

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30/09/2013 RM'000	30/09/2012 RM'000	30/09/2013 RM'000	30/09/2012 RM'000
Revenue	12,965	12,820	37,187	35,711
Cost of Sales	(11,635)	(10,799)	(32,432)	(29,082)
Gross Profit	1,330	2,022	4,755	6,629
Operating expenses	(1,642)	(1,743)	(5,155)	(5,701)
Other operating income	672	2	676	5
Profit from operations	360	281	276	933
Finance costs	(335)	(372)	(994)	(1,094)
Profit/(Loss) before Taxation	25	(91)	(718)	(161)
Exceptional Item	-	-	-	-
Profit/(Loss) before taxation	25	(91)	(718)	(161)
Taxation		(137)		(137)
Net Profit/(Loss) for the period	25	(228)	(718)	(298)
Attributable to :				
Equity holders of the parent	25	(228)	(718)	(298)
Non-controlling interest				
	25	(228)	(718)	(298)
Loss per share (sen)				
- Basic	0.04	(0.35)	(1.11)	(0.46)
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Statements 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 2012 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	As at End of Current Quarter 30/09/2013	As at Preceding Financial Year End 31/12/2012
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	33,341	34,097
Deferred Tax Asset	56	56
	33,397	34,153
Current Assets		
Inventories	20,310	23,955
Trade and Other Receivables	28,961	27,035
Tax recoverable	638	496
Cash and Bank balances	1,128	1,418
	51,037	52,905
TOTAL ASSETS	84,434	87,058
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Retained Earnings	(3,750)	(3,032)
Treasury Shares, at cost	(4,221)	(4,221)
Equity attributable to equity holders of the parent/Total equity	57,411	58,129
Non-controlling interests	(17)	(17)
	57,394	58,112
Non-Current Liabilities		
Deferred Tax Liabilities	2,068	2,068
Hire Purchase Liabilities	272	323
Bank Borrowings	2,298	2,815
	4,638	5,206
Current Liabilities		
Trade and Other Payables	5,417	7,229
Hire Purchase Liabilities	279	1,045
Bank Borrowings	16,360	14,875
Tax Payables	346	591
	22,402	23,740
TOTAL LIABILITIES	27,040	28,946
TOTAL EQUITY AND LIABILITIES	84,434	87,058
Net Assets Per Share (RM)	0.89	0.90

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2013

	Attributable to Equity Holders of the Parent				Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
	Non Distributable			Distributable				
	Share Capital RM'000	Assets Valuation Reserve RM'000	Merger Reserve RM'000	Treasury Shares RM'000				
Balance as at 1 January 2013	70,000		(4,618)	(4,221)	(3,032)	58,129	(17)	58,112
Net loss for the period					(718)	(718)		(718)
Total comprehensive loss					(718)	(718)		(718)
Balance as at 30 September 2013	70,000		(4,618)	(4,221)	(3,750)	57,411	(17)	57,394
Balance as at 1 January 2012	70,000	5,196	(4,618)	(4,221)	(7,679)	58,678	(2)	58,676
Effect of adoption of MFRS 1		(5,196)			5,196			
Balance as at 1 January 2012 (restated)	70,000		(4,618)	(4,221)	(2,483)	58,678	(2)	58,676
Net loss for the period					(298)	(298)		(298)
Total recognised expense for the period					(298)	(298)		(298)
Balance as at 30 September 2012	70,000		(4,618)	(4,221)	(2,781)	58,379	(2)	58,377

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

PARAGON UNION BERHAD (286457-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	9 Months Period Ended 30.09.2013	9 Months Corresponding Period Ended 30.09.2012
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(718)	(161)
Adjustments for:		
Depreciation on property, plant and equipment	2,223	2,022
Impairment for trade receivables	360	360
Loss on disposal of property, plant and equipment	-	25
Property, plant and equipment written off	-	2
Interest expenses	994	1,094
Interest income	(5)	(5)
Operating profit before working capital changes	<u>2,854</u>	<u>3,337</u>
Changes in working capital:		
Inventories	3,645	(2,050)
Trade and other receivables	(2,286)	1,129
Trade and other payables	<u>(1,812)</u>	<u>(727)</u>
Cash generated from operations	2,401	1,689
Interest paid	(994)	(1,094)
Income tax paid	<u>(387)</u>	<u>(560)</u>
Net cash generated from operating activities	<u>1,020</u>	<u>35</u>
Cash flows from investing activities		
Interest received	5	5
Purchase of property, plant and equipment	(1,466)	(2,638)
Proceeds from disposal of property, plant and equipment	-	7
Net cash used in investing activities	<u>(1,461)</u>	<u>(2,626)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	157	420
Repayments of hire purchase instalments	<u>(816)</u>	<u>(691)</u>
Net cash used in financing activities	<u>(659)</u>	<u>(271)</u>
Net changes in cash and cash equivalents	(1,100)	(2,862)
Cash and cash equivalent at beginning of period	<u>(9,760)</u>	<u>(9,233)</u>
Cash and cash equivalent at end of period	<u>(10,860)</u>	<u>(12,095)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,128	1,002
Bank overdraft	<u>(11,987)</u>	<u>(13,097)</u>
Cash and cash equivalents at end of the period	<u>(10,860)</u>	<u>(12,095)</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 2012 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 FRS 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 FRS134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 and Part A of Appendix 9B of the Listing Requirements of 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 2013. 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 2013.

