

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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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 2019

| | Individual Quarter Unaudited | | Cumulative Quarter Unaudited | |
|--|---------------------------------|--|---------------------------------|-----------------------------|
| | Current Period Quarter | Preceding Corresponding Period Quarter | Current Period To Date | Preceding Period To Date |
| | 31/03/2019 | 31/03/2018 | 31/03/2019 | 31/03/2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 11,643 | 12,980 | 11,643 | 12,980 |
| Cost of Sales | (10,222) | (11,313) | (10,222) | (11,313) |
| Gross Profit | 1,421 | 1,667 | 1,421 | 1,667 |
| Operating expenses | (2,883) | (3,432) | (2,883) | (3,432) |
| Other incomes | 8 | 132 | 8 | 132 |
| Loss from operations | (1,454) | (1,633) | (1,454) | (1,633) |
| Finance costs | (276) | (161) | (276) | (161) |
| Loss before Taxation | (1,730) | (1,794) | (1,730) | (1,794) |
| Taxation | 148 | - | 148 | - |
| Loss/ total comprehensive expenses for the period | (1,582) | (1,794) | (1,582) | (1,794) |
| Loss/total comprehensive expenses attributable to: | | | | |
| Owners of the Company | (1,582) | (1,794) | (1,582) | (1,794) |
| Non-controlling interest | - | - | - | - |
| | (1,582) | (1,794) | (1,582) | (1,794) |
| Loss per share (sen) | | | | |
| - Basic and Diluted | (2.45) | (2.77) | (2.45) | (2.77) |

(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 2018 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 2019

| | (Unaudited) As at end of Current Quarter 31/03/2019 RM'000 | (Audited) As at preceding Financial Year Ended 31/12/2018 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 26,343 | 26,995 |
| | 26,343 | 26,995 |
| Current Assets | | |
| Inventories | 25,316 | 22,225 |
| Trade and Other Receivables | 9,339 | 13,737 |
| Tax recoverable | - | 174 |
| Cash and Bank balances | 2,216 | 750 |
| | 36,871 | 36,886 |
| TOTAL ASSETS | 63,214 | 63,881 |
| 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 | (23,073) | (21,491) |
| Equity attributable to equity holders of the company | 38,088 | 39,670 |
| Non-controlling interests | (31) | (31) |
| Total Equity | 38,057 | 39,639 |
| Non-Current Liabilities | | |
| Deferred Tax Liabilities | 1,905 | 1,866 |
| Finance Lease Liabilities | 1,479 | 1,180 |
| Bank Borrowings | 1,243 | 1,579 |
| | 4,627 | 4,625 |
| Current Liabilities | | |
| Trade and Other Payables | 5,802 | 6,862 |
| Finance Lease Liabilities | 160 | 627 |
| Bank Borrowings | 14,481 | 12,128 |
| Tax Payables | 87 | - |
| | 20,530 | 19,617 |
| TOTAL LIABILITIES | 25,157 | 24,242 |
| TOTAL EQUITY AND LIABILITIES | 63,214 | 63,881 |
| Net Assets Per Share (RM) | 0.59 | 0.61 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2018 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 FOURTH QUARTER ENDED 31 MARCH 2019(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 2019 | 70,000 | (4,618) | (4,221) | (21,491) | 39,670 | (31) | 39,639 |
| Loss/Total comprehensive expenses for the financial year | - | - | - | (1,582) | (1,582) | - | (1,582) |
| Balance as at 31 March 2019 | 70,000 | (4,618) | (4,221) | (23,073) | 38,088 | (31) | 38,057 |
| Balance as at 1 January 2018 | 70,000 | (4,618) | (4,221) | (20,567) | 40,594 | (28) | 40,566 |
| Loss/Total comprehensive expenses for the financial year | - | - | - | (924) | (924) | (3) | (927) |
| Balance as at 31 December 2018 | 70,000 | (4,618) | (4,221) | (21,491) | 39,670 | (31) | 39,639 |

