

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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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 FIRST QUARTER ENDED 31 MARCH 2017**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Revenue	13,130	15,699	13,130	15,699
Cost of Sales	(10,378)	(11,705)	(10,378)	(11,705)
Gross Profit	2,752	3,994	2,752	3,994
Operating expenses	(3,092)	(3,357)	(3,092)	(3,357)
Other incomes	18	1,410	18	1,410
(Loss)/Profit from operations	(322)	2,047	(322)	2,047
Finance costs	(194)	(238)	(194)	(238)
(Loss)/Profit before Taxation	(516)	1,809	(516)	1,809
Taxation	-	-	-	-
Net (loss)/Profit/total (expenses)/comprehensive income for the period	(516)	1,809	(516)	1,809
(Loss)/Profit/ total(expenses)/ comprehensive income attributable to:				
Owners of the Company	(513)	1,811	(513)	1,811
Non-controlling interest	(3)	(2)	(3)	(2)
	(516)	1,809	(516)	1,809
(Loss)/Earnings per share (sen)				
- Basic and Diluted	(0.79)	2.80	(0.79)	2.80

(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 2016 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 31 MARCH 2017**

	As at End of Current Quarter 31/03/2017 (Unaudited) RM'000	As at Preceding Financial Year Ended 31/12/2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	27,895	28,457
	27,895	28,457
Current Assets		
Inventories	21,822	21,359
Trade and Other Receivables	15,516	16,483
Tax recoverable	28	16
Cash and Bank balances	577	332
	37,943	38,190
TOTAL ASSETS	65,838	66,647
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Treasury Shares, at cost	(4,221)	(4,221)
Accumulated Losses	(20,219)	(19,706)
Equity attributable to equity holders of the company	40,942	41,455
Non-controlling interests	(30)	(27)
Total Equity	40,912	41,428
Non-Current Liabilities		
Deferred Tax Liabilities	2,795	2,956
Finance Lease Liabilities	743	573
Bank Borrowings	226	337
	3,764	3,866
Current Liabilities		
Trade and Other Payables	6,377	9,185
Finance Lease Liabilities	59	310
Bank Borrowings	14,589	11,810
Tax Payables	137	48
	21,162	21,353
TOTAL LIABILITIES	24,926	25,219
TOTAL EQUITY AND LIABILITIES	65,838	66,647
Net Assets Per Share (RM)	0.63	0.64

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2017(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			
Balance as at 1 January 2017	70,000	(4,618)	(4,221)	(19,706)	41,455	(27)	41,428
Total expenses loss for the period				(513)	(513)	(3)	(516)
Balance as at 31 March 2017	70,000	(4,618)	(4,221)	(20,219)	40,942	(30)	40,912
Balance as at 1 January 2016	70,000	(4,618)	(4,221)	(23,477)	37,684	(24)	37,660
Total comprehensive income for the year				3,771	3,771	(3)	3,768
Balance as at 31 December 2016	70,000	(4,618)	(4,221)	(19,706)	41,455	(27)	41,428

(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 2016 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

	(Unaudited)	
	Current Period	3 Months
	to date	Preceding Period
	31/03/2017	to date
	RM'000	31/03/2016
		RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(516)	1,809
Adjustments for:		
Depreciation of property, plant and equipment	764	744
Impairment on trade receivables	120	120
Interest expenses	194	238
Operating profit before working capital changes	<u>562</u>	<u>2,911</u>
Changes in working capital:		
Inventories	(463)	1,393
Trade & other receivables	847	1,974
Trade & other payables	<u>(2,808)</u>	<u>(3,598)</u>
Cash (used in)/ generated from operations	<u>(1,862)</u>	<u>2,680</u>
Interest paid	(194)	(238)
Tax paid	(87)	(18)
Tax refund	4	-
Net cash (Used in)/ generated from operating activities	<u>(2,139)</u>	<u>2,424</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	<u>(202)</u>	<u>(58)</u>
Net cash used in investing activities	<u>(202)</u>	<u>(58)</u>
Cash flows from financing activities		
Repayment of term loans	(152)	(43)
Net withdrawal of banker's acceptance	(803)	-
Net withdrawal of usance letter of credit	(30)	-
Repayments of finance lease liabilities	<u>(82)</u>	<u>(92)</u>
Net cash used in financing activities	<u>(1,067)</u>	<u>(135)</u>
Net changes in cash and cash equivalents	(3,408)	2,231
Cash and cash equivalent at beginning of period	<u>(7,608)</u>	<u>(11,609)</u>
Cash and cash equivalent at end of period	<u>(11,016)</u>	<u>(9,378)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	577	448
Bank overdraft	<u>(11,593)</u>	<u>(9,826)</u>
Cash and cash equivalents at end of the period	<u>(11,016)</u>	<u>(9,378)</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 2016 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 2016. 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 2016.

