

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 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 FIRST QUARTER ENDED 31 MARCH 2016**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Revenue	15,699	17,669	15,699	17,669
Cost of Sales	(12,913)	(15,263)	(12,913)	(15,263)
Gross Profit	2,786	2,406	2,786	2,406
Operating expenses	(2,149)	(1,968)	(2,149)	(1,968)
Other incomes	1,410	76	1,410	76
Profit from operations	2,047	514	2,047	514
Finance costs	(238)	(327)	(238)	(327)
Profit before Taxation	1,809	187	1,809	187
Taxation		12		12
Net Profit/total comprehensive income for the period	1,809	199	1,809	199
Profit/total comprehensive income attributable to: Owners of the Company	1,809	199	1,809	199
Non-controlling interest				
	1,809	199	1,809	199
Earnings per share (sen)				
- Basic and Diluted	2.80	0.31	2.80	0.31

(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)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	As at End of Current Quarter 31/03/2016 (Unaudited) RM'000	As at Preceding Financial Year Ended 31/12/2015 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	29,534	30,220
	29,534	30,220
Current Assets		
Inventories	26,228	27,621
Trade and Other Receivables	11,666	13,760
Tax recoverable	5	4
Cash and Bank balances	448	831
	38,347	42,216
TOTAL ASSETS	67,881	72,436
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	(21,668)	(23,477)
Equity attributable to equity holders of the company	39,493	37,684
Non-controlling interests	(23)	(23)
Total Equity	39,470	37,661
Non-Current Liabilities		
Deferred Tax Liabilities	2,936	2,936
Finance Lease Liabilities	1,017	879
Bank Borrowings	851	999
	4,804	4,814
Current Liabilities		
Trade and Other Payables	10,343	13,941
Finance Lease Liabilities	127	357
Bank Borrowings	12,684	15,193
Tax Payables	453	470
	23,607	29,961
TOTAL LIABILITIES	28,411	34,775
TOTAL EQUITY AND LIABILITIES	67,881	72,436
Net Assets Per Share (RM)	0.61	0.58

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 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			
Balance as at 1 January 2016	70,000	(4,618)	(4,221)	(23,477)	37,684	(23)	37,661
Total comprehensive income for the period				1,809	1,809		1,809
Balance as at 31 March 2016	70,000	(4,618)	(4,221)	(21,668)	39,493	(23)	39,470
Balance as at 1 January 2015	70,000	(4,618)	(4,221)	(24,366)	36,795	(21)	36,774
Total comprehensive income for the year				889	889	(2)	887
Balance as at 31 December 2015	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 FIRST QUARTER ENDED 31 MARCH 2016**

	(Unaudited)	
	Current Period	3 Months
	to date	Preceding Peri
	31/03/2016	to date
	RM'000	31/03/2015
		RM'000
Cash flows from operating activities		
Profit before taxation	1,809	187
Adjustments for:		-
Depreciation on property, plant and equipment	744	682
Impairment for receivables	120	120
Interest expenses	238	327
Operating profit before working capital changes	2,911	1,316
Changes in working capital:		
Inventories	1,393	854
Trade & other receivables	1,974	(2,103)
Trade & other payables	(3,598)	1,059
Cash generated from operations	2,680	1,126
Interest paid	(238)	(327)
Tax paid	(18)	6
Net cash generated from operating activities	2,424	805
Cash flows from investing activities		
Purchase of property, plant & equipment	(58)	(88)
Net cash used in investing activities	(58)	(88)
Cash flows from financing activities		
Proceeds from bank borrowings	(43)	(1,060)
Repayments of hire purchase instalments	(92)	(71)
Net cash used in financing activities	(135)	(1,131)
Net changes in cash and cash equivalents	2,231	(414)
Cash and cash equivalent at beginning of period	(11,609)	(11,880)
Cash and cash equivalent at end of period	(9,378)	(12,294)
Cash and cash equivalents comprise the following:		
Cash and bank balances	448	788
Bank overdraft	(9,826)	(13,082)
Cash and cash equivalents at end of the period	(9,378)	(12,294)

(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 Issues Committee (“IC”) Interpretations and amendments to MFRS that have been issued by the MASB for financial periods beginning on or after 1 January 2015 are as follows:-

Amendments to MFRS 1	First-Time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combination
Amendments to MFRS 8	Operation Segments
Amendments to MFRS 13	Fair Value Measurement
Amendments to MFRS 116	Property, Plant and Equipment
Amendments to MFRS 138	Intangible Assets
Amendments to MFRS 119	Employee Benefits