A2. Accounting policies

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and the provisions of the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company have adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to their operations:-

MFRSs effective on 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard (“IAS”) 9 as amended by IASB in June 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

PARAGON UNION BERHAD
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Quarterly Announcement For The Quarter Ended 30 September 2013

Annual Improvements to MFRSs 2009-2011 cycle
Annual Improvements to MFRSs 2009-2011 cycle

The Directors of the Group and of the Company are of the opinion that the abovementioned new MFRSs did not have any material financial and disclosure impacts to the financial statements during the financial year.

The Group and the Company have not applied the following accounting standards that have been issued by MASB but are not yet effective for the Group and the Company:-

MFRSs effective on 1 January 2014

Amendments to MFRS 10, MFRS 11 and MFRS 12	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

MFRSs effective on 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7 and MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Company plans to adopt the abovementioned MFRSs, IC Interpretations and amendments to MFRSs which are relevant to the Group's and to the Company's operations when they become effective.

The Directors of the Group and of the Company anticipate that the application of the above MFRSs, IC Interpretations and amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company.

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 2013.

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.

A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	15,992	15,590	21,195	20,121	37,187	35,711
Segment results	(1,239)	551	1,895	839	656	1,390
Unallocated Revenue					5	5
Unallocated expenses					(1,379)	(1,556)
Loss before taxation					(718)	(161)

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. Upon transition to MFRSs in the previous financial year, the group had applied the optional exemption to use the previous revaluation of its leasehold land and factory buildings and building improvements respectively as deemed cost under MFRSs. There was no revaluation of property, plant and equipment for the current quarter and financial period ended 30 September 2013.

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 period ended 30 September 2013.

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 year ended 31 December 2012 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 Quarter YTD Ended 30.09.2013 RM'000	Corresponding Quarter YTD Ended 30.09.2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	37,187	35,711	1,476	4.13%
Loss before tax	(718)	(161)	(557)	(345.96%)

The Group recorded a revenue of RM37.19 million for the current period as compared to RM35.71 million in the previous corresponding period, representing an increase of RM1.48 million or 4.13%. The higher sales in the current quarter were attributed to the better sales performance of both sectors.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter RM'000	Immediate Preceding Quarter RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	12,965	12,546	419	3.34%
Profit before tax	25	283	(258)	(91.17%)

The Group's revenue has increased by 3.34% to RM12.97 million for the current quarter from RM12.55 million generated in the immediate preceding quarter. The Group registered a profit before tax of RM0.025m in current quarters, representing a decrease of RM0.26m from profit before tax of RM0.28m in the immediate preceding quarter.

B3. Current Year Prospects

With the addition of new clientele in the automotive sector, future sales revenue are expected to increase particularly with projects that were earlier under development, would start production.

Sales in the commercial sector would remain moderate. Much of the sales are subjected to the seasonal demand and the status of the country's economy. Nonetheless, the sector had managed to secure several new hotel projects in addition to the existing projects.

B4. Explanatory notes on variances with profit forecasts or profit guarantee

Not applicable as the Group does not make any profit forecast for current financial year in any public document.

B5. Taxation

There was no provision for taxation for the current quarter under review.

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Quarterly Announcement For The Quarter Ended 30 September 2013

B6. Corporate proposals

There was no corporate proposal announced in the current quarter ended 30 September 2013.

