,164
Operating expenses	(2,812)	(2,883)	(2,812)	(2,883)
Other incomes	2	8	2	8
Loss from operations	(2,262)	(1,711)	(2,262)	(1,711)
Finance costs	(149)	(276)	(149)	(276)
Loss before Taxation	(2,411)	(1,987)	(2,411)	(1,987)
Taxation	(26)	148	(26)	148
Loss/total comprehensive expenses for the period	(2,437)	(1,839)	(2,437)	(1,839)
Loss /total comprehensive expenses attributable to:				
Owners of the Company	(2,437)	(1,836)	(2,437)	(1,836)
Non-controlling interest	-	(3)	-	(3)
	(2,437)	(1,839)	(2,437)	(1,839)
Loss per share (sen)				
- Basic and Diluted	(3.77)	(2.84)	(3.77)	(2.84)

(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 2019 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD 199401000779 (286457-V)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	(Unaudited) As at end of Current Quarter 31/03/2020 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2019 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	36,914	37,327
	36,914	37,327
Current Assets		
Inventories	22,889	21,082
Trade and Other Receivables	10,546	11,321
Tax recoverable	-	383
Cash and Bank balances	1,054	2,289
	34,489	35,075
TOTAL ASSETS	71,403	72,402
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(4,221)	(4,221)
Accumulated Losses	(21,117)	(18,680)
Equity attributable to equity holders of the company	40,044	42,481
Non-controlling interests	(33)	(33)
Total Equity	40,011	42,448
Non-Current Liabilities		
Deferred Tax Liabilities	896	908
Finance Lease Liabilities	739	701
Bank Borrowings	11,617	11,408
	13,252	13,017
Current Liabilities		
Trade and Other Payables	8,452	8,050
Finance Lease Liabilities	318	483
Bank Borrowings	9,370	8,366
Tax Payables	-	38
	18,140	16,937
TOTAL LIABILITIES	31,392	29,954
TOTAL EQUITY AND LIABILITIES	71,403	72,402
Net Assets Per Share (RM)	0.62	0.66

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD 199401000779 (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2020(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			
Balance as at 1 January 2020	70,000	(4,618)	(4,221)	(18,680)	42,481	(33)	42,448
Loss/Total comprehensive expenses for the period	-	-	-	(2,437)	(2,437)	-	(2,437)
Balance as at 31 March 2020	70,000	(4,618)	(4,221)	(21,117)	40,044	(33)	40,011
Balance as at 1 January 2019	70,000	(4,618)	(4,221)	(21,491)	39,670	(31)	39,639
Profit/Total comprehensive incomes for the financial year	-	-	-	2,811	2,811	(2)	2,809
Balance as at 31 December 2019	70,000	(4,618)	(4,221)	(18,680)	42,481	(33)	42,448

(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 2019 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD 199401000779 (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

	(Unaudited) 3 Months Current Period to date 31/3/2020 RM'000	(Unaudited) 3 Months Preceding Period to date 31/3/2019 RM'000
Cash flows from operating activities		
Loss before taxation	(2,411)	(1,987)
Adjustments for:		
Depreciation of property, plant and equipment	593	652
Impairment loss on trade receivables	120	120
Interest expenses	149	276
Interest income	-	-
Operating loss before working capital changes	<u>(1,549)</u>	<u>(939)</u>
Changes in working capital:		
Inventories	(1,807)	(3,091)
Trade & other receivables	656	4,278
Trade & other payables	403	(1,060)
Cash used in operations	<u>(2,297)</u>	<u>(812)</u>
Interest paid	(149)	(276)
Tax paid	-	(87)
Net cash used in operating activities	<u>(2,446)</u>	<u>(1,175)</u>
Cash flows from investing activity		
Purchase of property, plant & equipment	<u>(180)</u>	-
Net cash used in investing activity	<u>(180)</u>	-
Cash flows from financing activities		
Repayment of term loans	(1,287)	(105)
Addition/(repayment) of banker's acceptance	527	(196)
Repayment of usance letter of credit	(218)	(728)
Repayment of finance lease liabilities	(126)	(169)
Net cash used in financing activities	<u>(1,104)</u>	<u>(1,198)</u>
Net changes in cash and cash equivalents	(3,730)	(2,373)
Cash and cash equivalent at beginning of period	<u>(2,598)</u>	<u>(5,785)</u>
Cash and cash equivalent at end of period	<u>(6,328)</u>	<u>(8,158)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,054	2,216
Bank overdraft	<u>(7,382)</u>	<u>(10,374)</u>
Cash and cash equivalents at end of the period	<u>(6,328)</u>	<u>(8,158)</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 2019 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 2019. 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 2019.