(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 2018 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 2019

| | (Unaudited) 3 Months Current Period to date 31/3/2019 RM'000 | (Unaudited) 3 Months Preceding Period to date 31/3/2018 RM'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Loss before taxation | (1,730) | (1,794) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 612 | 774 |
| Impairment loss on trade receivables | 120 | 120 |
| Inventories written back | - | (122) |
| Interest expenses | 276 | 161 |
| Operating loss before working capital changes | <u>(722)</u> | <u>(861)</u> |
| Changes in working capital: | | |
| Inventories | (3,091) | 443 |
| Trade & other receivables | 4,278 | 2,283 |
| Trade & other payables | (1,060) | (2,581) |
| Cash used in operations | <u>(595)</u> | <u>(716)</u> |
| Interest paid | (276) | (161) |
| Tax paid | (87) | (49) |
| Net cash used in operating activities | <u>(958)</u> | <u>(926)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant & equipment | 40 | - |
| Net cash generated from investing activities | <u>40</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Repayments of term loans | (105) | (159) |
| Repayments of banker's acceptance | (196) | (1,752) |
| (Withdrawal)/net addition of usance letter of credit | (985) | 1,458 |
| Repayments of finance lease liabilities | (169) | (178) |
| Net cash used in financing activities | <u>(1,455)</u> | <u>(631)</u> |
| Net changes in cash and cash equivalents | (2,373) | (1,557) |
| Cash and cash equivalent at beginning of period | (5,785) | (4,228) |
| Cash and cash equivalent at end of period | <u>(8,158)</u> | <u>(5,785)</u> |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 2,216 | 1,438 |
| Bank overdraft | (10,374) | (7,223) |
| Cash and cash equivalents at end of the period | <u>(8,158)</u> | <u>(5,785)</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 2018 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 2017. 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 2017.

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 2017. The adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and amendments to accounting standards that are effective for the Group and the Company’s financial year beginning on or after 1 January 2018 are as follows:-

- MFRS 9, “Financial Instruments”
- MFRS 15, “Revenue from Contracts with Customers”
- Amendments to MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, “Classification and Measurement of Share-Based Payment Transactions”
- Amendments to MFRS 4, “Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts”
- Amendments to MFRS 128, “Investments in Associates and Joint Ventures” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, “Transfers of Investment Property”
- IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

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Annual periods beginning on/after 1 January 2019

- MFRS 16, “Leases”
- Amendments to MFRS 3, “Business Combinations” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- Amendments to MFRS 11, “Joint Arrangement” (Annual Improvement to MFRS 2015-2017 cycle)
- Amendments to MFRS 112, “Income Taxes” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 119, “Employee Benefits”(Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, “Borrowing Costs” (Annual Improvements to MFRS 2015-2017 cycle)
- Amendments to MFRS 128, “Long-term Interests in Associates and Joint Ventures”
- IC Interpretation 23, “Uncertainty over Income Tax Treatments”

Annual periods beginning on/after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards:
- Amendments to MFRS2, “Share Based Payments”
- Amendments to MFRS 3, “Business Combinations”
- Amendments to MFRS 6, “Exploration for and Evaluation of Mineral Resources”
- Amendments to MFRS 14, “Regulatory Deferral Accounts”
- Amendments to MFRS 101, “Presentation of Financial Statements”
- Amendments to MFRS 108, “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134, “Interim Financial Reporting”
- Amendments to MFRS 137, “Provisions, Contingent Liabilities and Contingent Assets”
- Amendments to MFRS 138, “Intangible Assets”
- Amendments to IC Interpretation 12, “Service Concession Arrangements”
- Amendments to IC Interpretation 19, “Extinguishing Financial Liabilities with Equity Instruments”
- Amendments to IC Interpretation 20, “Stripping Costs in the Production Phase of a Surface Mine”
- Amendments to IC Interpretation 22, “Foreign Currency Transactions and Advance Considerations”
- Amendments to IC Interpretation 132, “Intangible Assets-Web Site Costs”

Annual periods beginning on/after 1 January 2021

- MFRS 17, “Insurance Contracts”

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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 2018.

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 2019 | 31 Mac 2018 | 31 Mac 2019 | 31 Mac 2018 | 31 Mac 2019 | 31 Mac 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from External customers | 9,845 | 9,685 | 1,798 | 3,295 | 11,643 | 12,980 |
| Segment results | (159) | (274) | (1,470) | (1,070) | (1,629) | (1,344) |
| Unallocated Income | | | | | 8 | 132 |
| Unallocated expenses | | | | | (109) | (582) |
| Consolidated Loss before taxation | | | | | (1,730) | (1,794) |

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 2018.

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 2018.

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 2018 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 31/03/2019 RM'000 | Preceding Period To date 31/03/2018 RM'000 | Increase/(Decrease) | |
|-----------------|--|--|---------------------|---------|
| | | | RM'000 | % |
| Revenue | 11,643 | 12,980 | (1,337) | (10.30) |
| Loss before tax | (1,730) | (1,794) | 64 | 3.57 |

The Group recorded a revenue of RM 11.643million for the current period as compared to RM 12.980million in the previous corresponding period, representing decreased of RM 1.337million. This is mainly due to lesser of sales generated for Commercial Sector.

