

PARAGON UNION BERHAD

Company No. 286457-V
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

CONTENTS

	Page
CONDENSED CONSOLIDATED STATEMENT OF 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 REPORT	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 STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Preceding Year To Date 31/03/2012 RM'000
Revenue	11,676	10,190	11,676	10,190
Cost of Sales	(10,588)	(8,251)	(10,588)	(8,251)
Gross Profit	1,088	1,939	1,088	1,939
Operating expenses	(1,811)	(2,034)	(1,811)	(2,034)
Other operating income	2	2	2	2
Profit from operations	(721)	(93)	(721)	(93)
Finance costs	(305)	(367)	(305)	(367)
Loss before Taxation	(1,026)	(460)	(1,026)	(460)
Taxation				
Net Loss for the period	(1,026)	(460)	(1,026)	(460)
Attributable to :				
Equity holders of the parent	(1,026)	(460)	(1,026)	(460)
Non-controlling interest				
	(1,026)	(460)	(1,026)	(460)
Loss per share (sen)				
- Basic	(1.59)	(0.71)	(1.59)	(0.71)
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Statements of 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 MARCH 2013

	As at End of Current Quarter 31/03/2013	As at Preceding Financial Year End 31/12/2012
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	34,343	34,097
Deferred Tax Asset	56	56
	34,399	34,153
Current Assets		
Inventories	21,778	23,955
Trade and Other Receivables	26,539	27,035
Tax recoverable	501	496
Cash and Bank balances	1,353	1,418
	50,171	52,905
TOTAL ASSETS	84,570	87,058
EQUITY AND LIABILITIES		
Capital and reserves		
Share Capital	70,000	70,000
Reserves, non-distributable	(4,618)	(4,618)
Retained Earnings	(4,058)	(3,032)
Treasury Shares, at cost	(4,221)	(4,221)
Equity attributable to equity holders of the parent/Total equity	57,103	58,129
Non-controlling interests	(17)	(17)
	57,086	58,112
Non-Current Liabilities		
Deferred Tax Liabilities	2,068	2,068
Hire Purchase Liabilities	290	323
Bank Borrowings	2,644	2,815
	5,002	5,206
Current Liabilities		
Trade and Other Payables	5,441	7,229
Hire Purchase Liabilities	819	1,045
Bank Borrowings	15,645	14,875
Tax Payables	578	591
	22,482	23,740
TOTAL LIABILITIES	27,484	28,946
TOTAL EQUITY AND LIABILITIES	84,570	87,058
Net Assets Per Share (RM)	0.88	0.90

(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 FIRST QUARTER ENDED 31 MARCH 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				
Balance as at 1 January 2013	70,000		(4,618)	(4,221)	(3,032)	58,129	(17)	58,112
Net loss for the period					(1,026)	(1,026)		(1,026)
Total comprehensive loss					(1,026)	(1,026)		(1,026)
Balance as at 31 March 2013	70,000		(4,618)	(4,221)	(4,058)	57,103	(17)	57,086
Balance as at 1 January 2012	70,000	5,196	(4,618)	(4,221)	(7,679)	58,678	(2)	58,676
Net loss for the period		(21)			(439)	(460)		(460)
Total comprehensive loss		(21)			(439)	(460)		(460)
Balance as at 31 March 2012	70,000	5,175	(4,618)	(4,221)	(8,118)	58,218	(2)	58,216

(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)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2013

	3 Months Period Ended 31.03.2013	3 Months Corresponding Period Ended 31.03.2012
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(1,026)	(460)
Adjustments for:		
Depreciation on property, plant and equipment	700	653
Gain on disposal of property, plant and equipment		
Impairment for trade receivables	120	120
Impairment for trade receivables written back		
Impairment for other receivables		
Unrealised loss on foreign exchange		
Loss on disposal of property, plant and equipment		
Property, plant and equipment written off		2
Write-off for fire damages		
Impairment loss on inventories		
Interest expenses	305	350
Interest income		(2)
Operating profit before working capital changes	<u>99</u>	<u>663</u>
Changes in working capital:		
Inventories	2,177	(893)
Trade & other receivables	376	1,161
Trade & other payables	<u>(1,788)</u>	<u>(2,173)</u>
Cash used in operations	864	(1,242)
Interest paid	(305)	(350)
Income tax refund		
Income tax paid	<u>(17)</u>	<u>(10)</u>
Net cash generated from/(used in) operating activities	<u>542</u>	<u>(1,602)</u>
Cash flows from investing activities		
Interest received		2
Purchase of property, plant & equipment	(946)	(185)
Proceeds from disposal of property, plant and equipment		
Net cash used in investing activities	<u>(946)</u>	<u>(183)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	477	90
Repayments of hire purchase instalments	<u>(259)</u>	<u>(272)</u>
Net cash generated from/(used in) financing activities	<u>218</u>	<u>(182)</u>
Net changes in cash and cash equivalents	(186)	(1,967)
Cash and cash equivalent at beginning of period	<u>(9,760)</u>	<u>(9,233)</u>
Cash and cash equivalent at end of period	<u>(9,946)</u>	<u>(11,200)</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	1,353	1,082
Bank overdraft	<u>(11,300)</u>	<u>(12,282)</u>
Cash and cash equivalents at end of the period	<u>(9,946)</u>	<u>(11,200)</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:-

