

# **PARAGON UNION BERHAD**

Company No. 286457-V  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	Unaudited Current Period Quarter 31/12/2016 RM'000	Audited Preceding Corresponding Period Quarter 31/12/2015 RM'000	Unaudited Current Period To Date 31/12/2016 RM'000	Audited Preceding Period To Date 31/12/2015 RM'000
Revenue	20,359	17,787	67,418	67,291
Cost of Sales	(14,397)	(12,974)	(50,335)	(52,182)
Gross Profit	5,962	4,813	17,083	15,109
Operating expenses	(8,190)	(2,868)	(17,653)	(12,079)
Other incomes	1,139	108	5,049	213
(Loss)/Profit from operations	(1,089)	2,053	4,479	3,243
Finance costs	(178)	(271)	(780)	(1,262)
(Loss)/Profit before Taxation	(1,267)	1,782	3,699	1,981
Taxation	(63)	(1,106)	87	(1,094)
Net (loss)/Profit/total (expenses)/comprehensive income for the period	(1,330)	676	3,786	887
(Loss)/Profit/ total(expenses)/ comprehensive income attributable to:				
Owners of the Company	(1,327)	676	3,789	889
Non-controlling interest	(3)		(3)	(2)
	(1,330)	676	3,786	887
(Loss)/Earnings per share (sen)				
- Basic and Diluted	-2.05	1.04	5.86	1.37

(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 31 DECEMBER 2016**

	As at End of Current Quarter 31/12/2016 (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	28,457	30,220
	<b>28,457</b>	<b>30,220</b>
<b>Current Assets</b>		
Inventories	21,349	27,621
Trade and Other Receivables	16,856	13,760
Tax recoverable	16	4
Cash and Bank balances	172	831
	<b>38,393</b>	<b>42,216</b>
<b>TOTAL ASSETS</b>	<b>66,850</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	(19,688)	(23,477)
<b>Equity attributable to equity holders of the company</b>	<b>41,473</b>	<b>37,684</b>
<b>Non-controlling interests</b>	<b>(27)</b>	<b>(23)</b>
<b>Total Equity</b>	<b>41,446</b>	<b>37,661</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	2,762	2,936
Finance Lease Liabilities	813	879
Bank Borrowings	385	999
	<b>3,960</b>	<b>4,814</b>
<b>Current Liabilities</b>		
Trade and Other Payables	9,029	13,941
Finance Lease Liabilities	71	357
Bank Borrowings	12,135	15,193
Tax Payables	209	470
	<b>21,444</b>	<b>29,961</b>
<b>TOTAL LIABILITIES</b>	<b>25,404</b>	<b>34,775</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,850</b>	<b>72,436</b>
<b>Net Assets Per Share (RM)</b>	<b>0.64</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 FOURTH QUARTER ENDED 31 DECEMBER 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 year				3,789	3,789	(4)	3,785
<b>Balance as at 31 DECEMBER 2016</b>	70,000	(4,618)	(4,221)	(19,688)	41,473	(27)	41,446
<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 FOURTH QUARTER ENDED 31 DECEMBER 2016**

	(Unaudited) Current Period to date 31/12/2016 RM'000	Audited 12 Months Preceding Period to date 31/12/2015 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	3,699	1,981
Adjustments for:		
Depreciation of property, plant and equipment	2,927	2,875
Impairment on trade receivables	654	-
Reversal of Impairment loss on trade receivables	-	(127)
Interest expenses	780	1,261
Finance income	-	-
Gain on disposal of property, plant and equipment	(1)	-
Property, plant and equipment written off	-	-
Operating profit before working capital changes	<u>8,059</u>	<u>5,990</u>
Changes in working capital:		
Inventories	6,272	(773)
Trade & other receivables	(3,750)	(3,270)
Trade & other payables	(4,913)	3,277
Cash generated from operations	<u>5,668</u>	<u>5,224</u>
Interest paid	(780)	(1,261)
Interest received	-	-
Tax paid	(221)	(222)
Tax refund	4	535
<b>Net cash generated from operating activities</b>	<u>4,671</u>	<u>4,276</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(1,169)	(535)
Proceeds from disposal of property, plant and equipment	-	4
<b>Net cash used in investing activities</b>	<u>(1,169)</u>	<u>(531)</u>
<b>Cash flows from financing activities</b>		
Repayment of term loans	(584)	(582)
Net withdrawal of banker's acceptance	539	(3,162)
Net addition of usance letter of credit	456	579
Repayments of finance lease liabilities	(353)	(309)
<b>Net cash generated from/(used) in financing activities</b>	<u>58</u>	<u>(3,474)</u>
<b>Net changes in cash and cash equivalents</b>	3,560	271
<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>(8,049)</u>	<u>(11,609)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	172	831
Bank overdraft	(8,221)	(12,440)
Cash and cash equivalents at end of the period	<u>(8,049)</u>	<u>(11,609)</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 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 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.

