

# **PARAGON UNION BERHAD**

Company No. 286457-V  
(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2013**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2013 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31/12/2012 (Audited) RM'000	Current Year To Date 31/12/2013 (Unaudited) RM'000	Preceding Year To Date 31/12/2012 (Audited) RM'000
Revenue	15,517	12,635	52,704	48,346
Cost of Sales	(12,449)	(11,156)	(44,880)	(40,238)
Gross Profit	3,068	1,479	7,824	8,108
Operating expenses	(2,378)	(1,797)	(7,532)	(7,498)
Other operating income	1	92	676	97
Profit from operations	691	(226)	968	707
Finance costs	(340)	(312)	(1,334)	(1,406)
Profit/(Loss) before taxation	351	(538)	(366)	(699)
Taxation	(220)	272	(220)	135
Net Profit/(Loss) for the period	131	(266)	(586)	(564)
Attributable to :				
Equity holders of the parent	131	(250)	(586)	(549)
Non-controlling interest		(15)		(15)
	131	(266)	(586)	(564)
Loss per share (sen)				
- Basic	0.20	(0.41)	(0.91)	(0.87)
- 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 31 DECEMBER 2013

	As at End of Current Quarter 31/12/2013 (Unaudited)	As at Preceding Financial Year End 31/12/2012 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	33,254	34,097
Deferred Tax Asset	72	56
	<b>33,326</b>	<b>34,153</b>
<b>Current Assets</b>		
Inventories	22,292	23,955
Trade and Other Receivables	31,447	27,257
Tax recoverable	552	496
Cash and Bank balances	879	1,418
	<b>55,170</b>	<b>53,126</b>
<b>TOTAL ASSETS</b>	<b>88,496</b>	<b>87,279</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Retained Earnings	(3,618)	(3,032)
Treasury Shares, at cost	(4,221)	(4,221)
<b>Equity attributable to equity holders of the parent/Total equity</b>	<b>57,543</b>	<b>58,129</b>
<b>Non-controlling interests</b>	<b>(17)</b>	<b>(17)</b>
	<b>57,526</b>	<b>58,112</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	1,900	2,068
Hire Purchase Liabilities	480	323
Bank Borrowings	2,117	2,815
	<b>4,497</b>	<b>5,206</b>
<b>Current Liabilities</b>		
Trade and Other Payables	8,282	7,451
Hire Purchase Liabilities	148	1,045
Bank Borrowings	17,393	14,875
Tax Payables	650	591
	<b>26,473</b>	<b>23,962</b>
<b>TOTAL LIABILITIES</b>	<b>30,970</b>	<b>29,167</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88,496</b>	<b>87,279</b>
<b>Net Assets Per Share (RM)</b>	<b>0.89</b>	<b>0.90</b>

(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 FOURTH QUARTER ENDED 31 DECEMBER 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				
<b>Balance as at 1 January 2013</b>	70,000		(4,618)	(4,221)	(3,032)	58,129	(17)	58,112
Net loss for the period					(586)	(586)		(586)
Total comprehensive loss					(586)	(586)		(586)
<b>Balance as at 31 December 2013</b>	70,000		(4,618)	(4,221)	(3,618)	57,543	(17)	57,526
<b>Balance as at 1 January 2012</b>	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			
<b>Balance as at 1 January 2012 (restated)</b>	70,000		(4,618)	(4,221)	(2,483)	58,678	(2)	58,676
Net loss for the period					(549)	(549)	(15)	(564)
Total recognised expense for the period					(549)	(549)	(15)	(564)
<b>Balance as at 31 December 2012</b>	70,000		(4,618)	(4,221)	(3,032)	58,129	(17)	58,112

(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)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013**

	<b>12 Months Period Ended 31.12.2013 (Unaudited) RM'000</b>	<b>12 Months Corresponding Period Ended 31.12.2012 (Audited) RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(366)	(699)
Adjustments for:		
Depreciation on property, plant and equipment	2,945	2,690
Gain on disposal of property, plant and equipment	(1)	
Impairment for trade receivables	120	120
Impairment for trade receivables written back		(76)
Impairment for other receivables		353
Unrealised loss on foreign exchange		
Loss on disposal of property, plant and equipment	-	32
Property, plant and equipment written off	-	2
Interest expenses	1,334	1,406
Interest income	(6)	(6)
Operating profit before working capital changes	<u>4,026</u>	<u>3,822</u>
Changes in working capital:		
Inventories	1,663	(1,825)
Trade and other receivables	(4,310)	2,637
Trade and other payables	831	343
Cash generated from operations	<u>2,210</u>	<u>4,977</u>
Interest paid	(1,334)	(1,406)
Income tax refund	7	62
Income tax paid	(408)	(565)
<b>Net cash generated from operating activities</b>	<u>475</u>	<u>3,068</u>
<b>Cash flows from investing activities</b>		
Interest received	6	6
Purchase of property, plant and equipment	(2,100)	(2,670)
Proceeds from disposal of property, plant and equipment		22
<b>Net cash used in investing activities</b>	<u>(2,094)</u>	<u>(2,642)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	794	26
Repayments of hire purchase instalments	(739)	(979)
<b>Net cash used in financing activities</b>	<u>55</u>	<u>(953)</u>
<b>Net changes in cash and cash equivalents</b>	(1,564)	(527)
<b>Cash and cash equivalent at beginning of period</b>	<u>(9,760)</u>	<u>(9,233)</u>
<b>Cash and cash equivalent at end of period</b>	<u>(11,324)</u>	<u>(9,760)</u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	879	1,418
Bank overdraft	(12,203)	(11,178)
Cash and cash equivalents at end of the period	<u>(11,324)</u>	<u>(9,760)</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

