

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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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 SECOND QUARTER ENDED 30 JUNE 2014**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2014 RM'000	Preceding Year Corresponding Quarter 30/06/2013 RM'000	Current Year To Date 30/06/2014 RM'000	Preceding Year To Date 30/06/2013 RM'000
Revenue	11,955	12,546	21,923	24,222
Cost of Sales	(10,707)	(10,209)	(19,594)	(20,797)
Gross Profit	1,248	2,337	2,329	3,425
Operating expenses	(1,897)	(1,740)	(3,610)	(3,550)
Other operating income	2	2	2	3
(Loss)/Profit from operations	(647)	599	(1,279)	(122)
Finance costs	(314)	(316)	(629)	(621)
(Loss)/Profit before Taxation	(961)	283	(1,908)	(743)
Taxation				
Net (Loss)/Profit/total comprehensive expenses for the period	(961)	283	(1,908)	(743)
(Loss)/Profit/total comprehensive expenses attributable to:				
Owners of the Company	(961)	283	(1,908)	(743)
Non-controlling interest				
(Loss)/Profit per share (sen)				
- Basic	(1.49)	0.44	(2.95)	(1.15)
- 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 2013 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 JUNE 2014

	As at End of Current Quarter 30/06/2014 RM'000	As at Preceding Financial Year End 31/12/2013 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	32,277	33,254
Deferred Tax Asset	72	72
	<u>32,349</u>	<u>33,326</u>
Current Assets		
Inventories	23,761	22,292
Trade and Other Receivables	27,135	32,105
Tax recoverable	515	550
Cash and Bank balances	1,134	879
	<u>52,545</u>	<u>55,826</u>
TOTAL ASSETS	<u><u>84,894</u></u>	<u><u>89,152</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Retained Earnings	(5,525)	(3,617)
Treasury Shares, at cost	(4,221)	(4,221)
Equity attributable to equity holders of the parent/Total equity	<u>55,636</u>	<u>57,544</u>
Non-controlling interests	<u>(19)</u>	<u>(19)</u>
	<u>55,617</u>	<u>57,525</u>
Non-Current Liabilities		
Deferred Tax Liabilities	1,901	1,900
Hire Purchase Liabilities	405	486
Bank Borrowings	1,743	2,117
	<u>4,049</u>	<u>4,503</u>
Current Liabilities		
Trade and Other Payables	6,589	8,938
Hire Purchase Liabilities	148	143
Bank Borrowings	17,840	17,393
Tax Payables	651	650
	<u>25,228</u>	<u>27,124</u>
TOTAL LIABILITIES	<u>29,277</u>	<u>31,627</u>
TOTAL EQUITY AND LIABILITIES	<u><u>84,894</u></u>	<u><u>89,152</u></u>
Net Assets Per Share (RM)	0.86	0.89

(The Condensed Consolidated Statements 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 SECOND QUARTER ENDED 30 JUNE 2014

	← Attributable to Equity Holders of the Parent →					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	Retained Earnings RM'000			
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 period					(1,908)	(1,908)		(1,908)
Balance as at 30 June 2014	70,000		(4,618)	(4,221)	(5,525)	55,636	(19)	55,617
Balance as at 1 January 2013	70,000		(4,618)	(4,221)	(3,032)	58,129	(17)	58,112
Net loss total comprehensive expenses for the period					(743)	(743)		(743)
Balance as at 30 June 2013	70,000		(4,618)	(4,221)	(3,775)	57,386	(17)	57,369

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30TH JUNE 2014

	6 Months Period Ended 30.06.2014 RM'000	12 Months Corresponding Period Ended 31.12.2013 (Audited) RM'000
Cash flows from operating activities		
Loss before taxation	(1,908)	(365)
Adjustments for:		
Depreciation on property, plant and equipment	1,366	2,945
Gain on disposal of property, plant and equipment	-	2
Impairment for trade receivables	240	120
Interest expenses	629	1,247
Interest income	2	(6)
Operating profit before working capital changes	<u>329</u>	<u>3,943</u>
Changes in working capital:		
Inventories	(1,469)	1,663
Trade & other receivables	4,730	(5,190)
Trade & other payables	(2,349)	1,710
Cash generated from operations	<u>1,241</u>	<u>2,126</u>
Interest paid	(629)	(1,247)
Interest received	(2)	6
Tax refund/(paid)	38	(399)
Net cash generated from operating activities	<u>648</u>	<u>486</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(389)	(1,770)
Net cash used in investing activities	<u>(389)</u>	<u>(1,770)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	147	794
Repayments of hire purchase instalments	(75)	(1,074)
Net cash generated from/ (used in) financing activities	<u>72</u>	<u>(280)</u>
Net changes in cash and cash equivalents	331	(1,564)
Cash and cash equivalent at beginning of period	<u>(11,324)</u>	<u>(9,760)</u>
Cash and cash equivalent at end of period	<u>(10,993)</u>	<u>(11,324)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,134	879
Bank overdraft	(12,127)	(12,203)
Cash and cash equivalents at end of the period	<u>(10,993)</u>	<u>(11,324)</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 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 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
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 7	Financial Instruments : Disclosures
Amendment to MFRS 10,11 & 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities : Transition Guidance
Amendment to MFRS 101	Presentation of items of other comprehensive income
Annual Improvements to MFRSs 2009-2011 cycle	Annual Improvements to MFRSs 2009-2011 Cycle

MFRSs effective on 1 January 2014

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-financial Assets
IC Int 21	Levies

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 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
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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.

