

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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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 2015**

	Individual Quarter		Cumulative Quarter	
	Unaudited Current Period Quarter 31/12/2015 RM'000	Audited Preceding Corresponding Period Quarter 31/12/2014 RM'000	Unaudited Current Period To Date 31/12/2015 RM'000	Audited Preceding Period To Date 31/12/2014 RM'000
Revenue	17,787	15,680	67,291	49,470
Cost of Sales	(14,210)	(15,087)	(57,244)	(45,467)
Gross Profit	3,577	593	10,047	4,003
Operating expenses	(1,458)	(20,686)	(6,881)	(26,039)
Other incomes	51	192	156	3,003
Profit/(loss) from operations	2,170	(19,901)	3,322	(19,033)
Finance costs	(347)	(318)	(1,337)	(1,300)
Profit/(loss) before Taxation	1,823	(20,219)	1,985	(20,333)
Taxation	(1,129)	(419)	(1,116)	(419)
Net Profit/(loss)/total comprehensive income/ (expenses) for the year	694	(20,638)	869	(20,752)
Profit/(loss)/total comprehensive income/(expenses) attributable to:				
Owners of the Company	694	(20,638)	869	(20,750)
Non-controlling interest	-	-	-	(2)
	694	(20,638)	869	(20,752)
Earnings/(loss) per share (sen)				
- Basic and Diluted	1.07	(31.90)	1.34	(32.07)

(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 financial year ended 31 December 2014 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 2015

	As at End of Current Quarter 31/12/2015 (Unaudited) RM'000	As at Preceding Financial Year End 31/12/2014 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	30,220	32,264
	30,220	32,264
Current Assets		
Inventories	27,624	26,848
Trade and Other Receivables	12,146	10,363
Tax recoverable	4	502
Cash and Bank balances	915	401
	40,689	38,114
TOTAL ASSETS	70,909	70,378
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	(23,498)	(24,367)
Equity attributable to equity holders of the company	37,663	36,794
Non-controlling interests	(21)	(21)
Total Equity	37,642	36,773
Non-Current Liabilities		
Deferred Tax Liabilities	2,958	2,197
Finance Lease Liabilities	879	951
Bank Borrowings	1,000	1,541
	4,837	4,689
Current Liabilities		
Trade and Other Payables	12,327	10,664
Finance Lease Liabilities	357	296
Bank Borrowings	15,277	17,657
Tax Payables	469	299
	28,430	28,916
TOTAL LIABILITIES	33,267	33,605
TOTAL EQUITY AND LIABILITIES	70,909	70,378
Net Assets Per Share (RM)	0.58	0.57

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the financial year ended 31 December 2014 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 2015 (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 2015	70,000	(4,618)	(4,221)	(24,367)	36,794	(21)	36,773
Net profit/ Total comprehensive income for the financial year	-	-	-	869	869	-	869
Balance as at 31 December 2015	70,000	(4,618)	(4,221)	(23,498)	37,663	(21)	37,642
Balance as at 1 January 2014	70,000	(4,618)	(4,221)	(3,617)	57,544	(19)	57,525
Net loss/ Total comprehensive expenses for the financial year	-	-	-	(20,750)	(20,750)	(2)	(20,752)
Balance as at 31 December 2014	70,000	(4,618)	(4,221)	(24,367)	36,794	(21)	36,773

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Annual Financial Statement for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

	(Unaudited)	Audited
	Current Period to date 31/12/2015 RM'000	12 Months Preceding Period to date 31/12/2014 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	1,985	(20,333)
Adjustments for:		
Depreciation on property, plant and equipment	2,875	2,817
Impairment for receivables written off	(128)	(69)
Impairment for other receivables	-	18,387
Gain on disposal of property, plant and equipment	-	(45)
Interest expenses	1,337	1,300
Interest incomes	(156)	-
Operating profit before working capital changes	5,913	2,057
Changes in working capital:		
Inventories	(776)	(4,556)
Trade & other receivables	(1,656)	3,424
Trade & other payables	1,663	1,726
Cash generated from operations	5,144	2,651
Interest paid	(1,337)	(1,300)
Tax recoverable /(paid)	317	(353)
Net cash generated from operating activities	4,124	997
Cash flows from investing activities		
Purchase of property, plant & equipment	(834)	(1,030)
Proceed from disposal of property, plant & equipment	-	53
Interest received	156	-
Net cash used in investing activities	(678)	(977)
Cash flows from financing activities		
Proceeds from bank borrowings	(3,165)	(390)
Repayments of hire purchase instalments	(10)	(187)
Net cash used in financing activities	(3,175)	(577)
Net changes in cash and cash equivalents	271	(556)
Cash and cash equivalent at beginning of period	(11,880)	(11,324)
Cash and cash equivalent at end of period	(11,609)	(11,880)
Cash and cash equivalents comprise the following:		
Cash and bank balances	915	401
Bank overdraft	(12,524)	(12,281)
Cash and cash equivalents at end of the period	(11,609)	(11,880)

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 December 2014 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 2014. 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 2014.

