

# PARAGON UNION BERHAD

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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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 THIRD QUARTER ENDED 30 SEPTEMBER 2021**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Revenue	4,590	12,336	24,392	26,410
Cost of Sales	(4,140)	(10,836)	(21,164)	(23,032)
Gross Profit	450	1,500	3,228	3,378
Operating expenses	(2,376)	(3,332)	(8,165)	(8,187)
Other incomes	17	150	123	395
Loss from operations	(1,909)	(1,682)	(4,814)	(4,414)
Finance costs	(223)	(255)	(871)	(899)
Loss before Taxation	(2,132)	(1,937)	(5,685)	(5,313)
Taxation	(1)	(60)	11	(90)
Loss/ total comprehensive expenses for the year	(2,133)	(1,997)	(5,674)	(5,403)
Loss/total comprehensive expenses attributable to:				
Owners of the Company	(2,131)	(1,995)	(5,672)	(5,401)
Non-controlling interest	(2)	(2)	(2)	(2)
	(2,133)	(1,997)	(5,674)	(5,403)
Loss per share (sen)				
- Basic and Diluted	(2.79)	(3.01)	(7.42)	(8.16)

(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 2020 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2021**

	(Unaudited) As at end of Current Quarter 30/09/2021 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2020 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	37,702	38,061
	37,702	38,061
<b>Current Assets</b>		
Inventories	24,892	22,503
Trade and Other Receivables	6,734	7,627
Tax recoverable	-	395
Cash and Bank balances	1,854	1,720
	33,480	32,245
<b>TOTAL ASSETS</b>	<b>71,182</b>	<b>70,306</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	76,478	69,147
Executives' Share Scheme Reserve	-	194
Merger Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(678)	(3,042)
Accumulated Losses	(30,090)	(24,416)
<b>Equity attributable to equity holders of the company</b>	<b>41,092</b>	<b>37,265</b>
<b>Non-controlling interests</b>	<b>10</b>	<b>12</b>
<b>Total Equity</b>	<b>41,102</b>	<b>37,277</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	123	133
Lease Liabilities	595	1,003
Bank Borrowings	11,193	11,704
	11,911	12,840
<b>Current Liabilities</b>		
Trade and Other Payables	7,653	9,626
Lease Liabilities	637	942
Bank Borrowings	9,879	9,621
Tax Payables	-	-
	18,169	20,189
<b>TOTAL LIABILITIES</b>	<b>30,080</b>	<b>33,029</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>71,182</b>	<b>70,306</b>
<b>Net Assets Per Share (RM)</b>	<b>0.54</b>	<b>0.56</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (UNAUDITED)

	← Attributable to Owners of the Company →					Total	Non-Controlling Interest	Total Equity
	Share Capital	Merger Reserve	Treasury Shares	Executives' Share Scheme ('ESS') Reserves	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2021</b>	69,147	(4,618)	(3,042)	194	(24,416)	37,265	12	37,277
Share-based payment under ESS	-	-	-	460	-	460	-	460
Vesting of ESS	(1,710)	-	2,364	(654)	-	-	-	-
Private Placement Issuance	9,041	-	-	-	-	9,041	-	9,041
Loss/total comprehensive loss for the financial year	-	-	-	-	(5,674)	(5,674)	(2)	(5,676)
<b>Balance as at 30 September 2021</b>	<b>76,478</b>	<b>(4,618)</b>	<b>(678)</b>	<b>-</b>	<b>(30,090)</b>	<b>41,092</b>	<b>10</b>	<b>41,102</b>
<b>Balance as at 1 January 2020</b>	70,000	(4,618)	(4,221)	-	(18,680)	42,481	(33)	42,448
Share-based payment under ESS	-	-	-	520	-	520	-	520
Vesting of ESS	(853)	-	1,179	(326)	-	-	-	-
(Loss)/profit/total comprehensive (loss)/income for the financial year	-	-	-	-	(5,736)	(5,736)	45	(5,691)
<b>Balance as at 31 December 2020</b>	<b>69,147</b>	<b>(4,618)</b>	<b>(3,042)</b>	<b>194</b>	<b>(24,416)</b>	<b>37,265</b>	<b>12</b>	<b>37,277</b>

