

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
Revenue	12,020	13,910	12,020	13,910
Operating expenses	(11,913)	(13,546)	(11,913)	(13,546)
Other operating income	8	8	8	8
Profit from operations	115	372	115	372
Finance costs	(371)	(331)	(371)	(331)
Profit/(Loss) before taxation	(256)	41	(256)	41
Taxation	-	-	-	-
Profit/(Loss) for the period	(256)	41	(256)	41
Attributable to :				
Equity holders of the parent	(256)	41	(256)	41
Minority interest	-	-	-	-
	(256)	41	(256)	41
Earnings/(Loss) per share (sen)				
- Basic	(0.40)	0.06	(0.40)	0.06
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2010

	As at End of Current Quarter 31/03/2010 RM'000	As at Preceding Financial Year End 31/12/2009 RM'000 Restated
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	37,527	38,135
Deferred Tax Asset	141	141
	<b>37,668</b>	<b>38,276</b>
<b>Current Assets</b>		
Inventories	17,412	17,280
Trade and Other Receivables	33,525	37,917
Current Tax Assets	626	595
Cash and Cash Equivalents	2,159	1,322
	<b>53,723</b>	<b>57,114</b>
<b>TOTAL ASSETS</b>	<b>91,391</b>	<b>95,390</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Equity Holders Of The Parent</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	722	743
Retained Profit	(11,055)	(10,820)
Treasury Shares, at cost	(4,221)	(4,221)
<b>Total Equity</b>	<b>55,447</b>	<b>55,703</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	3,327	3,327
Hire Purchase Liabilities	2,783	3,100
Bank Borrowings	4,506	4,670
	<b>10,616</b>	<b>11,097</b>
<b>Current Liabilities</b>		
Trade and Other Payables	8,238	8,651
Hire Purchase Liabilities	1,111	1,103
Borrowings	15,573	18,430
Current Tax Liabilities	406	406
	<b>25,328</b>	<b>28,590</b>
<b>Total Liabilities</b>	<b>35,944</b>	<b>39,687</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91,391</b>	<b>95,390</b>
<b>Net Assets Per Share (RM)</b>	<b>0.8570</b>	<b>0.8610</b>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2010

	← Attributable to Equity Holders of the Parent →					Total RM'000
	Share Capital RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	
<b>At 1 January 2010</b>	70,000	5,361	(4,618)	(10,820)	(4,221)	55,703
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(21)	-	21	-	-
Net loss for the period	-	-	-	(256)	-	(256)
Total recognised income and expense for the period	-	(21)	-	(235)	-	(256)
Dividend Paid	-	-	-	-	-	-
Shares purchased during the period held as treasury shares	-	-	-	-	-	-
<b>At 31 March 2010</b>	70,000	5,340	(4,618)	(11,055)	(4,221)	55,447
<b>At 1 January 2009</b>	70,000	5,444	(4,618)	6,911	(4,209)	73,528
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(21)	-	21	-	-
Net profit for the period	-	-	-	41	-	41
Total recognised income and expense for the period	-	(21)	-	62	-	41
Shares purchased during the period held as treasury shares	-	-	-	-	(3)	(3)
<b>At 31 March 2009</b>	70,000	5,423	(4,618)	6,973	(4,212)	73,565

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010

	2010 3 Months Ended 31 March RM'000	2009 3 Months Ended 31 March RM'000
<b>Operating Activities</b>		
Net (Loss)/Profit Before Tax	(256)	41
Adjustments for non-cash flow :		
Interest expenses	372	331
Non-cash items	726	648
Non-operating items	(1)	(5)
Operating profit before working capital changes	840	1,016
Changes in working capital		
Net change in current assets	4,200	4,935
Net change in current liabilities	(1,463)	(4,455)
Cash generated from operations	3,577	1,496
Taxation paid	(31)	(15)
Interest paid	(306)	(312)
Interest received	1	-
Net cash from operating activities	3,241	1,170
<b>Investing Activities</b>		
Other investing activities	(58)	(1,058)
Net cash used in investing activities	(58)	(1,058)
<b>Financing Activities</b>		
Repayment of term loans	(151)	(154)
Shares buy-back	-	(3)
Hire purchase interest	(66)	(19)
Payment of hire purchase instalments	(309)	(114)
Net cash used in financing activities	(526)	(291)
<b>Net changes in cash and cash equivalents</b>	2,657	(179)
<b>Cash and cash equivalents brought forward</b>	(12,487)	(12,166)
<b>Cash and cash equivalents carried forward</b>	(9,830)	(12,346)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

