



PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 1st QUARTER ENDED 31 MARCH 2023

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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 2023

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 31/3/2023 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 31/3/2022 RM'000	3 months Unaudited Current Period To Date 31/3/2023 RM'000	3 months Unaudited Preceding Period To Date 31/3/2022 RM'000
Revenue	16,915	13,019	16,915	13,019
Cost of Sales	(15,485)	(11,065)	(15,485)	(11,065)
Gross Profit	1,430	1,954	1,430	1,954
Operating expenses	(3,371)	(3,432)	(3,371)	(3,432)
Other incomes	213	8	213	8
Profit / (Loss) from operations	(1,728)	(1,470)	(1,728)	(1,470)
Finance costs	(285)	(97)	(285)	(97)
Loss before Taxation	(2,013)	(1,567)	(2,013)	(1,567)
Taxation	-	-	-	-
Loss / total comprehensive expenses for the year	(2,013)	(1,567)	(2,013)	(1,567)
Attributable to:				
Owners of the Company	(2,013)	(1,567)	(2,013)	(1,567)
Non-controlling interest	-	-	-	-
	(2,013)	(1,567)	(2,013)	(1,567)
Loss per share (sen)				
- Basic and Diluted	(2.40)	(1.89)	(2.40)	(1.89)

(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 2022 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 2023

		(Unaudited) As at end of Current Quarter 31/3/2023 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	32,660	33,133
Deferred tax assets		8	8
		32,668	33,141
Current Assets			
Inventories		16,452	16,809
Trade receivables		7,537	7,427
Other receivables, deposits and prepayments		3,748	3,663
Tax recoverable		146	146
Cash and cash equivalents		626	1,058
		28,509	29,103
Non-Current Assets classified as held for sale		3,828	3,863
		32,337	32,966
TOTAL ASSETS		65,005	66,107
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		84,902	84,902
Merger Reserves		(4,618)	(4,618)
Accumulated Losses		(47,514)	(45,501)
Equity attributable to equity holders of the company		32,770	34,783
Non-controlling interests		6	6
Total Equity		32,776	34,789
Non-Current Liabilities			
Lease Liabilities		164	215
Bank Borrowings	B10	9,507	9,678
		9,671	9,893
Current Liabilities			
Trade and Other Payables		12,478	12,193
Lease Liabilities		217	231
Bank Borrowings	B10	9,863	9,001
		22,558	21,425
TOTAL LIABILITIES		32,229	31,318
TOTAL EQUITY AND LIABILITIES		65,005	66,107
Net Assets Per Share (Sen)		39.04	41.44

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2022 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 2023

	← Non Distributable →		Distributable				
	Share Capital	Merger Reserve	Treasury Shares	Accumulated Losses	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	84,902	(4,618)	-	(45,501)	34,783	6	34,789
(Loss)/ Total comprehensive (loss) for the financial year	-	-	-	(2,013)	(2,013)	-	(2,013)
Balance as at 31 March 2023	84,902	(4,618)	-	(47,514)	32,770	6	32,776
Balance as at 1 January 2022	84,471	(4,618)	(679)	(39,815)	39,359	10	39,369
Sale of Treassury Shares	431	-	679	-	1,110	-	1,110
(Loss)/Total comprehensive (loss) for the financial year	-	-	-	(5,686)	(5,686)	(4)	(5,690)
Balance as at 31 December 2022	84,902	(4,618)	-	(45,501)	34,783	6	34,789

(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 2022 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 2023

	(Unaudited) 3 months Current Period to date 31/03/2023 RM'000	(Unaudited) 3 months Preceding Period to date 31/03/2022 RM'000
Cash flows from operating activities		
Loss before taxation	(2,013)	(1,567)
Adjustments for:		
Depreciation of property, plant and equipment	593	606
Impairment on receivables	-	32
Interest expenses	285	97
Other income	(213)	-
Operating profit/(loss) before working capital changes	<u>(1,348)</u>	<u>(832)</u>
Changes in working capital:		
Inventories	357	(5,458)
Trade & Other Receivables	(195)	1,824
Trade & Other Payables	285	1,495
Cash generated from operations	<u>(901)</u>	<u>(2,971)</u>
Interest paid	(285)	(97)
Bad debts recovered	9	-
Proceed from non-operation	4	-
Proceed from insurance claims	200	-
Net cash generated from/(used in) operating activities	<u>(973)</u>	<u>(3,068)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment ("PPE")	(85)	(812)
Net cash used in investing activities	<u>(85)</u>	<u>(812)</u>
Cash flows from financing activities		
Repayment of term loans	(240)	(290)
Addition/(repayment) of bills payable	(1,069)	169
(Repayment)/addition of lease liabilities	(65)	(153)
(Placement)/Withdrawal of pledged fixed deposit	702	(101)
Net cash generated from financing activities	<u>(672)</u>	<u>(375)</u>
Net changes in cash and cash equivalents	(1,730)	(4,255)
Cash and cash equivalent at beginning of period	(4,287)	466
Cash and cash equivalent at end of period	<u>(6,017)</u>	<u>(3,789)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	626	1,827
Bank overdraft	(6,588)	(4,772)
Fixed deposits with licensed bank	(55)	(844)
Cash and cash equivalents at end of the period	<u>(6,017)</u>	<u>(3,789)</u>
	-	-
	<u>(6,017)</u>	<u>(3,789)</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 2022 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 2022. 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 2022.