(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 2020 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

	(Unaudited) 9 Months Current Period to date 30/9/2021 RM'000	(Unaudited) 9 Months Preceding Period to date 30/9/2020 RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(5,685)	(5,313)
Adjustments for:		
Depreciation of property, plant and equipment	1,560	1,700
Impairment loss on trade receivables	-	-
Interest expenses	871	669
Interest income	-	-
Share-based payment under ESS	460	574
Private placement issuance	9,041	-
Operating profit/(loss) before working capital changes	<u>6,247</u>	<u>(2,370)</u>
Changes in working capital:		
Inventories	(2,389)	(341)
Trade & other receivables	893	2,963
Trade & other payables	<u>(1,973)</u>	<u>63</u>
Cash generated from operations	2,778	315
Interest paid	<u>(871)</u>	<u>(669)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>1,907</u>	<u>(354)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	<u>(1,201)</u>	<u>(2,105)</u>
<b>Net cash used in investing activities</b>	<u>(1,201)</u>	<u>(2,105)</u>
<b>Cash flows from financing activities</b>		
Repayment of term loans	-	(1,032)
Addition/(repayment) of banker's acceptance	457	(494)
Addition of usance letter of credit	1,562	1,541
(Repayment)/addition of lease liabilities	(480)	880
Net increase in fixed deposit pledged	<u>(742)</u>	<u>(700)</u>
<b>Net cash generated from financing activities</b>	<u>797</u>	<u>195</u>
<b>Net changes in cash and cash equivalents</b>	1,503	(2,264)
<b>Cash and cash equivalent at beginning of period</b>	<u>(5,448)</u>	<u>(2,598)</u>
<b>Cash and cash equivalent at end of period</b>	<u><u>(3,945)</u></u>	<u><u>(4,862)</u></u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	1,854	1,352
Bank overdraft	(5,057)	(5,514)
Fixed deposits with licensed bank	<u>(742)</u>	<u>(700)</u>
Cash and cash equivalents at end of the period	<u><u>(3,945)</u></u>	<u><u>(4,862)</u></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 2020 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 2020. 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 2020.

#### **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 2020. 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 2020 are as follows:-

- **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”

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- 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***

- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform – Phase 2:
  - Amendments to MFRS 4, “Insurance Contracts”
  - Amendments to MFRS 7, “Financial Instruments: Disclosures”
  - Amendments to MFRS 9, “Financial Instruments”
  - Amendments to MFRS 16, “Leases”
  - Amendments to MFRS 139, “Financial Instruments: Recognition and Measurement”

***Annual periods beginning on/after 1 January 2022***

- Amendments to MFRS 3, “Business Combinations” (Reference to the Conceptual Framework)
- Amendments to MFRS 116, “Property, Plant and Equipment” (Proceeds before Intended Use)
- Amendments to MFRS 137, “Provision, Contingent Liabilities and Contingent Assets” (Onerous Contracts – Cost of Fulfilling a Contract)
- Annual Improvement to MFRS Standards 2018 – 2020:
  - Amendments to MFRS 101, “First-time Adoption of Malaysian Financial Reporting Standards”
  - Amendments to MFRS 9, “Financial Instruments”
  - Amendments to Illustrative Examples accompanying MFRS 16, “Leases”
  - Amendments to MFRS 141, “Agriculture”

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*Annual periods beginning on/after 1 January 2023*

- MFRS 17, “Insurance Contracts”
- Amendments to MFRS 17, “Insurance Contracts”
- Amendments to MFRS 101, “Presentation of Financial Statements” (Classification of Liabilities as Current or Non-current)

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

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

**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 2020.

**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:

- (i) The Covid-19 Pandemic; the nationwide MCO; EMCO & FMCO imposed; and
- (ii) The Company had on 22 January 2021 received the Notice of Unconditional Mandatory Take-Over Offer from Hong Leong Investment Bank Berhad on behalf of AKK Capital Sdn Bhd (‘Offeror’), notifying that on even date, Offeror had entered into an unconditional Share Sale Agreements to acquire a total of 39,979,794 ordinary shares in Paragon Union Berhad (‘PUB Shares’), representing approximately 60.41% equity interest in Paragon Union Berhad from Asia Avenue Sdn Bhd, Tan Choon Hock, Kong Say Thor, Lee Poh Ting and Lee Poh Yee, for a total cash consideration of RM21,988,886.70 or RM0.55 per PUB Share via direct business transaction (‘Share Acquisition’). The Shares Acquisition has dealt and completed on 25 January 2021.

