

# **PARAGON UNION BERHAD**

Company No. 286457-V  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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**PARAGON UNION BERHAD (286457-V)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	15,350	14,904	47,059	49,503
Cost of Sales	(11,498)	(13,009)	(35,937)	(43,032)
Gross Profit	3,852	1,895	11,122	6,471
Operating expenses	(2,958)	(1,544)	(9,468)	(5,424)
Other incomes	1,215	1	3,908	104
Profit from operations	2,109	352	5,562	1,151
Finance costs	(162)	(315)	(601)	(989)
Profit before Taxation	1,947	37	4,961	162
Taxation	(148)		151	12
Net Profit total comprehensive income for the period	1,799	37	5,112	174
Profit total comprehensive income attributable to: Owners of the Company	1,799	37	5,112	174
Non-controlling interest				
	1,799	37	5,112	174
Earnings per share (sen) - Basic and Diluted	2.78	0.06	7.90	0.27

(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 2015 and the accompanying explanatory notes attached to the interim financial statements)

**PARAGON UNION BERHAD (286457-V)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	As at End of Current Quarter 30/09/2016 (Unaudited) RM'000	As at Preceding Financial Year Ended 31/12/2015 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	28,751	30,220
	<b>28,751</b>	<b>30,220</b>
<b>Current Assets</b>		
Inventories	25,162	27,621
Trade and Other Receivables	12,074	13,760
Tax recoverable	7	4
Cash and Bank balances	867	831
	<b>38,110</b>	<b>42,216</b>
<b>TOTAL ASSETS</b>	<b>66,861</b>	<b>72,436</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(4,221)	(4,221)
Accumulated Losses	(18,365)	(23,477)
<b>Equity attributable to equity holders of the company</b>	<b>42,796</b>	<b>37,684</b>
<b>Non-controlling interests</b>	<b>(23)</b>	<b>(23)</b>
<b>Total Equity</b>	<b>42,773</b>	<b>37,661</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	2,936	2,936
Finance Lease Liabilities	875	879
Bank Borrowings	543	999
	<b>4,354</b>	<b>4,814</b>
<b>Current Liabilities</b>		
Trade and Other Payables	7,338	13,941
Finance Lease Liabilities	83	357
Bank Borrowings	12,231	15,193
Tax Payables	82	470
	<b>19,734</b>	<b>29,961</b>
<b>TOTAL LIABILITIES</b>	<b>24,088</b>	<b>34,775</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,861</b>	<b>72,436</b>
<b>Net Assets Per Share (RM)</b>	<b>0.66</b>	<b>0.58</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

# PARAGON UNION BERHAD (286457-V)

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016(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			
<b>Balance as at 1 January 2016</b>	70,000	(4,618)	(4,221)	(23,477)	37,684	(23)	37,661
Total comprehensive income for the period				5,112	5,112		5,112
<b>Balance as at 30 SEPTEMBER 2016</b>	70,000	(4,618)	(4,221)	(18,365)	42,796	(23)	42,773
<b>Balance as at 1 January 2015</b>	70,000	(4,618)	(4,221)	(24,366)	36,795	(21)	36,774
Total comprehensive income for the year				889	889	(2)	887
<b>Balance as at 31 December 2015</b>	70,000	(4,618)	(4,221)	(23,477)	37,684	(23)	37,661

(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 2015 and the accompanying explanatory notes attached to the interim financial statements)

**PARAGON UNION BERHAD (286457-V)**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	(Unaudited)	
	Current Period	9 Months
	to date	Preceding Period
	30/09/2016	to date
	RM'000	30/09/2015
		RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	4,961	162
Adjustments for:		
Depreciation on property, plant and equipment	2,187	2,083
Impairment for receivables	360	360
Interest expenses	601	989
Interest income	-	(104)
Operating profit before working capital changes	<u>8,109</u>	<u>3,490</u>
Changes in working capital:		
Inventories	2,459	(2,027)
Trade & other receivables	1,326	15
Trade & other payables	<u>(6,603)</u>	<u>3,231</u>
Cash generated from operations	5,291	4,709
Interest paid	(601)	(989)
Interest received	-	104
Tax paid/refund	(239)	257
<b>Net cash generated from operating activities</b>	<u>4,451</u>	<u>4,081</u>
<b>Cash flows from investing activity</b>		
Purchase of property, plant & equipment	<u>(717)</u>	<u>(349)</u>
<b>Net cash used in investing activity</b>	<u>(717)</u>	<u>(349)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	2,148	(2,975)
Repayments of hire purchase instalments	<u>(278)</u>	<u>(215)</u>
<b>Net cash generated from/(used) in financing activities</b>	<u>1,870</u>	<u>(3,190)</u>
<b>Net changes in cash and cash equivalents</b>	5,604	542
<b>Cash and cash equivalent at beginning of period</b>	<u>(11,609)</u>	<u>(11,880)</u>
<b>Cash and cash equivalent at end of period</b>	<u>(6,005)</u>	<u>(11,338)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	867	635
Bank overdraft	<u>(6,872)</u>	<u>(11,973)</u>
Cash and cash equivalents at end of the period	<u>(6,005)</u>	<u>(11,338)</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 2015 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 2015. 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 2015.