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 2019. 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 2019 are as follows:-

- 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”
- Amendments to MFRS 3, “Business Combinations” (Definition of a Business)
 - Amendments to MFRS Standards arising from Definition of Material:
 - Amendments to MFRS 101, “Presentation of Financial Statements”
 - Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Accounting Estimates and Errors”
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
 - Amendments to MFRS 7, “Financial Instruments Disclosures”
 - Amendments to MFRS 9, “Financial Instruments”
 - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

Annual periods beginning on/after 1 January 2021

- MFRS 17, “Insurance Contracts”

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

PARAGON UNION BERHAD
Company No. 199401000779 (286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2020

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 2019.

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 period 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 period to date save and except for the Covid-19 Pandemic and the MCO imposed.

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 period to date.

A8. Dividends paid

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

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Quarterly Announcement For The Quarter Ended 31 March 2020

A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	31 Mac 2020	31 Mac 2019	31 Mac 2020	31 Mac 2019	31 Mac 2020	31 Mac 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	7,161	9,845	1,412	1,798	8,573	11,643
Segment results	(803)	(159)	(2,119)	(1,530)	(2,922)	(1,689)
Unallocated incomes					2	8
Unallocated incomes/ (expenses)					509	(306)
Consolidated loss before taxation					(2,411)	(1,987)

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 2019.

A11. Subsequent material events

There were no material events subsequent to the end of the current quarter under review save and except for the Covid-19 Pandemic and the MCO imposed.

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 2019.

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 2019 up to the date of issue of this quarterly report.

PARAGON UNION BERHAD
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Quarterly Announcement For The Quarter Ended 31 March 2020

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 31/03/2020 RM'000	Preceding Period To date 31/03/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	8,573	11,643	(3,070)	(26.37)
Loss before tax	(2,411)	(1,987)	424	

The Group recorded a revenue of RM 8.573million for the current period as compared to RM 11.643million in the previous corresponding period, representing decreased of RM 3.070million. This is mainly due to decreased of sales in both Automotive Sector and Commercial Sector.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/03/2020 RM'000	Immediate Preceding Quarter 31/12/2019 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	8,573	14,734	(6,161)	(41.81)
(Loss)/Profit before tax	(2,411)	3,809	6,220	

The Group revenue has decreased by RM 6.161million due to decreased in sales performance for both Automotive Sector and Commercial Sector in the quarter. The Group registered a loss before tax in current quarter of RM 2.411mil compared with immediate preceding quarter profit of RM 3.809million mainly due to recognition of other income from settlement of material litigation amounted to RM 11.00million in immediate preceding quarter.

B3. Current Year Prospects

Generally, the market would likely be experiencing a cautious attitude and anticipated an economic slowdown as a whole due to latest Covid-19 outbreak.

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

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

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Quarterly Announcement For The Quarter Ended 31 March 2020

B5. Taxation

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

B6. Corporate proposals

As of 31 March 2020, there was no corporate proposal announced.

B7. Loss before taxation

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

Description	Current Period Quarter 31 Mac 2020 RM'000	Current Period To-Date 31 Mac 2020 RM'000
Other Incomes	(2)	(8)
Interest expenses	149	149
Depreciation of property, plant & equipment	593	593
Impairment loss on trade receivables	120	120

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 31 March 2020 were as follows:

	As at 31 Mac 2020 RM'000	As at 31 Mac 2019 RM'000
Short Term (current)		
Secured: Bills payable	1,429	3,547
Bank Overdrafts	7,382	10,374
Term Loan	559	560
Sub-Total	<u>9,370</u>	<u>14,481</u>
Long Term (non-current)		
Secured: Term Loan	11,617	1,243
Total	<u>20,987</u>	<u>15,724</u>

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Quarterly Announcement For The Quarter Ended 31 March 2020

B10. Changes in material litigation

There was no material litigation for the current quarter under review.

B11. Dividends payable

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

B12. Earnings per share

The basic loss per share (“EPS”) is derived by dividing the loss after taxation and loss attributable to owner of the Company by weighted average number of 64,698,300 (preceding year to date 31 December 2019 : 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 31 Mac 2020	Preceding Period Quarter 31 Mac 2019	Current Year To-Date 31 Mac 2020	Preceding Year To-Date 31 Mac 2019
i)Earnings				
Loss attributable to owner of the company (RM'000)	(2,437)	(1,836)	(2,437)	(1,836)
ii)Weighted average number of ordinary shares				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic loss per share (sen)	(3.77)	(2.84)	(3.77)	(2.84)

The diluted loss 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 29th May 2020.