B2. Comparison with preceding quarter's result

Group Performance

| Description | Current Quarter 31/03/2019 RM'000 | Immediate Preceding Quarter 31/12/2018 RM'000 | Increase/(Decrease) | |
|--------------------------|---|---|---------------------|---------|
| | | | RM'000 | % |
| Revenue | 11,643 | 13,243 | (1,600) | (12.08) |
| (Loss)/profit before tax | (1,730) | 1,560 | (3,290) | |

The Group revenue has decreased by RM 1.600million due to decreased in sales performance for Commercial Sector.

The Group registered a loss before tax in current quarter of RM 1.730mil compared with immediate preceding quarter profit of RM 1.560million due to recognition of other income amounted to RM 3.500million in relation to settlement of material litigation in immediate preceding quarter 31 Dec 2018.

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 2019, 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 2019 RM'000 | Current Period To-Date 31 Mac 2019 RM'000 |
|---|---|---|
| Other Income | (8) | (8) |
| Interest expense | 276 | 276 |
| Depreciation of property, plant & equipment | 612 | 612 |
| Impairment loss on 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.

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B9. Group borrowings

The total group borrowings as at 31 March 2019 were as follows:

| | As at 31 Mac 2019 RM'000 | As at 31 Mac 2018 RM'000 |
|-------------------------|-----------------------------------|-----------------------------------|
| Short Term (current) | | |
| Secured: Bills payable | 3,547 | 2,227 |
| Bank Overdrafts | 10,374 | 7,223 |
| Term Loan | 560 | 1,590 |
| Sub-Total | 14,481 | 11,040 |
| Long Term (non-current) | | |
| Secured: Term Loan | 1,243 | 578 |
| Total | 15,724 | 11,618 |

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 Prestawawah 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.

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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.

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.

On 8 August 2017, the Appeals fixed for Decision on 23 August 2017.

On 17 August 2017, the Court directed that the Decision Date be adjourned to a date which will be determined later.

On 9 March 2018, the Court fixed for Decision Date on 16 March 2018 and the Court dismissed the appeal in part but allowed a restitution and thereby ordered the Respondents, Prestamewah Development Sdn Bhd and Liw Jun Wai to refund the sum of RM 18,000.00 to Paragon Union Berhad.

On 18 April 2018, the Company has filed the Notice of Motion for Leave to Appeal to the Federal Court against the decision of Court of Appeal on 16 March 2018 inter alia held that Company's agreement and other agreements entered by various parties are unenforceable. Case Management has fixed on 3 May 2018.

On 7 May 2018, Notices of Motion for Leave to Appeal inter alia held that Company's agreement and other agreements entered by various parties are unenforceable, has fixed for Hearing on 30 August 2018 and parties are to file Written Submissions on or by 16 August 2018.

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On 10 August 2018, in view of the re-arrangement of the case, the abovementioned Notices of Motion for Leave to appeal to the Federal Court against the decision of the Court of Appeal dated 16 March 2018 have been rescheduled for Hearing on 5 November 2018.

Federal Court further rescheduled the abovementioned Notice of Motion for Leave for Hearing on 8 April 2019 to 15 July 2019.

All relevant parties had agreed to a reduced sum of RM 16,500,000.00 as per the Settlement Agreement signed on 18 February 2018 as shown:-

- Upon execution of Settlement Agreement, PUB to receive RM 3,100,000.00 in cash term.
- PUB to receive the balance settlement sum of RM 2,400,000.00 in six equal post-dated cheques in the amount of RM 400,000.00 each.
- Prestamewah Development S/B shall cause the registered proprietor to transfer free of encumbrances 3 units of 3 storey factory at the agreed sum of RM 11,000,000.00.

B11. Dividends payable

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

B12. Earnings per share

The basic earning/(loss) per share (“EPS”) is derived by dividing the profit/(loss) after taxation and profit/(loss) attributable to owner of the Company by weighted average number of 64,698,300 (preceding year to date 31 Dec 2017 : 64,698,300) ordinary shares of the Company in issue during the financial period under review, excluding treasury shares of 5,301,700 units held by the Company:-

| | Individual Quarter | | Cumulative Period | |
|--|--|--|--|--|
| | Current Period Quarter 31 Mac 2019 | Preceding Period Quarter 31 Mac 2018 | Current Year To-Date 31 Mac 2019 | Preceding Year To-Date 31 Mac 2018 |
| i)Earnings | | | | |
| Loss attributable to owner of the company (RM'000) | (1,582) | (1,794) | (1,582) | (1,794) |
| | | | | |
| 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 per share (sen) | (2.45) | (2.77) | (2.45) | (2.77) |

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

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B13. 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 28th May 2019.