

# **PARAGON UNION BERHAD**

Company No. 286457-V  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

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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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

	Unaudited Individual Quarter		Unaudited Cumulative Quarter	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Revenue	11,867	12,965	33,790	37,187
Cost of Sales	(10,786)	(11,635)	(30,380)	(32,432)
Gross Profit	1,081	1,330	3,410	4,755
Operating expenses	(1,743)	(1,642)	(5,353)	(5,155)
Other income	2,811	672	2,811	676
Profit from operations	2,149	360	868	276
Finance costs	(353)	(335)	(982)	(994)
Profit/(Loss) before Taxation	1,796	25	(114)	(718)
Taxation				
Net Profit/(Loss)/total comprehensive income/ (expense) for the period	1,796	25	(114)	(718)
Profit/(Loss)/total comprehensive expenses attributable to:				
Owners of the Company	1,796	25	(114)	(718)
Non-controlling interest				
	1,796	25	(114)	(718)
Earnings/(Loss) per share (sen)				
- Basic and Diluted	2.78	0.04	(0.18)	(1.11)

(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 2013 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 30 SEPTEMBER 2014

	As at End of Current Quarter 30/09/2014 (Unaudited) RM'000	As at Preceding Financial Year End 31/12/2013 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	32,284	33,254
Deferred Tax Assets	72	72
	<b>32,356</b>	<b>33,326</b>
<b>Current Assets</b>		
Inventories	26,667	22,292
Trade and Other Receivables	26,514	32,105
Tax recoverable	576	550
Cash and Bank balances	2,395	879
	<b>56,152</b>	<b>55,826</b>
<b>TOTAL ASSETS</b>	<b>88,508</b>	<b>89,152</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	(3,731)	(3,617)
<b>Equity attributable to equity holders of the company</b>	<b>57,430</b>	<b>57,544</b>
<b>Non-controlling interests</b>	<b>(19)</b>	<b>(19)</b>
<b>Total Equity</b>	<b>57,411</b>	<b>57,525</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	1,902	1,900
Finance Lease Liabilities	291	486
Bank Borrowings	1,568	2,117
	<b>3,761</b>	<b>4,503</b>
<b>Current Liabilities</b>		
Trade and Other Payables	8,672	8,938
Finance Lease Liabilities	204	143
Bank Borrowings	17,867	17,393
Tax Payables	593	650
	<b>27,336</b>	<b>27,124</b>
<b>TOTAL LIABILITIES</b>	<b>31,097</b>	<b>31,627</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88,508</b>	<b>89,152</b>
<b>Net Assets Per Share (RM)</b>	<b>0.89</b>	<b>0.89</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 2013 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 THIRD QUARTER ENDED 30 SEPTEMBER 2014(UNAUDITED)

	Attributable to Equity Holders of the Parent				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 2014</b>	70,000	(4,618)	(4,221)	(3,617)	57,544	(19)	57,525
Net loss/ Total comprehensive expenses for the period				(114)	(114)		(114)
<b>Balance as at 30 September 2014</b>	70,000	(4,618)	(4,221)	(3,731)	57,430	(19)	57,411
<b>Balance as at 1 January 2013</b>	70,000	(4,618)	(4,221)	(3,032)	58,129	(17)	58,112
Net loss/ Total comprehensive expenses for the period				(718)	(718)		(718)
<b>Balance as at 30 September 2013</b>	70,000	(4,618)	(4,221)	(3,750)	57,411	(17)	57,394

(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 2013 and the accompanying explanatory notes attached to the interim financial statements)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

	<b>(Unaudited)</b>	
	<b>Current Period to date 30/09/2014 RM'000</b>	<b>9 Months Preceding Period to date 30/09/2013 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(114)	(718)
Adjustments for:		
Depreciation on property, plant and equipment	1,374	2,223
Loss on disposal of property, plant and equipment	10	
Impairment for trade receivables	360	360
Interest expenses	982	994
Interest income	-	(5)
Operating profit before working capital changes	2,612	2,854
Changes in working capital:		
Inventories	(4,375)	3,645
Trade & other receivables	5,230	(2,286)
Trade & other payables	(266)	(1,812)
Cash generated from operations	3,201	2,401
Interest paid	(982)	(994)
Net Tax (paid)	(79)	(387)
<b>Net cash generated from operating activities</b>	<b>2,140</b>	<b>1,020</b>
<b>Cash flows from investing activities</b>		
Interest received	-	5
Purchase of property, plant & equipment	(414)	(1,466)
<b>Net cash used in investing activities</b>	<b>(414)</b>	<b>(1,461)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	(613)	157
Repayments of hire purchase instalments	(134)	(816)
<b>Net cash used in financing activities</b>	<b>(747)</b>	<b>(659)</b>
<b>Net changes in cash and cash equivalents</b>	<b>979</b>	<b>(1,100)</b>
<b>Cash and cash equivalent at beginning of period</b>	<b>(11,324)</b>	<b>(9,760)</b>
<b>Cash and cash equivalent at end of period</b>	<b>(10,345)</b>	<b>(10,860)</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	2,395	1,127
Bank overdraft	(12,740)	(11,987)
Cash and cash equivalents at end of the period	(10,345)	(10,860)

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2013 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 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 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 2013, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), Issues Committee ("IC") Interpretations and amendments to MFRS for financial periods beginning on or after 1 January 2014:-

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to MFRS 10, 12 and 127	Investment entities
IC Interpretation 21	Levies

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:-

**PARAGON UNION BERHAD**  
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**Quarterly Announcement For The Quarter Ended 30 September 2014**

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		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments	To be announced by Malaysian Accounting Standards Board ("MASB")
Amendments to MFRS119	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle		1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to MFRS 116 and MFRS 138	Clarification on Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2017

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.