**PARAGON UNION BERHAD (286457-V)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER**  
**ENDED 31 MARCH 2010**

**NOTES TO THE INTERIM FINANCIAL REPORT**

1) Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2009 Annual Financial Report.

The interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the 31 December 2009 Annual Financial Report.

The Directors of the Group and of the Company anticipate that the application of the following new FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group and of the Company:

	Effective date for financial periods beginning on or after
FRS 8 Operating Segments	1 July 2009
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 101 Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing Costs	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting and FRS127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transaction	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combination	1 July 2010
FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedge of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distribution of Non-cash Assets to Owners	1 July 2010
Amendments IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures of First-time Adopters	1 January 2011
Amendments to FRS 7 : Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Financial Instruments: Presentation	
- paragraphs 95A, 97AA and 97AB	1 January 2010
- paragraphs 11,16 and 97E	1 March 2010

The Company plans to adopt the abovementioned FRSs, revised FRSs, Issues Committee ('IC') Interpretations, amendments to FRSs and IC Interpretations which are relevant to the Company's operation when they become effective.

The Directors of the Company anticipate that the application of the above FRSs, revised FRSs, Issues Committee ('IC') Interpretations, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Company except for the changes in disclosures arising from the adoption of FRS 101 and Amendment to FRS 132.

The Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt the Company from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Company.

The Group has adopted the amendment to FRS 117 which clarifies the classification of lease of land and requires entities with existing lease of land and buildings to reassess the classification of land as finance or operating lease. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively in accordance with the transitional provision of the amendment and the following comparatives were restated:

	Previously Stated RM'000	Reclassification RM'000	Restated RM'000
As at 31 December 2009			
Property, plant and equipment	29,396	8,739	38,135
Prepaid lease payments	8,739	(8,739)	-

## 2) Qualified Audit Report

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

## 3) Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors for the financial period under review.

## 4) Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

## 5) Changes In Estimates

There were no material changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial year that have had a material impact on the current quarter results.

## 6) Issuance and Repayment of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period ended 31 March 2010.

## 7) Dividends Paid

The Company did not pay any dividend for the current quarter under review.

## 8) Operating Segments

	Automotive		Commercial		Consolidated	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	6,690	6,904	5,330	7,006	12,020	13,910
Segment results	334	(28)	(99)	452	235	424
Unallocated expenses					(120)	(52)
Profit from operations					115	372

## 9) Valuation of Property, Plant & Equipment

There were no amendments in the valuation of property, plant and equipment brought forward from the previous annual financial statements.

#### 10) Subsequent Material Events

There were no material events subsequent to the end of the interim period reported on that have not been reflected in the financial statements for the said period, made up to the date of issue of this quarterly report.

#### 11) Changes in the composition of the Group

There were no changes in the composition of the Group for the financial period under review, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations.

#### 12) Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities (other than material litigation disclosed in Note 23) and contingent assets since the last annual balance sheet as at 31 December 2009 up to the date of issue of this quarterly report.

#### 13) Performance Review

The Group recorded a gross revenue of RM12,020,000 in the current financial period compared to the corresponding period of RM13,910,000 and the Group's loss before taxation stood at RM256,000 compared to profit before taxation of RM41,000 in the corresponding period in the preceding year.

The decreased in gross revenue was mainly due to the lower sales from commercial carpet division as the impact of year 2009 lower economic growth was brought forward to this quarter. In addition to that, the sales were affected by the shorter working days in February 2010.

#### 14) Quarterly Profit or Loss Before Taxation Comparison

The Group recorded a gross revenue of RM12,020,000 in the current quarter compared to the immediate preceding quarter of RM14,551,000 and the Group's loss before taxation stood at RM256,000 compare to RM259,000 in the immediate preceding quarter.