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Amendments to MFRS 124 Related Party Disclosure

Amendments to MFRS 140 Investment Property

Annual Improvements to MFRS 2010 – 2012 Cycle

Annual Improvements to MFRS 2011 – 2013 Cycle

A2. Accounting policies (con't)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10,
MFRS 12 and MFRS 128 Investment entities: Applying
the Consolidation Exception

Amendments to MFRS 10
And MFRS 128 Sale or Contribution of
Assets between an Investor
and its Associate or Joint
Venture

Amendments to MFRS 11 Accounting for Acquisitions
of Interest in Joint Operations

Amendments to MFRS 101 Disclosure Initiative

Amendments to MFRS 5 Non-current Assets Held for
Sales and Discontinued
Operations

Amendments to MFRS 7 Financial Instruments
Disclosures

Amendments to MFRS 116
and MFRS 138 Clarification on 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

The adoption of the above pronouncements does not have any material impact on the financial statements of the Group.

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As at the date of authorisation of the interim financial report, the following new MFRSs, revised MFRSs, IC Interpretations, amendments to MFRSs and IC Interpretations were issued but not yet effective and have not been adopted by the Group:-

		Effective dates for financial <u>periods beginning on or after</u>
MFRS 15	Revenue from contracts with customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have a material impact to the financial statements of the Group upon their initial recognition other than the adoption of MFRS 9 *Financial Instruments*. The Group will assess the financial implications of MFRS 9 *Financial Instruments* when the full standard is issued

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	
	31 Mac 2016	31 Mac 2015	31 Mac 2016	31 Mac 2015	31 Mac 2016	31 Mac 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	10,682	10,613	5,017	7,056	15,699	17,669
Segment results	783	416	(10)	230	773	646
Unallocated Income					1,410	-
Unallocated expenses					(374)	(459)
Consolidated Profit/(loss) before taxation					1,809	187

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 31/03/2016 RM'000	Preceding Period To date 31/03/2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	15,699	17,669	(1,970)	(11.15%)
Profit before tax	1,809	187	1,622	

The Group recorded a revenue of RM 15.699mil for the cumulative current period as compared to RM 17.669mil in the previous corresponding period, representing a decrease of RM 1.970mil or 11.15%. This is mainly due to slight slow down in both Automotive and Commercial sector.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/03/2016 RM'000	Immediate Preceding Quarter 31/12/2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	15,699	17,788	(2,089)	(11.74%)
Profit before tax	1,809	1,823	(14)	

The Group's revenue has decreased by 11.74% or RM 2.089mil compared to the immediate preceding quarter.

The Group registered a profit before tax of RM 1.809mil in current quarter.

Decrease in sales performance for both Automotive and Commercial Sector mainly due to slow down in overall market.

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 2016, there was no corporate proposal announced.

B7. Profit before taxation

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

Description	Current Year Quarter 31 March 2016 RM'000	Current Year To-Date 31 March 2016 RM'000
Other Income	(1,410)	(1,410)
Interest expense	238	238
Depreciation of property, plant & equipment	744	744
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 March 2016 were as follows:

	As at 31 March 2016 RM'000	As at 31 March 2015 RM'000
Short Term Bank Borrowings (current)		
Secured: Bills payable	2,314	3,717
Bank Overdrafts	9,826	13,082
Current portion of term loan	544	700
Sub-Total	<u>12,684</u>	<u>17,499</u>
Long Term Bank Borrowings (non-current)		
Secured: Term Loan	<u>851</u>	<u>1,441</u>

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 link 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.

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; of which upfront payment of RM1.0 million been received on 06 February 2016 and the remaining RM4.0 million will be settle in 10 equal monthly installments.

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 31 March 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	Preceding Period Quarter	Current Year To-Date	Preceding Year To-Date
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
i) Earnings				
Profit attributable to owner of the company (RM'000)	1,809	199	1,809	199
ii) Weighted average number of ordinary shares				
Weighted average number of shares in issue ('000)	64,698	64,698	64,698	64,698
Basic Earnings per share (sen)	2.80	0.31	2.80	0.31

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 31/03/2016 RM'000	As at 31/03/2015 RM'000
Total accumulated losses of the group		
- Realised	(16,120)	(19,340)
- Unrealised	(2,936)	(2,197)
	-----	-----
Consolidation Adjustments	(19,056) (2,612)	(21,537) (2,631)
	-----	-----
Total consolidated accumulated losses	(21,668)	(24,168)
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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 27th May 2016.