**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 2015. The adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments to MFRS that have been issued by the MASB for the financial period beginning on or after 1 January 2016 are as follows:-

Amendments to MFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 116	Property, Plant and Equipment
Amendments to MFRS 119	Employee Benefits
Amendments to MFRS 127	Separate Financial Statements

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**A2. Accounting policies (con't)**

Amendments to MFRS 134 Interim Financial Reporting

Amendments to MFRS 138 Intangible Assets

**Issued but not yet effective**

Amendments to MFRS 107 Disclosure Initiative 1 January 2017

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses 1 January 2017

MFRS 15 Revenue from Contracts with Customers 1 January 2018

MFRS 9 Financial Instruments (*IFRS as issued by IASB in July 2014*) 1 January 2018

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions 1 January 2018

MFRS 16 Leases 1 January 2019

**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 2015.

**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 year 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 year to date.

**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 year to date.

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**A8. Dividends paid**

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

**A9. Segment Information**

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

	Automotive		Commercial		Consolidated	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	30,305	31,987	16,754	17,516	47,059	49,503
Segment results	1,861	2,394	443	(1,632)	2,304	762
Unallocated Income					3,908	104
Unallocated expenses					(1,251)	(704)
Consolidated Profit before taxation					4,961	162

**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 2015.

**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 changes in the composition of the Group for the current quarter and financial year ended 31 December 2015.

**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 2015 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 30/09/2016 RM'000	Preceding Period To date 30/09/2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	47,059	49,503	(2,444)	(4.94%)
Profit before tax	4,961	162	4,799	

The Group recorded a revenue of RM 47.059mil for the cumulative current period as compared to RM 49.503mil in the previous corresponding period, representing a decrease of RM 2.444mil or 4.94%. This is mainly due to lesser sales generated for both Automotive and Commercial sector.

Profit before tax increased by RM4.799mil mainly due to increase in other incomes and business operation profit.

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

**Group Performance**

Description	Current Quarter 30/09/2016 RM'000	Immediate Preceding Quarter 30/06/2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	15,350	16,009	(659)	(4.12%)
Profit before tax	1,947	1,210	737	

The Group's revenue has decreased by 4.12% or RM 659k compared to the immediate preceding quarter due to lesser sales recognition in Automotive Sector. The Group registered a profit before tax of RM 1.947mil in current quarter.

**B3. Current Year Prospects**

Generally the market would likely be experiencing a cautious attitude due to the anticipated economic slowdown as a whole.

**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 year in any public document.

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**B5. Taxation**

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

**B6. Corporate proposals**

As of 30 September 2016, there was no corporate proposal announced.

**B7. Profit before taxation**

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

Description	Current Period Quarter 30 Sep 2016 RM'000	Current Period To-Date 30 Sep 2016 RM'000
Other Income	(1,215)	(3,908)
Interest expense	162	601
Depreciation of property, plant & equipment	745	2,187
Impairment of trade receivables	120	360

**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 30 Sep 2016 were as follows:

	As at 30 Sep 2016 RM'000	As at 30 Sep 2015 RM'000
Short Term Bank Borrowings (current)		
Secured: Bills payable	4,798	2,261
Bank Overdrafts	6,872	11,973
Current portion of term loan	561	478
Sub-Total	<u>12,231</u>	<u>14,712</u>
Long Term Bank Borrowings (non- current)		
Secured: Term Loan	<u>543</u>	<u>1,200</u>

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**B10. Changes in material litigation**

Paragon Union Berhad v Prestamewah Development Sdn. Bhd. and Liw Jun Wai & Others

Further to the announcements made since FYE 2009 till FYE 2014 in relation to the company's action against Prestawewah Development Sdn. Bhd. & Liw Jun Wai and others ("Suit 737"), the Company wishes to further highlight the below further development :-

On 12 January 2015, the Ground of Judgment for high court decision dated 18 June 2014 to disallow the company's claim for the refund of RM18 million have been received. The Company proceeds to file the Memorandum of Appeal to the Court of Appeal which has fixed 24 February 2015 for case management. Out of the prudence and without prejudice, the company made a specific provision of the RM18 million to reflect in FYE 2014's Financial statement.

