



PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR FIRST QUARTER ENDED 31 MARCH 2022

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PARAGON UNION BERHAD

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE STATEMENT For the Period Ended 31 MARCH 2022

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 31/3/2022 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 31/3/2021 RM'000	3 months Unaudited Current Period To Date 31/3/2022 RM'000	3 months Unaudited Preceding Period To Date 31/3/2021 RM'000
Revenue	13,019	10,523	13,019	10,523
Cost of Sales	(11,065)	(9,156)	(11,065)	(9,156)
Gross Profit	1,954	1,367	1,954	1,367
Operating expenses	(3,432)	(3,658)	(3,432)	(3,658)
Other incomes	8	94	8	94
Loss from operations	(1,470)	(2,197)	(1,470)	(2,197)
Finance costs	(97)	(284)	(97)	(284)
Loss before Taxation	(1,567)	(2,481)	(1,567)	(2,481)
Taxation	-	(9)	-	(9)
Loss/ total comprehensive expenses for the year	(1,567)	(2,490)	(1,567)	(2,490)
attributable to:				
Owners of the Company	(1,567)	(2,490)	(1,567)	(2,490)
Non-controlling interest	-	-	-	-
	(1,567)	(2,490)	(1,567)	(2,490)
Loss per share (sen)				
- Basic and Diluted	1.91	3.65	1.91	3.65

(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 2021 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD

[Company No. 199401000779(286457-V)]

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2022

		(Unaudited) As at end of Current Quarter 31/3/2022 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2021 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	38,201	37,995
Deferred tax assets		55	55
		38,256	38,050
Current Assets			
Inventories		20,245	14,787
Trade and Other Receivables		10,312	12,168
Tax recoverable		146	146
Cash and Bank balances		1,827	2,619
		32,530	29,720
TOTAL ASSETS		70,786	67,770
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		84,471	84,471
Merger Reserves		(4,618)	(4,618)
Treasury Shares		(679)	(679)
Accumulated Losses		(41,382)	(39,815)
Equity attributable to equity holders of the company		37,792	39,359
Non-controlling interests		10	10
Total Equity		37,802	39,369
Non-Current Liabilities			
Lease Liabilities		332	443
Bank Borrowings	B9	10,667	11,354
		10,999	11,797
Current Liabilities			
Trade and Other Payables		13,770	12,275
Lease Liabilities		442	484
Bank Borrowings	B9	7,773	3,845
		21,985	16,604
TOTAL LIABILITIES		32,984	28,401
TOTAL EQUITY AND LIABILITIES		70,786	67,770
Net Assets Per Share (Sen)		45.54	47.43

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ended 31 MARCH 2022

	← Attributable to Owners of the Company →					Total	Non-Controlling Interest	Total Equity
	Non Distributable							
	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	
Balance as at 1 January 2022	84,471	(4,618)	(679)	-	(39,815)	39,359	10	39,369
Issuance of Shares	-	-	-	-	-	-	-	-
Loss/total comprehensive loss for the financial year	-	-	-	-	(1,567)	(1,567)	-	(1,567)
Balance as at 31 March 2022	84,471	(4,618)	(679)	-	(41,382)	37,792	10	37,802
Balance as at 1 January 2021	69,147	(4,618)	(3,042)	194	(24,416)	37,265	12	37,277
Issuance of Shares	17,034	-	-	-	-	17,034	-	17,034
Share-based payment under ESS	-	-	-	459	-	459	-	459
Vesting of ESS	(1,710)	-	2,363	(653)	-	-	-	-
(Loss)/Total comprehensive (loss) for the financial year	-	-	-	-	(15,399)	(15,399)	(2)	(15,401)
Balance as at 31 December 2021	84,471	(4,618)	(679)	-	(39,815)	39,359	10	39,369

(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 2021 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the Period Ended 31 MARCH 2022