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 31st December 2022.

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.

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MFRSs, Interpretations and amendments are 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; and
- Amendment to MFRS 112, Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, Interpretations and amendments are effective for annual periods beginning on or after 1 January 2024.

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback; and
- Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabilities with Covenants

MFRSs, Interpretations and amendments are 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

A3. Qualification of Annual Financial Statements

The auditors' annual financial statement of the Group for the financial year ended 31 December 2022 was not subject to any qualification.

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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 or repayment of debt and equity securities for the financial period under review.

A8. Dividends paid

There was no dividend paid by the Company during the period from 1st January 2023 to 31st March 2023 (1st January 2022 to 31st December 2022: Nil).

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A9. Segment Information

Segmental information in respect of the Group's business segments for the 1st quarter ended 31st March 2023 is as follows

	Investment and Others		Automotive		Commercial		Metal Recycling		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM, '000	RM'000	RM'000
Revenue from external customers	-	-	12,644	11,476	2,613	1,543	1,658	-	-	-	16,915	13,019
Inter-segment revenue	-	-	-	-	1,394	1,664	-	-	(1,394)	(1,664)	-	-
Total Revenue	-	-	12,644	11,476	4,007	3,207	1,658	-	(1,394)	(1,664)	16,915	13,019
Profit / (Loss) before taxation	(239)	(555)	(1,095)	(408)	(666)	(763)	(16)	-	3	159	(2,013)	(1,567)
Less: Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated Profit / (Loss) after taxation											(2,013)	(1,567)

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A10. Property, plant & equipment

The property, plant and equipment of the Group have been stated at cost less accumulated depreciation and accumulated impairment losses.

- i. The Group does not revalue the property, plant and equipment for the current quarter under review.
- ii. There was no impairment of property, plant and equipment assets in the quarter under review.

A11. Subsequent material events

There are no other subsequent material events as of the date of this announcement.

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 2022 up to the date of the issue of this quarterly report.

A14 Capital commitments

Capital expenditures at the balance sheet date but not recognized in the financial statements:

	RM'000
Approved and contracted for Property, plant and equipment	RM1,347

A15 Significant Related Party Transactions

- i. There were no Related Party Transactions (“RPT”) outside the Group in the current quarter under review and the twelve months ended 31 December 2022.
- ii. Save for the Recurrent Related Party Transactions (“RRPTs”) with parties outside the Group as mandated by the shareholders as of the circular issued on 20 December 2022 where shareholders' approval has been obtained at the Extraordinary General Meeting held on 6 January 2023, there were no transactions with other related parties outside the Group in the current quarter under review.

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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	(Unaudited) 3 months Current Period to date 31/3/2023 RM'000	(Unaudited) 3 months Preceding Period To date 31/3/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	16,915	13,019	3,896	29.92%
Loss before taxation	(2,013)	(1,567)		

The Group registered a revenue of RM16.92 million for the current reporting period as compared to RM13.02 million in the previous corresponding period, representing an increase of RM3.90 million.

The increase in revenue was mainly attributable to the higher sales derived from the automotive and commercial divisions. The Group revenue was further improved with the commencement of the metal recycling business in the current quarter and generated revenue of RM1.66 million

The Group recorded a loss before taxation of RM2.01 million as compared to a loss of RM1.57 million in the previous corresponding financial period. The higher losses were mainly affected by the rise in operating expenses and one-off expenses incurred to relocate the factory.

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B2. Comparison with the preceding quarter's result

Group Performance

Description	3 months Current Quarter 31/3/2023 RM'000	3 months Immediate Preceding Quarter 31/12/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	16,915	14,877	2,038	13.70
Loss before taxation	(2,013)	(2,327)		

The Group recorded revenue of RM16.92 million in the current quarter compared with the immediate previous quarter of RM14.88 million, an increase of RM2.04 million.

