

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Unaudited Current Period Quarter 31/12/2017 RM'000	Audited Preceding Corresponding Period Quarter 31/12/2016 RM'000	Unaudited Current Period To Date 31/12/2017 RM'000	Audited Preceding Period To Date 31/12/2016 RM'000
Revenue	16,715	15,350	53,702	67,418
Cost of Sales	(13,235)	(11,595)	(42,838)	(50,134)
Gross Profit	3,480	3,755	10,864	17,284
Operating expenses	(3,443)	(2,861)	(12,769)	(17,864)
Other incomes	430	1,215	1,989	5,073
Profit from operations	467	2,109	84	4,493
Finance costs	(179)	(162)	(811)	(780)
(Loss)/Profit before Taxation	288	1,947	(727)	3,713
Taxation	15	(96)	15	55
Net (loss)/profit/total (expenses)/comprehensive income for the period	303	1,851	(712)	3,768
(Loss)/Profit/ total(expenses)/ comprehensive income attributable to:				
Owners of the Company	305	1,851	(710)	3,771
Non-controlling interest	(2)	-	(2)	(3)
	303	1,851	(712)	3,768
(Loss)/Earnings per share (sen)				
- Basic and Diluted	0.47	2.86	(1.10)	5.83

(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)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	(Unaudited) As at end of Current Quarter 31/12/2017 RM'000	(Audited) As at preceding Financial Year Ended 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	28,697	28,457
	28,697	28,457
Current Assets		
Inventories	19,159	21,359
Trade and Other Receivables	14,843	16,483
Tax recoverable	8	17
Cash and Bank balances	1,372	331
	35,382	38,190
TOTAL ASSETS	64,079	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	(20,416)	(19,706)
Equity attributable to equity holders of the company	40,745	41,455
Non-controlling interests	(29)	(27)
Total Equity	40,716	41,428
Non-Current Liabilities		
Deferred Tax Liabilities	2,736	2,956
Finance Lease Liabilities	2,232	573
Bank Borrowings	1,740	337
	6,708	3,866
Current Liabilities		
Trade and Other Payables	7,762	9,185
Finance Lease Liabilities	169	310
Bank Borrowings	8,693	11,810
Tax Payables	31	48
	16,655	21,353
TOTAL LIABILITIES	23,363	25,219
TOTAL EQUITY AND LIABILITIES	64,079	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 FOURTH QUARTER ENDED 31 DECEMBER 2017(UNAUDITED)

	← Attributable to Owners of the Company →					Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Assets Valuation Reserve RM'000	Non Distributable Merger Reserve RM'000	Distributable 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	-		-	-	(710)	(710)	(2)	(712)
Balance as at 31 December 2017	70,000		(4,618)	(4,221)	(20,416)	40,745	(29)	40,716
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)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

	(Unaudited) 12 Months Current Period to date 31/12/2017 RM'000	Audited 12 Months Preceding Period to date 31/12/2016 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(727)	3,713
Adjustments for:		
Depreciation of property, plant and equipment	3,343	2,914
Loss on disposal of property, plant and equipment	584	-
Impairment loss on trade receivables	208	668
Reversal of impairment loss on trade receivables	(37)	(20)
Forfeiture of deposits previously received	(1,254)	(5,000)
Inventories written back	(389)	-
Inventories written off	521	4,078
Interest expenses	811	780
Operating profit before working capital changes	<u>3,060</u>	<u>7,133</u>
Changes in working capital:		
Inventories	2,068	2,184
Trade & other receivables	1,469	1,629
Trade & other payables	(169)	(4,757)
Cash generated from operations	<u>6,428</u>	<u>6,189</u>
Interest paid	(811)	(780)
Tax paid	(77)	(359)
Tax refund	52	-
Net cash generated from operating activities	<u>5,592</u>	<u>5,050</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(4,527)	(1,170)
Proceeds from disposal of property, plant and equipment	360	19
Net cash used in investing activities	<u>(4,167)</u>	<u>(1,151)</u>
Cash flows from financing activities		
Net addition/(repayment) of term loans	1,381	(583)
Net addition of banker's acceptance	1,137	599
Net (withdrawal)/addition of usance letter of credit	(2,004)	439
Net addition/(repayments) of finance lease liabilities	1,517	(353)
Net cash generated from financing activities	<u>2,031</u>	<u>102</u>
Net changes in cash and cash equivalents	3,456	4,001
Cash and cash equivalent at beginning of period	(7,608)	(11,609)
Cash and cash equivalent at end of period	<u>(4,152)</u>	<u>(7,608)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,372	331
Bank overdraft	(5,524)	(7,939)
Cash and cash equivalents at end of the period	<u>(4,152)</u>	<u>(7,608)</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 2017 are as follows:-