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 2016. 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 10 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Operations	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiatives
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements

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A2. Accounting policies (con't)

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
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transaction	1 January 2018
MFRS 9 Financial <i>Instruments</i> (<i>IFRS as issued by IASB in July 2014</i>)	1 January 2018
MFRS 15 Revenue from Contracts with customers	1 January 2018
Amendments to MFRS 140 Investment Property	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 2016.

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.

A8. Dividends paid

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

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A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	31 Mac 2017	31 Mac 2016	31 Mac 2017	31 Mac 2016	31 Mac 2017	31 Mac 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	10,001	10,682	3,129	5,017	13,130	15,699
Segment results	529	783	(681)	(10)	(152)	773
Unallocated Income					18	1,410
Unallocated expenses					(382)	(374)
Consolidated Profit before taxation					(516)	1,809

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 2016.

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 2016.

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 2016 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 31/03/2017 RM'000	Preceding Period To date 31/03/2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	13,130	15,699	(2,569)	(16.36%)
(Loss)/profit before tax	(516)	1,809	(2,325)	

The Group recorded a revenue of RM 13.130mil for the current period as compared to RM 15.699mil in the previous corresponding period, representing a decreased of RM 2.569mil. This is mainly due to lesser sales generated for both Automotive and Commercial Sector.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/03/2017 RM'000	Immediate Preceding Quarter 31/12/2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	13,130	20,359	(7,229)	(35.50%)
(Loss) before tax	(516)	(1,253)	737	

The Group's revenue has decreased by 35.50% due to decrease in sales performance for both Automotive and Commercial Sector.

The Group registered a lesser loss before tax in current quarter due to nil stock written off as compared to RM 4.100mil stock written off in immediate preceding 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 31 March 2017, there was no corporate proposal announced.

B7. Loss before taxation

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

Description	Current Period Quarter 31 Mac 2017 RM'000	Current Period To-Date 31 Mac 2017 RM'000
Other Income	18	18
Interest expense	194	194
Depreciation of property, plant & equipment	764	764
Impairment of trade receivables	120	120

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 31 Mac 2017 were as follows:

	As at 31 Mac 2017 RM'000	As at 31 Mac 2016 RM'000
Short Term Bank Borrowings (current)		
Secured: Bills payable	2,420	2,314
Bank Overdrafts	11,593	9,826
Current portion of term loan	576	544
Sub-Total	<u>14,589</u>	<u>12,684</u>
Long Term Bank Borrowings (non- current)		
Secured: Term Loan	<u>226</u>	<u>851</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.

On 24 February 2017, the Court heard all the submissions and will fixed a Decision Date which will be determined and informed to all the parties via notice.

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 (loss)/earnings per share ("EPS") is derived by dividing the (loss)/profit after taxation and (loss)/profit attributable to owner of the Company by weighted average number of 64,698,300 (preceding year to date 31 Dec 2016 : 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 31 Mac 2017	Preceding Period Quarter 31 Mac 2016	Current Year To-Date 31 Mac 2017	Preceding Year To-Date 31 Mac 2016
i)Earnings				
(Loss)/profit attributable to owner of the company (RM'000)	(513)	1,809	(513)	1,809
ii)Weighted average number of ordinary shares				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic(loss)/earnings per share (sen)	(0.79)	2.80	(0.79)	2.80

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

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B13. Disclosure of realised and unrealised profits

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Total accumulated losses of the group:		
Realised	(13,485)	(16,120)
Unrealised	(2,795)	(2,936)
	(16,280)	(19,056)
Consolidation adjustments	(3,939)	(2,612)
Total consolidated accumulated losses	(20,219)	(21,668)

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 23th May 2017.