	(Unaudited) 3 months Current Period to date 31/03/2022 RM'000	(Unaudited) 3 months Preceding Period to date 31/03/2021 RM'000
Cash flows from operating activities		
Loss before taxation	(1,567)	(2,481)
Adjustments for:		
Depreciation of property, plant and equipment	606	764
Impairment loss on trade receivables	32	-
Interest expenses	97	284
Share-based payment under ESS	-	460
Operating profit/(loss) before working capital changes	<u>(832)</u>	<u>(973)</u>
Changes in working capital:		
Inventories	(5,458)	(1,543)
Trade & Other Receivables	1,824	(736)
Trade & Other Payables	1,495	1,454
Cash generated from operations	<u>(2,971)</u>	<u>(1,798)</u>
Interest paid	<u>(97)</u>	<u>(284)</u>
Net cash generated from/(used in) operating activities	<u>(3,068)</u>	<u>(2,082)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment (PPE)	(812)	(30)
Net cash used in investing activities	<u>(812)</u>	<u>(30)</u>
Cash flows from financing activities		
Repayment of term loans	(290)	-
Addition/(repayment) of bills payable	169	1,139
(Repayment)/addition of lease liabilities	(153)	(250)
Net increase in fixed deposit pledged	(101)	(727)
Net cash generated from financing activities	<u>(375)</u>	<u>162</u>
Net changes in cash and cash equivalents	(4,255)	(1,950)
Cash and cash equivalent at beginning of period	466	(5,448)
Cash and cash equivalent at end of period	<u>(3,789)</u>	<u>(7,398)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,827	811
Bank overdraft	(4,772)	(7,482)
Fixed deposits with licensed bank	(84)	(727)
Cash and cash equivalents at end of the period	<u>(3,789)</u>	<u>(7,398)</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 2021 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 2021. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31st December 2021.

A2. Accounting policies

1. The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31st December 2021 and with the adoption of the following standards that have effective for financial periods beginning on or after 1st January 2022:

- **Amendments to MFRS 1, First-Time Adoption of Malaysia Financial Reporting Standards (Annual Improvement to MFRS Standards 2018 -2020 Cycle)**

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- Amendments to MFRS 3, Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 9, Financial Instruments (Annual Improvement to MFRS Standards 2018–2020 Cycle)
- 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
- Amendments to MFRS 141, Agriculture (Annual Improvement to MFRS Standards 2018 -2020 Cycle)

The adoption of the above accounting standards, amendments or interpretations are not expected to have any material effect or financial impacts on the current or prior reporting period of the Group and the Company.

The following accounting standards, amendments and interpretations of the MFRSs have not been adopted by the Group and the Company:

Annual periods beginning on/after 1st January 2023

- MFRS 17, Insurance Contracts
- Amendments 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 of MFRS 108, Accounting Policies, Changes in Accounting Estimates and Error – Definition of Accounting Estimates
- Amendment to MFRS 12, Income Tax-Deferred Tax related to Assets and Liabilities arising from Single Transaction

The effective date is yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10, Consolidated Financial Statement and MFRS 128, Investment in Associates and Joint Venture - 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 audited annual financial statements of the Group for the financial year ended 31st December 2021.

A4. Seasonal or cyclical factors

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

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

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

A6. Material changes in estimates

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

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

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

A8. Dividends paid

There was no dividend paid by the Company during the period from 1st January 2022 to 31st March 2022 (31st December 2021: Nil).

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A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	11,476	9,140	1,543	1,383	13,019	10,523
Segment results	(408)	(245)	(604)	(1,011)	(1,012)	(1,256)
Unallocated income/(expense)					(555)	(1,225)
Consolidated (Loss)/profit before Taxation					(1,567)	(2,481)

A10. Valuation of property, plant & equipment

The property, plant and equipment of the Group have been stated at cost less accumulated depreciation and accumulated impairment losses. The Group does not revalue the property, plant and equipment for the current quarter under review.

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 material changes in the composition of the Group for the current quarter under review.

A13. Changes in contingent assets or contingent liabilities

There were no material changes to the contingent assets or contingent liabilities disclosed since the last annual financial report for the financial year ended 31st December 2021 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 ⁶⁷	3 months Current Period to date 31/3/2022 RM'000	3 months Preceding Period To date 31/3/2021 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	13,019	10,523	2,496	23.72
Loss before taxation	(1,567)	(2,481)		

The Group registered a revenue of RM13.02 million for the current period as compared to RM10.52 million in the previous corresponding period, representing an increase of RM2.50 million. The increase was mainly attributable to better sales derived from the automotive and commercial sectors as compared with the previous corresponding financial year. The Group recorded a lower loss before taxation of RM1.57 million as compared to a loss of RM2.48 million in the previous corresponding financial year.