B7. Profit/(Loss) before taxation

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

	Current Year Quarter 30 September 2013 RM'000	Current Year To Date 30 September 2013 RM'000
Interest expense	335	994
Depreciation of property, plant and equipment	755	2,223
Impairment of trade receivables	120	360
Realised loss/(gain) on foreign exchange	(22)	(32)
Insurance claim from fire damages	(671)	(671)
	<hr/>	<hr/>

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 year to date. As at end of the reporting quarter, the number of shares held as treasury shares are 5,301,700.

B9. Group borrowings

The total group borrowings as at 30 September 2013 were as follows:

	Current Quarter YTD Ended 30 September 2013 RM'000	Corresponding Quarter YTD Ended 30 September 2012 RM'000
Short Term Bank Borrowings		
Secured :		
Bills payable	2,482	3,275
Bank Overdrafts	4,377	10,225
Current portion of term loan	686	649
Sub-Total	<hr/> 7,545	<hr/> 14,149
Unsecured:		
Bills payable	1,205	-
Bank Overdrafts	7,610	2,872
Sub-Total	<hr/> 8,815	<hr/> 2,872
Total	<hr/> <hr/> 16,360	<hr/> <hr/> 17,021
Long Term Bank Borrowings		
Secured :		
Term Loan	2,298	2,984
	<hr/> <hr/>	<hr/> <hr/>

B10. Changes in material litigation

Paragon Union Berhad v Prestamewah Development Sdn. Bhd. and Liw Jun Wai

On 17 May 2010, the Federal Court dismissed the Company's application for leave to appeal against the decision of the Court of Appeal which set aside the interlocutory mandatory order by the High Court on 16 November 2009 compelling the defendants to refund RM18,000,000 to the Company.

Following that, the Company made an application for summary judgment and the hearing was fixed on 9 December 2010.

On 14 March 2011, the Court heard the Company's application for summary judgment for the refund of RM18,000,000 together with liquidated damages, interest and costs. The application was dismissed as the learned Judicial Commissioner was of the opinion there were triable issues such as alleged misinterpretations prior to the contract, despite their contention that the Share Sale Agreement is a standalone agreement and no extrinsic evidence was permissible.

The Company has instructed the solicitors to proceed with an appeal to the Court of Appeal and also to apply for the sum of RM18,000,000 to be paid into court by the Defendants.

The Record of Appeal has been lodged with the Court of Appeal on 12 August 2011.

The Company's appeal was fixed for hearing on 1 March 2012. The court dismissed the Company's appeal and directed the matter to be fixed for full trial.

The Court has fixed this suit for continued trial commencing on 27th March 2013 and expected to be completed by 10 June 2013.

The Court has concluded trial of the matter and has now fixed 5th September 2013 for oral submissions.

The Court has concluded trial of the matter and has now fixed 3rd December 2013 for further submissions and a decision date would be fixed thereafter.

B11. Dividends payable

The Board does not recommend any dividend in the current quarter and financial year to date (previous year corresponding quarter financial year ended 30 September 2012: Nil).

B12. Earnings per share

(i) Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share (“EPS”) is derived by dividing the profit/(loss) after taxation and profit/(loss) attributable to equity holders of the Parent by weighted average number of 64,698,300 (previous year corresponding quarter ended 30 September 2012 : 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 Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
i) Earnings				
Profit/(Loss) attributable to equity holders of the parent (RM'000)	25	(228)	(718)	(298)

ii) Weighted average number of ordinary shares

Weighted average number of shares in issue ('000)	64,699	64,699	64,699	64,699
Basic earnings/(loss) per share (sen)	0.04	(0.35)	(1.11)	(0.46)

(ii) Fully Diluted Earnings/(Loss) Per Share

The fully diluted earnings/(loss) per share (“EPS”) is derived by dividing the profit/(loss) after taxation and profit/(loss) attributable to equity holders of the Parent by weighted average number of 64,698,300 (previous year corresponding quarter ended 30 September 2012 : 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 Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
i) Earnings				
Profit/(Loss) attributable to equity holders of the parent (RM'000)	25	(228)	(718)	(298)

ii) Weighted average number of ordinary shares

Weighted average number of shares in issue ('000)	64,699	64,699	64,699	64,699
Fully Diluted Earnings/(Loss) per share (sen)	0.04	(0.35)	(1.11)	(0.46)

B13. Disclosure of realised and unrealised profits

	As at 30 September 2013 RM'000	As at 30 September 2012 RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	16,103	18,071
- Unrealised	(19,853)	(20,852)
Total Group accumulated losses as per consolidation accounts	<u>(3,750)</u>	<u>(2,781)</u>

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 28 November 2013.