Following the Shares Acquisition, the resultant collective shareholding of the Offeror and the Ultimate Offeror namely Mr. Koon Hoi Chun will be 60.41%. Accordingly, pursuant to Section 218(2) of the Capital Markets and Services Act 2007 (‘CMSA’) and Paragraph 4.01(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia (‘SC’) (‘Rules’), the Offeror and the Ultimate Offeror is obliged to



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extend an Unconditional Mandatory Take-Over Offer to acquire all the remaining shares (excluding the treasury shares) which are not already held by the Offeror and the Ultimate Offeror (“Holders”) (“Offer Shares”) for a cash offer price of RM0.55 per Offer Shares (“Offer”).

On 26 January 2021, the Board announced that it does not intend to seek an alternative person to make a take-over offer for the Offer Shares and that Malacca Securities Sdn Bhd has been appointed to act as the Independent Adviser to advise the Board and the Holders, and to provide its comments, opinion, information and recommendation on the Offer. Malacca Securities Sdn Bhd had on 27 January 2021, declared to the SC its independence from any conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer.

On 15 February 2021, Offer Documents has been circulated out to the Holders by Offeror to acquire the Offer Shares for a cash offer price of RM0.55 per Offer Shares.

On 25 February 2021, Independent Advice Circular (“IAC”) has circulated out to the Holders with the relevant information on the Offer and the Directors’ view and recommendation on the Offer together with the recommendation of Independent Adviser. IAC state as Not Fair & Not Reasonable and recommend Holders to reject the Offer.

The Acquisitions completed on 08 March 2021.

**A6. Material changes in estimates**

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

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

The Company had utilized part of its existing treasury shares for the Employees’ Share Scheme (“ESS”) and has granted and vested 4,449,960 units of treasury shares at a reference price of RM 0.22 per share (“Scheme Shares”) of which 1,480,600 units of the Scheme Shares have vested on 31 July 2020 and the remaining 2,969,360 units of the Scheme Shares have vested on 15 February 2021 to the eligible staffs during the financial period.

On 23 August 2021, The Company announced the Proposed Private Placement of up to 20% of the total number of issued shares of PUB (“**PUB Shares**” or “**shares**”) (excluding treasury shares) in accordance with a general mandate pursuant to Section 75 and Section 76 of the Companies Act 2016 (“Act”) of which shareholders’ approval has been obtained during Annual General Meeting held on 31 May 2021.

The size of the Proposed Private Placement is up to 13,829,652 new PUB Shares. The Proposed Private Placement is expected to raise gross proceeds of up to approximately RM 16.62 million, and its shall be utilized to improve the immediate

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financial condition of the Group caused by unprecedented outbreak of the Covid-19 Pandemic which had adversely affected the sales, operating cost and financial performance of the Group.

Barring any unforeseen circumstances, the Board expects the whole Proposed Private Placement to be completed by the fourth quarter 2021.

1<sup>st</sup> tranche of the Proposed Private Placement of 7,280,000 new PUB Shares with issue price fixed at RM 1.2453 has been completed on 20 September 2021 which generated a gross proceed of RM 9,065,784. The fund shall be utilized for expenses on Proposed Private Placement; repayment of bank overdrafts and working capital.

**A8. Dividends paid**

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

**A9. Segment Information**

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

	Automotive		Commercial		Consolidated	
	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020	30 Sept 2021	30 Sept 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	19,826	22,718	4,566	3,692	24,392	26,410
Segment results	(1,328)	(946)	(1,486)	(2,474)	(2,814)	(3,420)
Unallocated income/(expense)					(2,871)	(1,893)
Consolidated (Loss)/profit before taxation					(5,685)	(5,313)

**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 2020.

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**A11. Subsequent material events**

Save and except for Part A7 as mentioned; there were no material events subsequent to the end of the current quarter under review.