- Amendments to MFRS 12, “Disclosure of Interest in Other Entities” (Annual Improvements 2014-2016 cycle)
- Amendments to MFRS 107, “Disclosure Initiative”
- Amendments to MFRS 112, “Recognition of Deferred Tax Assets for Unrealised Losses”

Annual periods beginning on/after 1 January 2018

- 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”

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- 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”

Annual periods beginning on/after 1 January 2019

- MFRS 16, “Leases”
- Amendments to MFRS 9, “Prepayment Features with Negative Compensation”
- 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 2021

- MFRS 17, “Insurance Contracts”

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.

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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 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	35,055	42,847	18,647	24,571	53,702	67,418
Segment results	(625)	744	97	602	(528)	1,346
Unallocated Income					1,989	5,073
Unallocated expenses					(2,188)	(2,706)
Consolidated Profit before taxation					(727)	3,713

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 2017.

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 2017.

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 31/12/2017 RM'000	Preceding Period To date 31/12/2016 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	53,702	67,418	(13,716)	(20.34%)
(Loss)/profit before tax	(727)	3,713	(4,440)	

The Group recorded a revenue of RM 53.702million for the current period as compared to RM 67.418million in the previous corresponding period, representing a decreased of RM 13.716million. 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 31/12/2017 RM'000	Immediate Preceding Quarter 30/09/2017 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	16,715	12,013	4,702	39.14%
Profit/(loss) before tax	288	(250)	538	

The Group's revenue has improved by RM 4.702mil due to improvement in sales performance for both Automotive and Commercial Sector.

The Group registered a profit before tax in current quarter of RM 288,000 compared with immediate preceding quarter loss of RM 250,000.

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 Dec 2017 RM'000	Preceding Year To-Date 31 Dec 2016 RM'000
Income tax	204	(74)
Deferred tax	(219)	19
	(15)	(55)

B6. Corporate proposals

As of 31 December 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 Dec 2017 RM'000	Current Period To-Date 31 Dec 2017 RM'000
Other Income	(430)	(735)
Interest expense	179	811
Depreciation of property, plant & equipment	1,098	3,343
Impairment/(reversal) of trade/ non-trade receivables	(171)	(171)
(Gain)/loss on disposal of property, plant & equipment	(11)	584
Inventories written back	(171)	(389)
Written off Inventories	521	521
Forfeiture of deposits	-	(1,254)

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 December 2017 were as follows:

	As at 31 Dec 2017 RM'000	As at 31 Dec 2016 RM'000
Short Term (current)		
Secured: Bills payable	2,573	3,254
Bank Overdrafts	5,524	7,939
Term Loan	596	617
Sub-Total	8,693	11,810
Long Term (non-current)		
Secured: Term Loan	1,740	337
Total	10,433	12,147

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.

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.

B11. Dividends payable

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

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B12. Earnings 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 Dec 2017	Preceding Period Quarter 31 Dec 2016	Current Year To-Date 31 Dec 2017	Preceding Year To-Date 31 Dec 2016
i)Earnings				
Profit/(loss) attributable to owner of the company (RM'000)	305	1,851	(710)	3,771
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)	0.47	2.86	(1.10)	5.83

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

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 February 2018.