

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS AND COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES TO THE INTERIM FINANCIAL STATEMENT	5-8
ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENT (APPENDIX 9 B)	9-13

PARAGON UNION BERHAD (286457-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

	Individual Quarter Unaudited		Cumulative Quarter Unaudited	
	Current Period Quarter	Preceding Corresponding Period Quarter	Current Period To Date	Preceding Period To Date
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
Revenue	17,669	9,968	17,669	9,968
Cost of Sales	(15,263)	(8,887)	(15,263)	(8,887)
Gross Profit	2,406	1,081	2,406	1,081
Operating expenses	(1,968)	(1,713)	(1,968)	(1,713)
Other incomes	76		76	
Profit/(loss) from operations	514	(632)	514	(632)
Finance costs	(327)	(315)	(327)	(315)
Profit/(loss) before Taxation	187	(947)	187	(947)
Taxation	12		12	
Net Profit/(loss)/total comprehensive income/ (expenses) for the period	199	(947)	199	(947)
Profit/(loss)/total comprehensive income/(expenses) attributable to:				
Owners of the Company	199	(947)	199	(947)
Non-controlling interest				
	199	(947)	199	(947)
Earnings/(loss) per share (sen)				
- Basic and Diluted	0.31	(1.46)	0.31	(1.46)

(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 2014 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 31 MARCH 2015

	As at End of Current Quarter 31/03/2015 (Unaudited) RM'000	As at Preceding Financial Year End 31/12/2014 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	31,670	32,264
	31,670	32,264
Current Assets		
Inventories	25,995	26,848
Trade and Other Receivables	12,345	10,363
Tax recoverable	510	502
Cash and Bank balances	788	401
	39,638	38,114
TOTAL ASSETS	71,308	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	(24,168)	(24,367)
Equity attributable to equity holders of the company	36,993	36,794
Non-controlling interests	(21)	(21)
Total Equity	36,972	36,773
Non-Current Liabilities		
Deferred Tax Liabilities	2,197	2,197
Finance Lease Liabilities	873	951
Bank Borrowings	1,441	1,541
	4,511	4,689
Current Liabilities		
Trade and Other Payables	11,723	10,664
Finance Lease Liabilities	302	296
Bank Borrowings	17,499	17,657
Tax Payables	301	299
	29,825	28,916
TOTAL LIABILITIES	34,336	33,605
TOTAL EQUITY AND LIABILITIES	71,308	70,378
Net Assets Per Share (RM)	0.57	0.57

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Annual Financial Statement for the year ended 31 December 2014 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 FIRST QUARTER ENDED 31 MARCH 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/ income for the period				199	199		199
Balance as at 31 March 2015	70,000	(4,618)	(4,221)	(24,168)	36,993	(21)	36,972
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				(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 year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

	(Unaudited)	
	Current Period to date 31/03/2015 RM'000	3 Months Preceding Period to date 31/03/2014 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation	187	(947)
Adjustments for:		
Depreciation on property, plant and equipment	682	685
Impairment for receivables	120	120
Interest expenses	327	315
Operating profit before working capital changes	<u>1,316</u>	<u>173</u>
Changes in working capital:		
Inventories	854	(1,505)
Trade & other receivables	(2,102)	3,922
Trade & other payables	1,059	(3,003)
Cash generated from/(used in) operations	<u>1,126</u>	<u>(413)</u>
Interest paid	(327)	(315)
Tax refund	6	59
Net cash generated from/(used in) operating activities	<u>805</u>	<u>(669)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(88)	(330)
Net cash used in investing activities	<u>(88)</u>	<u>(330)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	(1,060)	457
Repayments of hire purchase instalments	(71)	(40)
Net cash (used in)/generated from activities	<u>(1,131)</u>	<u>417</u>
Net changes in cash and cash equivalents	(414)	(582)
Cash and cash equivalent at beginning of period	(11,880)	(11,324)
Cash and cash equivalent at end of period	<u>(12,294)</u>	<u>(11,906)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	788	630
Bank overdraft	(13,082)	(12,536)
Cash and cash equivalents at end of the period	<u>(12,294)</u>	<u>(11,906)</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 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”), Issues Committee (“IC”) Interpretations and amendments to MFRS for financial periods beginning on or after 1 January 2014 are as follows:-

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
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2015

		<u>Effective dates for financial periods beginning on or after</u>
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
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 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.