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

In view of the receipt of Notice of Unconditional Mandatory Take-Over Offer dated 22 January 2021; details as mentioned in Part A5, AKK Capital Sdn Bhd became Paragon Union Berhad's holding company in place of Asia Avenue Sdn Bhd.

**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 2020 up to the date of issue of this quarterly report.

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**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 30/09/2021 RM'000	Preceding Period To date 30/09/2020 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	24,392	26,410	(2,018)	(7.64)
Loss before tax	(5,685)	(5,313)		

The Group recorded a revenue of RM 24.392 million for the current period as compared to RM 26.410 million in the previous corresponding period, representing decreased of RM 2.018 million. This is mainly due to lesser sales in Automotive Sector as a result of re-imposition of FMCO in Jun'21 till 15 Aug'21.

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

**Group Performance**

Description	Current Quarter 30/09/2021 RM'000	Immediate Preceding Quarter 30/06/2021 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	4,590	9,279	(4,689)	(50.53)
Loss before tax	(2,132)	(1,072)		

The Group revenue has decreased by RM 4.689 million due to decreased in sales performance for both Automotive and Commercial Sectors in the quarter caused by re-imposition of FMCO in Jun'21 till 15 Aug'21 with minimum sales but essential cost remains in place.

In view of the above, The Group registered a loss before tax of RM 2.132 million compared with immediate preceding quarter loss of RM 1.072 million.

**B3. Current Year Prospects**

Generally, overall market would likely be experiencing a cautious attitude as 2021 is widely acknowledge as a year of full of challengers and uncertainty. However, the Group remain optimistic on overall markets.

Going forward, the Group anticipate that revenue in both sectors will recovered at a slower but steady pace.

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

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

**B5. Taxation**

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

**B6. Corporate proposals**

As of 30 September 2021,, there was no corporate proposal announced, save and except for Part A5 & A7 as mentioned.

**B7. Loss before taxation**

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

Description	Current Period Quarter 30 Sept 2021 RM'000	Current Period To-Date 30 Sept 2021 RM'000
Other Incomes	(17)	(123)
Interest expenses	223	871
Depreciation of property, plant & equipment	497	1,560

**B8. Details of treasury shares**

The Company had utilized its existing treasury shares for the Establishment of Employees' Share Scheme ("ESS") of up to 5,301,700 Ordinary Shares in the Company.

The Company has granted and vested 4,449,960 units of treasury shares at a reference price of RM 0.22 per share to the eligible staffs and as at 30 September 2021, the number of treasury shares held by the company is 851,740 units.

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**B9. Group borrowings**

The total group borrowings as at 30 September 2021 were as follows:

	As at 30 Sept 2021 RM'000	As at 30 Sept 2020 RM'000
Short Term (current)		
Secured: Bills payables	3,612	2,407
Bank Overdrafts	5,057	5,514
Term Loans	1,210	1,033
Sub-Total	9,879	8,954
Long Term (non-current)		
Secured: Term Loans	11,193	11,117
Total	21,072	20,071

**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 year to date.

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**B12. Loss per share**

The basic loss per share (“LPS”) is derived by dividing the loss after taxation and loss attributable to owner of the Company by weighted average number of 76,428,260 (preceding year to date 31 December 2020 : 66,178,900) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 851,740 (preceding year to date 31 December 2020 : 3,821,100) units held by the Company:-

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 Sept 2021	Preceding Period Quarter 30 Sept 2020	Current Year To-Date 30 Sept 2021	Preceding Year To-Date 30 Sept 2020
<b>i)Earnings</b>				
Loss attributable to owner of the company (RM'000)	(2,131)	(1,995)	(5,672)	(5,401)
<b>ii)Weighted average number of ordinary shares</b>				
Weighted average number of shares in issue ('000)	76,428	66,179	76,428	66,179
Basic loss per share (sen)	(2.79)	(3.01)	(7.42)	(8.16)

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 25<sup>th</sup> November 2021.