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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	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	22,884	20,329	29,820	28,018	52,704	48,346
Segment results	(516)	(385)	2,119	1,876	1,603	1,491
Unallocated Revenue					676	97
Unallocated expenses					(2,645)	(2,287)
Loss before taxation					(366)	(699)

**A10. Valuation of property, plant and 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 year ended 31 December 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 year ended 31 December 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 31.12.2013 RM'000	Corresponding Quarter YTD Ended 31.12.2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	52,704	48,346	4,358	9.01%
Loss before tax	(366)	(699)	333	47.64%

The Group recorded a revenue of RM52.70 million for the current period as compared to RM48.35 million in the previous corresponding period, representing an increase of RM4.36 million or 9.01%. The higher sales in the current quarter were attributed to the better sales performance.

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

**Group Performance**

Description	Current Quarter RM'000	Immediate Preceding Quarter RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	15,517	12,965	2,552	19.68%
Profit before tax	351	25	326	1304.00%

The Group's revenue has increased by 19.68% to RM15.52 million for the current quarter from RM12.97 million generated in the immediate preceding quarter. The Group registered a profit before tax of RM0.351m in current quarters, representing an increase of RM0.326m from profit before tax of RM0.025m 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, starts production.

Sales in the commercial sector would remain moderate where sales are subjected to the seasonal demand and the performance 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**

Taxation for the period comprises the following:

	Current Quarter YTD Ended 31 December 2013 RM'000	Corresponding Quarter YTD Ended 31 December 2012 RM'000
<u>Current Year:</u>		
Income Tax	476	(358)
Deferred tax	(279)	110
	197	(248)
 <u>Prior Year:</u>		
Income Tax	23	(329)
Deferred tax	-	(712)
	23	(383)
 Total income tax expense	 220	 135

**B6. Corporate proposals**

There was no corporate proposal announced in the current quarter ended 31 December 2013.

**B7. Profit/(Loss) before taxation**

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

	Current Year Quarter 31 December 2013 RM'000	Current Year To Date 31 December 2013 RM'000
Interest expense	305	1334
Depreciation of property, plant and equipment	723	2,945
Impairment of trade receivables	(240)	120
Realised loss/(gain) on foreign exchange	9	(23)
Insurance claim from fire damages	(671)	(671)

**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 31 December 2013 were as follows:

	Current Quarter YTD Ended 31 December 2013 RM'000	Corresponding Quarter YTD Ended 31 December 2012 RM'000
Short Term Bank Borrowings		
Secured :		
Bills payable	3,284	3,039
Bank Overdrafts	4,901	8,675
Current portion of term loan	698	659
Sub-Total	8,883	12,373
Unsecured:		
Bills payable	1,207	-
Bank Overdrafts	7,303	2,502
Sub-Total	8,510	2,502
Total	17,393	14,875
Long Term Bank Borrowings		
Secured :		
Term Loan	2,117	2,815
	2,117	2,815

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

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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.

**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 31 December 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 31 December 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	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Quarter	To-Date	To-Date
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
<b>i) Earnings</b>				
Profit/(Loss) attributable to equity holders of the parent (RM'000)	131	(250)	(586)	(549)

**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)	(0.20)	(0.41)	(0.91)	(0.87)

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(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 31 December 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 31.12.2013	Preceding Year Quarter 31.12.2012	Current Year To-Date 31.12.2013	Preceding Year To-Date 31.12.2012
<b>i) Earnings</b>				
Profit/(Loss) attributable to equity holders of the parent (RM'000)	131	(250)	(586)	(549)

**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)	(0.20)	(0.41)	(0.91)	(0.87)

**B13. Disclosure of realised and unrealised profits**

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	16,182	16,461
- Unrealised	(19,214)	(19,493)
Total Group accumulated losses as per consolidation accounts	(3,032)	(3,032)

**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 25 February 2013.