**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 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	42,847	43,184	24,571	24,107	67,418	67,291
Segment results	744	3,596	602	301	1,346	3,897
Unallocated Income					5,049	213
Unallocated expenses					(2,696 )	(2,129)
Consolidated Profit before taxation					3,699	1,981

**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 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 31/12/2016 RM'000	Preceding Period To date 31/12/2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	67,418	67,291	127	0.19%
Profit before tax	3,699	1,981	1,718	86.72%

The Group recorded a revenue of RM 67.418mil for the cumulative current period as compared to RM 67.291mil in the previous corresponding period, representing a slightly increase of RM 127k or 0.19%.

Profit before tax increased by RM1.718mil mainly due to improve in sales margin; captured of non-operating income and stock written off.

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

**Group Performance**

Description	Current Quarter 31/12/2016 RM'000	Immediate Preceding Quarter 30/09/2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	20,359	15,350	5,009	32.63%
(Loss)/Profit before tax	(1,267)	1,947	(3,214)	

The Group's revenue has increased by 32.63% or RM 5.009mil compared to the immediate preceding quarter due to more sales recognition in both Automotive and Commercial Sector.

The Group registered a loss before tax of RM 1.267mil in current quarter due to stock written off.

**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**

Description	Current Period To-Date 31 December 2016 RM'000	Preceding Year To-Date 31 December 2015 RM'000
Income Tax	227	(266)
Deferred Tax	(140)	(828)
Total	87	(1,094)

**B6. Corporate proposals**

As of 31 December 2016, there was no corporate proposal announced.

**B7. Profit before taxation**

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

Description	Current Period Quarter 31 Dec 2016 RM'000	Current Period To-Date 31 Dec 2016 RM'000
Other Income	(1,139)	(5,049)
Interest expense	178	780
Depreciation of property, plant & equipment	761	2,927
Impairment of trade receivables	654	654

**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 Dec 2016 were as follows:

	As at 31 Dec 2016 RM'000	As at 31 Dec 2015 RM'000
Short Term Bank Borrowings (current)		
Secured: Bills payable	3,345	2,215
Bank Overdrafts	8,221	12,440
Current portion of term loan	569	538
Sub-Total	12,135	15,193
Long Term Bank Borrowings (non-current)		
Secured: Term Loan	385	999

**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.

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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.

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 December 2016, the above account has been fully settled.

**B11. Dividends payable**

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

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**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 period to date 31 Dec 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 31 Dec 2016	Preceding Period Quarter 31 Dec 2015	Current Year To-Date 31 Dec 2016	Preceding Year To-Date 31 Dec 2015
<b>i)Earnings</b>				
(Loss)/profit attributable to owner of the company (RM'000)	(1,327)	676	3,789	889
<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(loss)/earnings per share (sen)	(2.05)	1.04	5.86	1.37

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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total accumulated losses of the group:		
Realised	(13,485)	(17,929)
Unrealised	( 2,795)	( 2,936)
	(16,280)	(20,865)
Consolidation adjustments	( 3,408)	( 2,612)
Total consolidated accumulated losses	(19,688)	(23,477)

**B14. Comparative Figures**

Certain comparative figures have been reclassified to conform with current year presentation.

Consolidated Statement of Profit and Loss and Other Comprehensive Income at 31 December 2015.

	As previously Stated RM'000	Reclassification RM'000	As restate RM'000
Cost of Sales	(57,158)	4,976	(52,182)
Administrative Expenses	(3,129)	(4,976)	(8,104)

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**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 27<sup>th</sup> February 2017.