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 2014. 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:-

Amendment to MFRS 1	First-Time Adoption of Malaysian Financial Reporting Standards
Amendment to MFRS 2	Share-based Payment
Amendment to MFRS 3	Business Combination
Amendment to MFRS 8	Operation Segments
Amendment to MFRS 13	Fair Value Measurement
Amendment to MFRS 116	Property, Plant and Equipment
Amendment to MFRS 138	Intangible Assets
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 124	Related Party Disclosure
Amendment to MFRS 140	Investment Property
Annual Improvements to MFRS 2010 – 2012 Cycle	
Annual Improvements to MFRS 2011 – 2013 Cycle	

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A2. Accounting policies(con't)

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

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:-

		<u>Effective dates for financial periods beginning on or after</u>
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 5	Non-Current Assets Held for Sales and Discontinued Operations	1 January 2016
Amendments to MFRS 7	Financial Instruments Disclosures	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification on Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle		1 January 2016
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

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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 2014.

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 was 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.

A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	43,184	26,453	24,107	23,017	67,291	49,470
Segment results	3,539	(917)	276	(1,071)	3,815	(1,988)
Unallocated Income					156	3,003
Unallocated expenses					(1,986)	(21,348)
Consolidated Profit/(loss) before taxation					1,985	(20,333)

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 2014 up to the date of issue of this quarterly report.

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 31/12/2015 RM'000	Preceding Period To date 31/12/2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	67,291	49,470	17,821	36.02%
Profit/(loss) before tax	1,985	(20,333)	22,318	

The Group recorded a revenue of RM 67.291mil for the cumulative current period as compared to RM 49.470mil in the previous corresponding period, representing an increase of RM 17.821mil or 36.02%. This is mainly due to improvement in sales performance in both automotive and commercial sector.

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B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/12/2015 RM'000	Immediate Preceding Quarter 30/09/2015 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	17,787	14,905	2,882	19.34%
Profit/(Loss) before tax	1,823	37	1,786	

The Group's revenue has increased by 19.34% or RM 2.882mil compared to the immediate preceding quarter. The Group registered a profit before tax of RM 1.855mil in current quarter due to increase in sales margin in both automotive and commercial sectors.

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.

B5. Taxation

Description	Current Period To- Date 31 December 2015 RM'000	Preceding Year To-Date 31 December 2014 RM'000
Income Tax	261	51
Deferred Tax	855	368
Total	1,116	419

B6. Corporate proposals

As of 31 December 2015, there was no corporate proposal announced.

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B7. Profit before taxation

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

Description	Current Year Quarter 31 December 2015 RM'000	Current Year To-Date 31 December 2015 RM'000
Other Income	(52)	(156)
Interest expense	347	1,337
Depreciation of property, plant & equipment	792	2,875
Write back of trade receivables	128	128

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 December 2015 were as follows:

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
Short Term Bank Borrowings (current)		
Secured :		
Bills payable	2,215	4,797
Bank Overdrafts	12,524	12,281
Current portion of term loan	538	579
Sub-Total	<u>15,277</u>	<u>17,657</u>
Long Term Bank Borrowings (non-current)		
Secured :		
Term Loan	<u>1,000</u>	<u>1,541</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 proceed 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 have 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.

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.

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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/(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 period to date 31 December 2014 : 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 31/12/2015	Preceding Period Quarter 31/12/2014	Current Year To-Date 31/12/2015	Preceding Year To-Date 31/12/2014
i) Earnings				
Profit/(loss) attributable to owner of the company (RM'000)	694	(20,638)	869	(20,750)
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/(loss) per share (sen)	1.07	(31.90)	1.34	(32.07)

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

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Quarterly Announcement For The Quarter Ended 31 December 2015

B13. Disclosure of realised and unrealised profits

	As at 31/12/2015 RM'000	As at 31/12/2014 RM'000
Total accumulated losses of the group		
- Realised	(17,910)	(19,539)
- Unrealised	(2,958)	(2,197)
	-----	-----
Consolidation Adjustments	(20,868)	(21,736)
	(2,630)	(2,631)
	-----	-----
Total consolidated accumulated losses	(23,498)	(24,367)
	-----	-----

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 29th February 2016.