The Company had on 19 March 2015 filed the Memorandum of Appeal by way of a Supplemental Record of Appeal and the Court of Appeal has fixed 28 April 2015 as case management, which has been adjourned to 12 May 2015.

On 6 April 2015, the Company announced the appointment of Messrs Jaffar & Menon in place of Messrs Kamarudin & Partners.

On 3 August 2015, the Company via its newly appointed solicitors Messrs Jaffar & Menon filed a Notice of Motion for leave to amend the Memorandum of Appeal dated 19 March 2015 prepared and filed by the Company's former solicitor, Messrs Kamaruddin & Partners.

The said Motion is to be heard on 10 September 2015 which is on the same date with another Motion filed by Mr. Tee Guan Pian, the Appeal lank in Civil Appeal WC.W-02(WCC) (W)-1238.07/2014.

The Honorable Court has fixed both appeals for case management on 10 September 2015 right after the hearing of the Notice of Motion for court to fix a hearing date for the Appeals.

On 10 September 2015, the company has obtained Order in Terms with no order as to costs for the Notice of Motion to amend the Memorandum of Appeal dated 19 March 2015 (Enclosure 5a).

The matter was also called up for case management on the same date wherein the company was directed to file and extract the sealed amended Memorandum of Appeal before the next case management which is fixed on 8 October 2015.

On 8 October 2015, the sealed and duly enclosed Memorandum of Appeal dated 10 September 2015 was extracted.

The above Appeal is now fixed for Hearing on 18 February 2016 subject to Panel of Judges' approval as the directions of the Court inter alia, that every appeal filed must be disposed off within a year from the date of entry of the appeal.

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On 18 February 2016, the court rescheduled the hearing date to 20 June 2016 as the parties' solicitors need longer time to submit the factual matrix.

On 4 July 2016, the Appeals fixed for Continued Hearing on 28 October 2016.

On 26 October 2016, Continued Hearing on 28 October 2016 was vacated and rescheduled for Case Management on 14 November 2016.

On 16 November 2016, the Court of Appeals fixed for Continued Hearing on 24 February 2017.

Paragon Union Berhad v Wong Chee Kong & Poh Hock Leng

Further to the announcement made on 12 March 2009, out of prudence & without prejudice, the Company had made a full provision of RM16.54 million in its book for the financial year ended 2009. Since then, there were no major updates as the case had been prolonged on legal processes.

In the 4th Quarter 2015, Wong Chee Kong & Poh Hock Leng propose a settlement and after numerous negotiations, both parties had on 29 January 2016 agreed on final settlement sum of RM5.0 million. As at November 2016, RM4.60 million been received and the remaining RM0.40 million will be settled in December 2016.

**B11. Dividends payable**

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

**B12. Earning per share**

The basic earnings per share ("EPS") is derived by dividing the profit after taxation and profit attributable to owner of the Company by weighted average number of 64,698,300 (preceding period to date 30 Sep 2015 : 64,698,300) ordinary shares of the Company in issue during the financial year under review, excluding treasury shares of 5,301,700 units held by the Company:-

	Individual Quarter		Cumulative Period	
	Current Period Quarter 30 Sep 2016	Preceding Period Quarter 30 Sep 2015	Current Year To-Date 30 Sep 2016	Preceding Year To-Date 30 Sep 2015
<b>i)Earnings</b>				
Profit attributable to owner of the company (RM'000)	1,799	37	5,112	174
<b>ii)Weighted average number of ordinary shares</b>				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic Earnings per share (sen)	2.78	0.06	7.90	0.27

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

**B13. Disclosure of realised and unrealised profits**

	As at 30.09.2016 RM'000	As at 30.09.2015 RM'000
Total accumulated losses of the group:		
Realised	(12,817)	(19,377)
Unrealised	(2,936)	(2,197)
	(15,753)	(21,574)
Consolidation adjustments	(2,612)	(2,631)
Total consolidated accumulated losses	(18,365)	(24,205)

**B14. 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 28<sup>th</sup> November 2016.