



PARAGON UNION BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 JUNE 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 30 JUNE 2023

	Individual Quarter		Cumulative Quarter	
	3 months Unaudited Current Period Quarter 30/6/2023 RM'000	3 months Unaudited Preceding Corresponding Period Quarter 30/6/2022 RM'000	6 months Unaudited Current Period To Date 30/6/2023 RM'000	6 months Unaudited Preceding Period To Date 30/6/2022 RM'000
Revenue	20,104	15,129	37,019	28,148
Cost of Sales	(17,279)	(14,009)	(32,764)	(25,074)
Gross Profit	2,825	1,120	4,255	3,074
Operating expenses	(3,132)	(2,993)	(6,503)	(6,425)
Other incomes	798	754	1,011	762
Profit / (Loss) from operations	491	(1,119)	(1,237)	(2,589)
Finance costs	(291)	(503)	(576)	(600)
Profit / (Loss) before taxation	200	(1,622)	(1,813)	(3,189)
Taxation	-	(47)	-	(47)
Loss / total comprehensive expenses for the year	200	(1,669)	(1,813)	(3,236)
Attributable to:				
Owners of the Company	200	(1,669)	(1,813)	(3,236)
Non-controlling interest	-	-	-	-
	200	(1,669)	(1,813)	(3,236)
Loss per share (sen)				
- Basic and Diluted	0.24	(2.01)	(2.16)	(3.90)

(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)]
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

		(Unaudited) As at end of Current Quarter 30/6/2023 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	A10	32,253	33,133
Deferred tax assets		8	8
		32,261	33,141
Current Assets			
Inventories		16,529	16,809
Trade receivables		6,948	7,427
Other receivables, deposits and prepayments		4,678	3,663
Tax recoverable		-	146
Cash and cash equivalents		3,265	1,058
		31,420	29,103
Non-Current Assets classified as held for sale		3,828	3,863
		35,248	32,966
TOTAL ASSETS		67,509	66,107
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		84,902	84,902
Merger Reserves		(4,618)	(4,618)
Accumulated Losses		(47,314)	(45,501)
Equity attributable to equity holders of the company		32,970	34,783
Non-controlling interests		6	6
Total Equity		32,976	34,789
Non-Current Liabilities			
Lease Liabilities		147	215
Bank Borrowings	B10	5,063	9,678
		5,210	9,893
Current Liabilities			
Trade and Other Payables		21,213	12,193
Lease Liabilities		180	231
Bank Borrowings	B10	7,930	9,001
		29,323	21,425
TOTAL LIABILITIES		34,533	31,318
TOTAL EQUITY AND LIABILITIES		67,509	66,107
Net Assets Per Share (Sen)		39.28	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 30 JUNE 2023

	← Non Distributable →			Distributable		Non- Controlling Interests	Total Equity
	Share Capital	Merger Reserve	Treasury Shares	Accumulated Losses	Total		
	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	-	-	-	(1,813)	(1,813)	-	(1,813)
Balance as at 30 June 2023	84,902	(4,618)	-	(47,314)	32,970	6	32,976
Balance as at 1 January 2022	84,471	(4,618)	(679)	(39,815)	39,359	10	39,369
Sale of Treasury 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 30 JUNE 2023

	(Unaudited) 6 months Current Period to date 30/06/2023 RM'000	(Unaudited) 6 months Preceding Period to date 30/06/2022 RM'000
Cash flows from operating activities		
Loss before taxation	(1,813)	(3,189)
Adjustments for:		
Depreciation of Property, Plant and Equipment (PPE)	1,145	1,252
Gain on disposal of PPE	(27)	-
Impairment on receivables	-	32
Interest expenses	576	600
Other income	(1,011)	(669)
Operating profit/(loss) before working capital changes	<u>(1,130)</u>	<u>(1,974)</u>
Changes in working capital:		
Inventories	280	(1,292)
Trade & Other Receivables	(536)	(528)
Trade & Other Payables	(597)	(893)
Cash generated from operations	<u>(1,983)</u>	<u>(4,687)</u>
Interest paid	(576)	(600)
Bad debts recovered	9	-
Proceed from tax refund	146	-
Proceed from non-operations	4	-
Proceed from insurance claims	971	669
Net cash generated from/(used in) operating activities	<u>(1,429)</u>	<u>(4,618)</u>
Cash flows from investing activities		
Purchase of PP&E	(203)	(965)
Net proceed from disposal of PPE	9,644	-
Net cash used in investing activities	<u>9,441</u>	<u>(965)</u>
Cash flows from financing activities		
Repayment of term loans	(4,833)	(244)
Addition/(repayment) of bills payable	(1,172)	1,261
(Repayment)/addition of lease liabilities	(119)	(323)
(Placement)/Withdrawal of pledged fixed deposit	702	(101)
Net cash generated from financing activities	<u>(5,422)</u>	<u>593</u>
Net changes in cash and cash equivalents	2,590	(4,990)
Cash and cash equivalent at beginning of period	(4,287)	466
Cash and cash equivalent at end of period	<u>(1,697)</u>	<u>(4,524)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	3,265	1,809
Bank overdraft	(4,907)	(5,489)
Fixed deposits with licensed bank	(55)	(844)
Cash and cash equivalents at end of the period	<u>(1,697)</u>	<u>(4,524)</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.

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.

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 1 January 2023 to 30 June 2023 (1 January 2022 to 31 December 2022: Nil).