The Group registered a loss before taxation of RM2.01 million in the current period as compared with an immediate preceding period loss of RM2.33 million. The lower losses compared to the immediate period were mainly due to better sales generated to cover operation overhead.

B3. Current Year Prospects

The Group continue to monitor the inflation and its impact that might have on the performance of the Group. Bearing unforeseen headwinds, the Group anticipates the revenue for automotive and commercial divisions will move uptrend at a slow and steady pace.

The new diversified business, metal recycling has commenced business in the current reporting period. The Group anticipate the new diversified business is able to contribute positively to the performance of the Group.

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 is no taxation provided in the current quarter and the previous corresponding

B6. Status of Corporate proposals

The following announcement of corporate proposals:

1. Proposed Disposal
 - i. On 5th January 2023, the Company announced the disposal of a parcel of leasehold industrial land where erected upon is a single-storey detached factory with 3 storey office by Paragon Car Carpets & Components Sdn Bhd (PCCC), a wholly-owned subsidiary of Paragon Union Berhad (PUB) for a cash consideration of RM17,500,000.00.
 - ii. On 10 March 2023, a circular has been circulated in relation to the disposal of a parcel of leasehold industrial land where the shareholders' approval has been obtained at the Extraordinary General Meeting on 27 March 2023.
 - iii. As of 29 May 2023, the proposed disposal is yet to be completed.

2. On 7th April 2023, the Company announced a proposed new and renewal shareholders' mandate for Recurrent Related Party Transactions (RRPTs) of a revenue or trading nature. On 28th April 2023, a circular was issued and circulated for shareholders' approval for the upcoming Annual General Meeting on 26 June 2023.

Save as above, there are no other corporate proposals announced as of the date of this announcement.

B7. Long-Term Incentive Scheme ("LTIS")

The Group has implemented the LTIS of up to fifteen per cent (15%) of the issued and paid-up share capital to eligible employees, executive directors and non-executive directors as to the Circular issued on 20 December 2022.

At the Extraordinary General Meeting held on 6 January 2023, shareholders approved the Proposed LTIS resolution. The effective date for the implementation of the LTIS is 20 April 2023 and was announced on the even date.

As of the effective date of 20 April 2023 to the current reporting date, there were no share options and share grant allocation and/or exercise by the employees, executive directors and non-executive directors.

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B8. Loss before taxation

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

Description	Current Period Quarter (3 months) 31 March 2023 RM'000	Cumulative Period To-Date (3 months) 31 March 2023 RM'000
Other Incomes	213	213
- Insurance claims	200	200
- Non-operation income	4	4
- Bad debts recovered	9	9
Interest expenses	(285)	(285)
Depreciation of property, plant & equipment	(593)	(593)

B9. Details of treasury shares

There is no treasury share held by the Company as of 31st March 2023.

B10. Group borrowings

The total group borrowings are as follows:

		As at 31 March 2023 RM'000	(Audited) As at 31 December 2022 RM'000
<u>Short Term (Current)</u>			
Secured:	Bills payables	2,917	3,986
	Bank Overdraft	6,588	4,587
	Term loans	358	428
Sub-Total		9,863	9,001
<u>Long Term (Non-Current)</u>			
Secured:	Term loans	9,507	9,678
Total		19,370	18,679

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B 11. Derivatives

There were no derivatives entered by the Group as of 31st March 2023.

B12. Changes in material litigation

There was no material litigation for the current quarter under review as of 29th May 2023

B13. Dividends payable

The Board does not recommend any dividend in the current quarter under review (31st December 2022: Nil).

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 83,829,652 (31st March 2022: 82,977,912 excluding treasury shares of 851,740) ordinary shares of the Company in issue during the financial period under review.

There is no treasury shares unit held by the Company as of the reporting period (31st March 2022: 851,740).

	Individual Quarter		Cumulative Period	
	Current Period Quarter 31 March 2023 RM'000	Preceding Period Quarter 31 March 2022 RM'000	Current Year To-Date 31 March 2023 RM'000	Preceding Year-To-Date 31 March 2022 RM'000
i)Earnings				
Loss attributable to the owner of the company (RM'000)	(2,013)	(1,567)	(2,013)	(1,567)
ii) the Weighted average number of ordinary shares				
The weighted average number of shares in issue ('000)	83,829	82,998	83,829	82,998
Basic loss per share (sen)	(2.40)	(1.89)	(2.40)	(1.89)

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 29th May 2023.