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 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.

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2015

A9. Segment Information

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

	Automotive		Commercial		Consolidated	
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	10,613	5,770	7,056	4,198	17,669	9,968
Segment results	416	124	230	(676)	646	(552)
Unallocated Income					-	-
Unallocated expenses					(447)	(395)
Consolidated Profit/(loss) before taxation					199	(947)

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 period ended 31 March 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 period ended 31 March 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 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 31/03/2015 RM'000	Preceding Period To date 31/03/2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	17,669	9,968	7,701	77.26%
Profit/(loss) before tax	187	(947)	1,134	

The Group recorded a revenue of RM 17.669mil for the cumulative current period as compared to RM 9.968mil in the previous corresponding period, representing an increase of RM 7.701mil or 77.26%. This was mainly due to increase in sales in both commercial and automotive sector.

B2. Comparison with preceding quarter's result

Group Performance

Description	Current Quarter 31/03/2015 RM'000	Immediate Preceding Quarter 31/12/2014 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	17,669	15,681	1,988	12.68%
Profit/(loss) before tax	187	(20,222)	20,409	

The Group's revenue has improved by 12.68% or RM 1.988mil compared to the immediate preceding quarter. The Group registered a profit before tax of RM 187k in current quarter due to better sales performance in the current quarter.

B3. Current Year Prospects

Generally the market would likely be experiencing a cautious attitude due to the anticipated economic slowdown as a whole; especially in commercial sector.

As for the automotive sector, its prospect is expected to be able to continue to sustain its market share as the new productions are in mass production.

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 31 March 2015, there was no corporate proposal announced.

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2015

B7. Profit/(loss) before taxation

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

	Current Year Quarter 31 March 2015 RM'000	Current Period To Date 31 March 2015 RM'000
Other Income	(76)	(76)
Interest expense	327	327
Depreciation of property, plant and equipment	682	682
Impairment of trade receivables	120	120
	<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 31 March 2015 were as follows:

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Short Term Bank Borrowings(current)		
Secured :		
Bills payable	3,717	3,434
Bank Overdrafts	5,197	4,880
Current portion of term loan	700	707
Sub-Total	<hr/> 9,614	<hr/> 9,021
Unsecured:		
Bills payable	-	1,689
Bank Overdrafts	7,885	7,656
Sub-Total	<hr/> 7,885	<hr/> 9,345
Total	<hr/> 17,499	<hr/> 18,366
Long Term Bank Borrowings(non-current)		
Secured : Term Loan	<hr/> 1,441	<hr/> 1,937

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.

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.

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

Ground of judgment received on 12th January 2015 and Court of Appeal has fixed 24th February 2015 for case management.

On 24th February 2015, Court of Appeal has further fixed 26th March 2015 for further case management.

On 19 March 2015, the Company filed the Memorandum of Appeal by way of a Supplemental Record of Appeal and the Court of Appeal has fixed 28 April 2015 as final case management.

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2015

On 28 April 2015, Court of Appeal has further fixed 12 May 2015 as further case management.

On 12 May 2015, Court of Appeal has further fixed 10 September 2015 as further case management.

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 31 March 2014: Nil).

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 31 March 2014 : 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 31/03/2015	Preceding Period Quarter 31/03/2014	Current Period To-Date 31/03/2015	Preceding Period To-Date 31/03/2014
i) Earnings				
Profit/(loss) attributable to equity holders of the company (RM'000)	199	(947)	199	(947)
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)	0.31	(1.46)	0.31	(1.46)

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

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2015

B13. Disclosure of realized and unrealized profits

	As at 31/03/2015 RM'000	As at 31/03/2014 RM'000
Total (accumulated losses)/retained profits of The group		
- Realised	(19,340)	14,770
- Unrealised	(2,197)	(19,334)
	-----	-----
	(21,537)	(4,564)
Consolidation Adjustment	(2,631)	-
	-----	-----
Total consolidated accumulated losses	(24,168)	(4,564)
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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 27th May 2015.