	<u>Effective date for financial periods beginning on or after</u>
MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits (International Accounting Standard (“IAS”) 9 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)	1 January 2013
Amendment to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendment to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendment to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013

	<u>Effective date for financial periods beginning on or after</u>
Amendment to MFRS: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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

MFRS 141	Agriculture
IC Int 15	Agreements for the Construction of Real Estate
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities

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 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from External customers	4,704	4,800	11,523	5,390	11,676	10,190
Segment results	(860)	(40)	334	96	(526)	56
Unallocated Revenue					2	2
Unallocated expenses					(502)	(518)
Profit / (Loss) before taxation					(1,026)	(460)

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 31 March 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 period ended 31 March 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 31.03.2013 RM'000	Corresponding Quarter YTD Ended 31.03.2012 RM'000	Increase/(Decrease)	
			RM'000	%
Revenue	11,676	10,190	1,486	14.6%
(Loss)/Profit before tax	(1,026)	(460)	(566)	(123.0%)

The Group recorded a revenue of RM11.7 million for the current period as compared to RM10.2 million in the previous corresponding period, representing an increase of RM1.5 million or 14.6%. The higher sales in the current quarter were attributed to the better sales performance in the commercial 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	11,676	12,635	(959)	(7.6%)
(Loss)/Profit before tax	(1,026)	(538)	(488)	(90.7%)

The Group's revenue has decreased by 7.6% to RM11.7 million for the current quarter from RM12.6 million generated in the immediate preceding quarter. The Group registered a loss before tax of RM1.03 million in current quarter, representing an increase of RM0.49 million from loss before tax of RM0.54 million in the immediate preceding quarter.

The implementation of minimum wages has increased the cost of production and fluctuation of foreign exchange for purchasing raw materials from overseas have also affected the profitability of the current quarter.

B3. Current Year Prospects

The boost in the automotive demand in the country over the current quarter had resulted a higher product order. The sales of the automotive sector is expected to be better with the start of production of BMW 3 series and Suzuki in the next two quarters.

Sales of the commercial sector is envisaged to maintain in view of ever increasing market competition. Nevertheless the division would continue to tender for new projects that comes in the market. New additions to the order book are Klagan Hotel Sabah, Felda, Cancer Institute, Genting Malaysia and Tilottoma Group, Bangladesh.

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 31 March 2013.

B7. Loss before taxation

Loss before taxation is derived after charging:

	Current Year Quarter 31 March 2013	Current Year To Date 31 March 2013
	RM'000	RM'000
Interest expense	327	327
Depreciation of property, plant and equipment	700	700
Impairment of trade receivables	120	120

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 March 2013 were as follows:

	Current Quarter YTD Ended 31 March 2013 RM'000	Corresponding Quarter YTD Ended 31 March 2012 RM'000
Short Term Bank Borrowings		
Secured : Bills payable	2,300	2,635
Bank Overdrafts	5,056	9,496
Current portion of term loan	669	627
Sub-Total	8,025	12,758
Unsecured: Bills payable	1,377	-
Bank Overdrafts	6,243	2,786
Sub-Total	7,620	2,786
Total	15,645	15,444
Long Term Bank Borrowings		
Secured : Term Loan	2,644	3,315

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 27th March 2013 and expected to be completed by 10 June 2013.

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2013

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 March 2012: Nil).

B12. Earning per share

(i) Basic Loss Per Share

The basic loss per share (“EPS”) is derived by dividing the loss after taxation and 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	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
i) Earnings				
Loss attributable to equity holders of the parent (RM'000)	(1,026)	(460)	(1,026)	(460)

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 per share (sen)	(1.59)	(0.71)	(1.59)	(0.71)

(ii) Fully Diluted Loss Per Share

The fully diluted loss per share (“EPS”) is derived by dividing the loss after taxation and 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	Preceding Year Quarter	Current Year To-Date	Preceding Year To-Date
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
i) Earnings				
Loss attributable to equity holders of the parent (RM'000)	(1,026)	(460)	(1,026)	(460)

PARAGON UNION BERHAD
(Company No. 286457-V)
Quarterly Announcement For The Quarter Ended 31 March 2013

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 per share (sen)	(1.59)	(0.71)	(1.59)	(0.71)

B13. Disclosure of realised and unrealised profits

	As at 31 March 2013 RM'000	As at 31 Dec 2012 RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	15,555	16,461
- Unrealised	(9,613)	(19,493)
Total Group accumulated losses as per consolidation accounts	(4,058)	(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 28 May 2013.