**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 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	17,935	15,992	15,855	21,195	33,790	37,187
Segment results	(100)	(1,239)	(1,352)	1,895	(1,452)	656
Unallocated Income					2,811	5
Unallocated expenses					(1,473)	(1,379)
Consolidated Loss before taxation					(114)	(718)

**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 2014.

**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 2014.

**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 2013 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 30/09/2014 RM'000	Preceding Period To date 30/09/2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	33,790	37,187	(3,397)	(9.13%)
(Loss) before tax	(114)	(718)	604	84.12%

The Group recorded a revenue of RM33.79 million for the cumulative current period as compared to RM37.19 million in the previous corresponding period, representing a decrease of RM3.397 million or 9.13%. The lower sales were due to the slow down in market for commercial sector.

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

**Group Performance**

Description	Current Quarter 30/09/2014 RM'000	Immediate Preceding Quarter 30/06/2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	11,867	11,955	(88)	(0.736%)
Profit/(Loss) before tax	1,796	(961)	2,757	

The Group's revenue has decreased slightly by 0.736% or RM88k compared to the immediate preceding quarter. The Group registered a high profit before tax of RM1,796 million due to recognition of non operating income of RM 2.81m during the current quarter.

**B3. Current Year Prospects**

Generally the market would likely experiencing a cautious attitude due to the anticipated economic slowdown. A competition from China's trading market would affect the demand particularly with the commercial sector.

As for the automotive sector, its prospect is expected to be able to continue to sustain its market share with the new productions commencing in mass production in end of Q3 2014, the revenue is expected to offset the early slowdown.

**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**

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

**B6. Corporate proposals**

As of 20 November 2014, there was no corporate proposal announced.

**B7. Loss before taxation**

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

	Current Year Quarter 30 September 2014 RM'000	Current Period To Date 30 September 2014 RM'000
Other Income	(2,811)	(2,811)
Interest expense	353	982
Depreciation of property, plant and equipment	682	2,048
Impairment of trade receivables	120	360
Loss on disposal of Property, plant and equipment	10	10
	<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 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 30 September 2014 were as follows:

	As at 30 September 2014 RM'000	As at 30 September 2013 RM'000
Short Term Bank Borrowings(current)		
Secured : Bills payable	3,872	2,482
Bank Overdrafts	4,879	4,377
Current portion of term loan	729	686
Sub-Total	<hr/> 9,480	<hr/> 7,545
Unsecured: Bills payable	526	1,205
Bank Overdrafts	7,861	7,610
Sub-Total	<hr/> 8,387	<hr/> 8,815
Total	<hr/> 17,867	<hr/> 16,360
Long Term Bank Borrowings(non-current)		
Secured : Term Loan	<hr/> 1,568	<hr/> 2,298

**B10. Changes in material litigation**

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

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 27<sup>th</sup> March 2013 and expected to be completed by 10 June 2013.

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

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

The matter was heard by the Timbalan Pendaftar who then fixed 22<sup>nd</sup> April 2014 (mutual date for all 4 parties) as the next date for the hearing of the oral submissions.

The court further fixed the decision date to be on 18 June 2014.

On 18<sup>th</sup> June 2014, the Court did not allow the Company's claim for the refund of RM18 million.

The Company's solicitors has strongly advised that the said decision be appealed to the Court of Appeal. Accordingly, the Company has on 1 July 2014 filed an appeal with the Court of Appeal against the said Decision.

On 6<sup>th</sup> November 2014, the Court of Appeal has fixed 16<sup>th</sup> December 2014 as a further case management date as the ground of judgment from the High Court have yet to receive.

Further announcement on the development of the above matter will made in due course.

**B11. Dividends payable**

The Board does not recommend any dividend in the current quarter and financial year to date (preceding period to date 30 September 2013: Nil).

**PARAGON UNION BERHAD**  
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**Quarterly Announcement For The Quarter Ended 30 September 2014**

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**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 equity holders of the Company by weighted average number of 64,698,300 (preceding period to date 30 September 2013 : 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	Preceding Period Quarter	Current Period To-Date	Preceding Period To-Date
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
<b>i) Earnings</b>				
Profit/(Loss) attributable to equity holders of the company (RM'000)	1,796	25	(114)	(718)
<b>ii) Weighted average number of ordinary shares</b>				
Weighted average number of shares in issue ('000)	64,699	64,699	64,699	64,699
Basic earnings/(loss) per share (sen)	2.78	0.04	(0.18)	(1.11)

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

**B13. Disclosure of realized and unrealized profits**

	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
Total retain profits/(accumulated losses) of the Group		
- Realised	715	2,568
- Unrealised	(1,831)	(2,011)
Consolidation Adjustment	(2,615)	(4,307)
Total consolidated accumulated losses	(3,731)	(3,750)

**B14. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in Accordance with a resolution of the directors on 27<sup>th</sup> November 2014.