B2. Comparison with preceding quarter's result

Group Performance

Description	3 months Current Quarter 31/3/2022 RM'000	3 months Immediate Preceding Quarter 31/12/2021 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	13,019	16,153	(3,134)	19.40
Loss before taxation	(1,567)	(9,904)		

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The Group recorded revenue of RM13.02 million in the current quarter compared with the immediate previous quarter of RM16.15 million, a decrease of RM3.13 million.

The Group registered a lower loss before taxation of RM1.57 million in the current period as compared with an immediate preceding period loss of RM9.90 million. Higher losses in the immediate preceding period were mainly due to impairment of inventories resulting from the flood that occurred on the 18th and 19th of December 2021.

B3. Current Year Prospects

The re-opening of the economy is expected to have a positive impact on the overall group performance. The Group anticipates the revenue for both the automotive and commercial sectors will recover at a slow and steady pace.

The Group remains cautious that the increase in raw material prices, shipping costs, the increase in energy prices such as oil and natural gas and the gazetted minimum wages will have an impact on the production cost and transportation.

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

The provision for taxation made for the current quarter and for the financial year ended 31st March 2022.

	3 months Quarter Ended		3 months Cumulative to date	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Provision for Taxation	-	-	-	-
Deferred Taxation	-	(9)	-	(9)

B6. Corporate proposals

There are no corporate proposals not completed as of 31 May 2022.

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B7. Loss before taxation

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

Description	Current Period Quarter (3 months) 31 Mar 2022 RM'000	Cumulative Period To-Date (3 months) 31 Mar 2022 RM'000
Other Incomes	8	8
Interest expenses	(97)	(97)
Depreciation of property, plant & equipment	(606)	(606)

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 staff for the financial year ended 31st December 2021.

The number of treasury shares held by the Company is 851,740 units as of 31st March 2022.

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B9. Group borrowings

The total group borrowings were as follows:

	As at 31 March 2022 RM'000	As at 31 Dec 2021 RM'000
<u>Short Term (current)</u>		
Secured: Bills Payables	1,865	1,697
Bank Overdrafts	4,772	1,409
Term Loans	1,136	739
Sub-Total	7,773	3,845
<u>Long Term (non-current)</u>		
Secured: Term Loans	10,667	11,354
Total	18,440	15,199

B 10. Derivatives

There were no derivatives entered by the Group as of 31st March 2022.

B11. Changes in material litigation

There was no material litigation for the current quarter under review as of 31st May 2022.

B12. Dividends payable

The Board does not recommend any dividend in the current quarter under review (31st December 2021: Nil).

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B13 Utilization proceeds from Proposed Private Placement

On the announced proposed private placement made on 23rd August 2021, the Company has fully utilized the proceeds received from the proposed private placement as of 31st March 2022 with a summary as follows:

	Proposed utilisation	Amount utilised	Balance to be utilised
Repayment of bank overdraft	RM7,600,000	RM7,600,000	-
General working capital	RM9,346,938	RM9,346,938	-
Expenses in relation to the Proposed Private Placement	RM133,000	RM133,000	-
Total	RM17,079,938	RM17,079,938	-

B14. Loss per share

The basic loss per share (“LPS”) is derived by dividing the loss after taxation and loss attributable to the owner of the Company by the weighted average number of 82,977,912 (31st March 2021: 69,148,260) ordinary shares of the Company in issue during the financial period under review by excluding treasury shares of 851,740 (31st March 2021: 851,740) units held by the Company:

	Individual Quarter		Cumulative Period	
	Current Period Quarter 31 st March 2022	Preceding Period Quarter 31 March 2021	Current Year To-Date 31 March 2022	Preceding Year-To-Date 31 March 2021
i)Earnings				
Loss attributable to the owner of the company (RM'000)	(1,567)	(2,490)	(1,567)	(2,490)
ii)Weighted average number of ordinary shares				
The weighted average number of shares in issue ('000) (excluding treasury shares)	82,126	68,296	82,126	68,296

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Basic loss per share (sen)	(1.91)	(3.65)	(1.91)	(3.65)

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

B15. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31st May 2022.