#### 15) Current Year Prospects

With tighter financing terms coupled with the reduction on secondhand cars trade-in values and the expected growth of 2.4% in vehicle sales which is forecasted by MAA for the year 2010 compare to year 2009, the performance of the local automotive industry will again depend on the various new models launched, government vehicle scrapping policy, improved business confidence, increased consumer spending, aggressive discount and promotional programs by car companies. For the automotive carpet division, the Group expects better sales from local and export market due to the better global economic outlook although there appears to be some economic uncertainties arising from the current economic crisis in the Europe zone.

On our commercial carpet division, the forecast of economic growth rate of 4.5% to 5.5% for the year 2010 auger well for the Group. We will continue to increase our operational efficiency, effectiveness and cost management in order to reduce the cost of manufacturing.



#### 16) Profit Forecast or Profit Guarantee

This note is not applicable.

#### 17) Taxation

There is not tax charge for the current quarter.

#### 18) Profit/(Loss) on sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties for the current quarter and financial year-to-date.

#### 19) Purchase and Disposal of Quoted Securities

- a) There was no purchase or disposal of quoted investments for the current quarter and financial year-to-date.
- b) There were no investments in quoted securities at the end of the reporting period.

#### 20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 18 May 2010 (being the latest practicable date which is not earlier than 7 days from the issue date of this quarterly report).

#### 21) Group Borrowings

The total group borrowings are as follows:

	31 March 2010
	RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	2,725
Bank overdrafts	7,197
Current portion of term loan	615
	-----
Sub-total	10,537
	-----
Unsecured:	
Bills payable	244
Bank overdrafts	4,792
	-----
Sub-total	5,036
	-----
 Total	 15,573
	=====
<u>Long Term Bank Borrowings</u>	
Secured Term Loan	4,506
	=====

## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 18 May 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 23) Material Litigation

i) Paragon Union Berhad v Transpac Capital Pte Ltd and Transpac Industrial Holdings Ltd

There were no changes in the status of the above material litigation since the previous quarter ended 31 December 2009.

ii) Paragon Union Berhad v Wong Chee Kong and Poh Hock Leng

There were no changes in the status of the above material litigation since the previous quarter ended 31 December 2009.

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

On 8 February 2010 the appeal by the Prestamewah Development Sdn Bhd and Liw Jun Wai ("the Defendants") against the decision of High Court which, inter alia, granted PUB the interlocutory mandatory injunction compelling the Defendants to refund RM13,500,000.00 and RM4,500,000.00 respectively to PUB was allowed by the Court of Appeal. The order of the Court of Appeal essentially set aside the interlocutory mandatory order granted by the High Court Judge on 16 November 2009. PUB has filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal and the hearing of the leave of application was fixed on 17 May 2010. The application for leave was dismissed with cost by the Federal Court.

## 24) Dividend

No dividend has been declared for the financial quarter ended 31 March 2010.

## 25) Earnings Per Share

The basic and diluted earnings per share have been calculated based on the consolidated net profit or loss for the period and on weighted average number of ordinary shares in issue during the period.

	Current Year Quarter 31.3.2010	Preceding Year Quarter 31.3.2009	Current Year to date 31.3.2010	Preceding Year to date 31.3.2009
<b>i) Earnings</b>				
Net profit/(loss) for the period (RM'000)	(256)	41	(256)	41

	Current Year Quarter 31.3.2010	Preceding Year Quarter 31.3.2009	Current Year to date 31.3.2010	Preceding Year to date 31.3.2009
<b>ii) Weighted average number of ordinary shares</b>				

**Basic and diluted**

Weighted average number of ordinary shares at beginning of the period ('000)	64,699	64,726	64,699	64,726
Effect of shares buyback during the period ('000)	-	(7)	-	(7)
Weighted average number of ordinary shares at end of the period ('000)	64,699	64,719	64,699	64,719

The weighted average number of ordinary shares that would have been in issue after exercise of ESOS at fair value is anti-dilutive and is excluded in the computation of diluted earnings per share. Accordingly, there is no fully diluted earnings per share.