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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 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	11,395	7,926	10,528	16,296	21,923	24,222
Segment results	(1)	(1,293)	(1,007)	1,530	(1,008)	237
Unallocated Revenue					1	3
Unallocated expenses					(901)	(983)
Loss before taxation					(1,908)	(743)

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 June 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 June 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 Quarter YTD Ended 30.06.2014 RM'000	Corresponding Quarter YTD Ended 30.06.2013 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	11,955	12,546	(591)	(4.71%)
(Loss)/Profit before tax	(961)	283	(1,244)	(439.58%)

The Group recorded a revenue of RM11.96 million for the current period as compared to RM12.55 million in the previous corresponding period, representing a decrease of RM0.59 million or 4.71%. The lower sales in the current quarter were due to the slow down in market for both commercial and automotive sector.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter RM'000	Immediate Preceding Quarter RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	11,955	9,968	1,987	19.93%
Loss before tax	(961)	(947)	14	1.48%

The Group's revenue has increased by 19.93% to RM11.96 million for the current quarter from RM9.97 million generated in the immediate preceding quarter. The Group registered a loss before tax of RM0.96 million in current quarter, representing an improvement of RM0.014million from loss before tax of RM0.95 million in the immediate preceding quarter.

B3. Current Year Prospects

Generally the market would likely experiencing a cautious attitude due to the anticipated economic slowdown. Any market glitches 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 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 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.

B6. Corporate proposals

There was no corporate proposal announced in the current quarter ended 30 June 2014.

B7. Loss before taxation

Loss before taxation is derived after charging:

	Current Year Quarter 30 June 2014	Current Year To Date 30 June 2014
	RM'000	RM'000
Interest expense	305	610
Depreciation of property, plant and equipment	681	1,366
Impairment of trade receivables	120	240
	<u>120</u>	<u>240</u>

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 June 2014 were as follows:

	Current Quarter YTD Ended 30 June 2014 RM'000	Corresponding Quarter YTD Ended 30 June 2013 RM'000
Short Term Bank Borrowings		
Secured : Bills payable	3,742	2,265
Bank Overdrafts	4,344	4,603
Current portion of term loan	728	678
Sub-Total	<u>8,814</u>	<u>7,546</u>
Unsecured: Bills payable	1,243	1,609
Bank Overdrafts	7,783	7,043
Sub-Total	<u>9,026</u>	<u>8,652</u>
Total	<u>17,840</u>	<u>16,198</u>
Long Term Bank Borrowings		
Secured : Term Loan	<u>1,743</u>	<u>2,471</u>

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 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.

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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.

The matter was heard by the Timbalan Pendaftar who then fixed 22nd 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 18th 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.

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 (previous year corresponding quarter financial year ended 30 June 2013: Nil).

B12. Earning per share

(i) Basic (Loss)/Profit Per Share

The basic (loss)/profit per share ("EPS") is derived by dividing the (loss)/profit after taxation and (loss)/profit attributable to equity holders of the Parent by weighted average number of 64,698,300 (previous year corresponding quarter ended 30 June 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 Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
i) Earnings				
(Loss)/profit attributable to equity holders of the parent (RM'000)	(961)	283	(1,908)	(743)
ii) Weighted average number of ordinary shares				
Weighted average number of shares in issue ('000)	64,699	64,699	64,699	64,699
Basic (loss)/profit per share (sen)	(1.49)	0.44	(2.95)	(1.15)

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

The fully diluted (loss)/profit per share ("EPS") is derived by dividing the (loss)/profit after taxation and (loss)/profit attributable to equity holders of the Parent by weighted average number of 64,698,300 (previous year corresponding quarter ended 30 June 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 Quarters	
	Current Year Quarter	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
i) Earnings				
(Loss)/profit attributable to equity holders of the parent (RM'000)	(961)	283	(1,908)	(743)
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 (Loss)/profit per share (sen)	(1.49)	0.44	(2.95)	(1.15)

B13. Disclosure of realised and unrealised profits

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	13,928	15,958
- Unrealised	(19,453)	(19,733)
Total Group accumulated losses as per consolidation accounts	(5,525)	(3,775)

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 26 August 2014.