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A9. Segment Information

Segmental information in respect of the Group's business segments for the 2nd quarter ended 30th June 2023 is as follows

	Investment and Others		Automotive		Commercial		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	-	-	23,416	23,980	5,763	4,168	7,840	-	-	-	37,019	28,148
Inter-segment revenue	-	-	-	-	2,542	2,463	-	-	(2,542)	(2,463)	-	-
Total Revenue	-	-	23,416	23,980	8,305	6,631	7,840	-	(2,542)	(2,463)	37,019	28,148
Profit / (Loss) before taxation	(432)	(343)	(708)	(2,509)	(585)	(130)	(114)	(401)	26	194	(1,813)	(3,189)
Less: Taxation	-	-	-	-	-	-	-	-	-	-	-	(47)
Consolidated Profit / (Loss) after taxation											(1,813)	(3,236)

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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 significant 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	RM1,240

A15 Significant Related Party Transactions

Save for the Recurrent Related Party Transactions (“RRPTs”) with parties outside the Group as mandated by the shareholders as in the circular issued on 20 December 2022 and 28 April 2023, where shareholders' approval has been obtained at respective General Meetings,

- (i) there were no Related Party Transactions (“RPT”) outside the Group in the current quarter under review and the prior twelve (12) months from 1 April 2022 to 31 March 2023.
- (ii) The RRPTs transacted value does not exceed the estimated value of RRPTs as disclosed in the circulars up to the date of this quarterly report.

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) 6 months Current Period to date 30/6/2023 RM'000	(Unaudited) 6 months Preceding Period To date 30/6/2022 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	37,019	28,148	8,871	31.52%
Loss before taxation	(1,813)	(3,189)		

The Group registered a revenue of RM37.02 million for the current reporting period as compared to RM28.15 million in the previous corresponding period.

The automotive segment has a marginal decrease in revenue of 2.35% compared to the previous corresponding period whereas the revenue for the commercial segment has increased by 38.3%. Overall, the revenue for the group has increased by RM8.87 million and was mainly attributable to the commencement of new business, recycling in the current reporting period that generated revenue of RM7.84 million.

The Group recorded a loss before taxation of RM1.81 million for the current reporting period compared to a loss before taxation of RM3.19 million in the previous corresponding period.

The lower losses were mainly due:

- i. The commencement of new business, recycling with better performance to cover its operating expenses;
- ii. The cost production efficiency for the automotive segment despite one-off expenses incurred to relocate the factory; and
- iii. Insurance compensation received of RM0.97 million in the current reporting period.

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B2. Comparison with the preceding quarter's result

Group Performance

Description	3 months Current Quarter 30/6/2023 RM'000	3 months Immediate Preceding Quarter 31/3/2023 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	20,104	16,915	3,189	18.85%
Profit / (Loss) before taxation	200	(2,013)		

The Group recorded revenue of RM20.10 million in the current quarter compared with the immediate previous quarter of RM16.91 million, an increase of RM3.19 million. The Group registered a profit before taxation of RM200,000 in the current period as compared with an immediate preceding period loss of RM2.01 million.

The lower losses were mainly due:

- i. The commencement of new business, recycling with better performance to cover its operating expenses;
- ii. The cost production efficiency for the automotive segment despite one-off expenses incurred to relocate the factory;
- iv. Better performance for the commercial segment compared to the immediate proceeding quarter; and
- iii. Insurance compensation received of RM0.77 million in the current reporting period.

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 performance of automotive and commercial divisions will move uptrend at a slow and steady pace.

The new business, recycling commenced business in the first quarter of 2023 and the Group anticipate the new business is able to contribute positively to the performance of the Group for the current reporting financial year.

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 taxation is provided in the current financial period as of 30 June 2023 and the previous corresponding period is as follows:

	3 months Quarter Ended		6 months Cumulative to date	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Income Tax				
	-	-	-	-
Taxation	-	-	-	-
Deferred Taxation	-	(47)	-	(47)
Total	-	(47)	-	(47)

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. On 11 August 2023, the Company announced the proposed disposal had been 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 shareholders' approval has been obtained at the 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.

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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.

B8. Loss before taxation

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

Description	Current Period Quarter (3 months) 30 June 2023 RM'000	Cumulative Period To-Date (6 months) 30 June 2023 RM'000
Other Incomes	798	1,011
- Insurance claims	771	971
- Non-operation income	-	4
- Bad debts recovered	-	9
- Gain on disposal of property, plant, and equipment ("PPE")	27	27
Interest expenses	(291)	(576)
Depreciation of PPE	(552)	(1,145)

B9. Details of treasury shares

There is no treasury share held by the Company as of 30 June 2023.

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B10. Group borrowings

The total group borrowings are as follows:

		As at 30 June 2023 RM'000	(Audited) As at 31 December 2022 RM'000
<u>Short Term (Current)</u>			
Secured:	Bills payables	2,813	3,986
	Bank Overdraft	4,907	4,587
	Term loans	210	428
Sub-Total		7,930	9,001
<u>Long Term (Non-Current)</u>			
Secured:	Term loans	5,063	9,678
Total		12,993	18,679

B 11. Derivatives

There were no derivatives entered by the Group as of 30 June 2023.

B12. Changes in material litigation

There was no material litigation for the current quarter under review as of 24 August 2023

B13. Dividends payable

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

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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 (30 June 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 (30 June 2022: 851,740).

	Individual Quarter (3 months)		Cumulative Period (6 months)	
	Current Period Quarter 30 June 2023	Preceding Period Quarter 30 June 2022	Current Year To-Date 30 June 2023	Preceding Year-To- Date 30 June 2022
	RM'000	RM'000	RM'000	RM'000
i)Earnings				
Profit / (Loss) attributable to the owner of the company (RM'000)	200	(1,669)	(1,813)	(3,236)
ii) the Weighted average number of ordinary shares				
The weighted average number of shares in issue ('000)	83,829	82,978	83,829	82,978
Basic loss per share (sen)	0.24	(2.01)	(2.16)	(3.90)

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 24 August 2023.