

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2006

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2006 RM'000	31/12/2005 RM'000	31/12/2006 RM'000	31/12/2005 RM'000
Revenue	18,956	27,167	86,327	85,823
Operating expenses	(17,933)	(24,913)	(83,726)	(80,189)
Other operating income	251	276	341	318
Profit from operations	1,274	2,530	2,942	5,952
Finance costs	(386)	(906)	(1,805)	(1,821)
Investment income	2	31	6	76
Reversal of impairment loss on value of other investments	306	141	315	141
Profit before taxation	1,196	1,796	1,458	4,348
Taxation	(172)	(668)	(412)	(1,325)
Profit for the year	1,024	1,128	1,046	3,023
Attributable to :				
Equity holders of the parent	1,024	1,128	1,046	3,023
Minority interest	-	-	-	-
	1,024	1,128	1,046	3,023
Earnings per share (sen)				
- Basic	1.55	1.69	1.58	4.52
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for theyear ended 31 December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

	As at End of Current Quarter 31/12/2006 RM'000	As at Preceding Financial Year End 31/12/2005 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	32,817	33,013
Other Investments	17	4,145
Goodwill On Acquisition	1,770	2,744
Deferred Tax Asset	95	26
	34,699	39,928
Current Assets		
Property Development Costs	59,487	57,709
Inventories	11,197	13,650
Trade and Other Receivables	33,085	44,880
Tax Recoverable	414	197
Cash and Cash Equivalents	3,747	3,808
	107,930	120,244
TOTAL ASSETS	142,629	160,172
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	768	860
Retained Profit	6,366	5,706
Treasury Shares, at cost	(3,583)	(3,091)
Total Equity	73,551	73,474
Non-Current Liabilities		
Borrowings	9,157	15,677
Deferred Tax Liabilities	6,405	7,720
Hire Purchase Liabilities	698	520
	16,260	23,917
Current Liabilities		
Trade and Other Payables	31,245	34,661
Hire Purchase Liabilities	333	206
Borrowings	19,861	26,341
Tax Payable	1,379	1,573
	52,818	62,781
Total liabilities	69,078	86,698
TOTAL EQUITY AND LIABILITIES	142,629	160,172
Net Assets Per Share (RM)	1.1138	1.0989

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2006	70,000	5,478	(4,618)	5,706	(3,091)	73,474
Realisation of reserve on amortisation of revalued properties	-	(92)	-	92	-	-
Net profit for the year	-	-	-	1,046	-	1,046
Dividend paid	-	-	-	(477)	-	(477)
Shares purchased during the year held as treasury shares	-	-	-	-	(492)	(492)
At 31 December 2006	70,000	5,386	(4,618)	6,366	(3,583)	73,551
At 1 January 2005	70,000	5,570	(4,618)	3,074	(2,919)	71,107
Realisation of reserve on amortisation of revalued properties	-	(92)	-	92	-	-
Net profit for the year	-	-	-	3,023	-	3,023
Dividend paid	-	-	-	(483)	-	(483)
Shares purchased during the year held as treasury shares	-	-	-	-	(172)	(172)
At 31 December 2005	70,000	5,478	(4,618)	5,706	(3,091)	73,474

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 RM'000	2005 RM'000
Operating Activities		
Net Profit Before Tax	1,458	4,348
Adjustments for non-cash flow :		
Interest expenses	1,805	1,821
Non-cash items	2,095	3,126
Non-operating items	520	(127)
Operating profit before working capital changes	5,878	9,168
Changes in working capital		
Net change in development properties	(1,151)	(19,619)
Net change in current assets	14,191	(9,498)
Net change in current liabilities	(3,229)	20,800
Cash generated from/(utilised in) operations	15,689	851
Taxation paid	(2,205)	(973)
Interest paid	(2,361)	(3,157)
Interest received	63	59
Net cash from/(used in) operating activities	11,186	(3,220)
Investing Activities		
Other investments	6	55
Other investing activities	3,271	(1,394)
Net cash from/(used in) investing activities	3,277	(1,339)
Financing Activities		
Drawdown of bank borrowings	3,000	14,086
Repayment of term loans	(12,554)	(7,874)
Dividend paid	(477)	(483)
Shares buy-back	(492)	(173)
Hire purchase interest	(71)	(36)
Payment of hire purchase instalments	(295)	(179)
Net cash (used in) / from financing activities	(10,889)	5,341
Net changes in cash and cash equivalents	3,574	782
Cash and cash equivalents brought forward	(6,533)	(7,315)
Cash and cash equivalents carried forward	(2,959)	(6,533)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31
DECEMBER 2006

NOTES TO THE INTERIM FINANCIAL REPORT

1) Accounting Policies

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2005 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 2005 Annual Financial Report except for the adoption of the following new/revised FRSs effective for the financial period beginning 1 January 2006 :

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of these FRSs did not have significant financial impact on the Group except for FRS 101. The principal effects of the necessary changes in accounting policies resulting from the adoption of FRS 101 are discussed below:

FRS 101

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures in the consolidated balance sheet, income statements and statements of changes in equity. In the consolidated balance sheet, additional disclosure on the amount attributable to equity holders of the parent company is required as minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the year. In the statement of changes in equity, FRS 101 requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the year, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current year’s presentation of the Group’s financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year’s presentation.

2) Qualified Audit Report

The auditors’ report on the financial statements for the year ended 31 December 2005 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 year 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 year ended 31 December 2006 except for shares buy-back.

The particulars of shares buy-back in the financial year are as follows:

- i) The total number of shares purchased during the financial year : 825,500 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.42 each.
- iii) The maximum price paid for each share purchased : RM0.71 each.
- iv) The total amount paid for the shares purchased : RM491,883.
- v) Number of shares purchased retained in treasury : 825,500 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31 December 2006 : 3,965,200 Ordinary Shares of RM1.00 each.
- vii) Number of shares purchased which were cancelled : Nil.
- viii) The total issued capital as diminished : Nil

7) Dividends Paid

Since the end of the previous financial year, the Company paid a first and final dividend of 1% less 28% tax amounting to RM476,945 for the year ended 31 December 2005.

8) Segmental Analysis

	12 months ended	
	31 Dec 2006	31 Dec 2005
	RM'000	RM'000
Segment Revenue		
Manufacturing carpets	54,106	60,373
Property development	32,221	25,450
	-----	-----
	86,327	85,823
Elimination of inter-segment sales	-	-
	-----	-----
Total revenue	86,327	85,823
	=====	=====
Segment Results		
Manufacturing carpets	1,520	2,179
Property development	1,720	4,138
	-----	-----
	3,240	6,317
Eliminations	-	-
	-----	-----
	3,240	6,317
Unallocated expenses	(298)	(365)
	-----	-----
Profit from operations	2,942	5,952
	=====	=====

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 year 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 2005 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM86,327,000 in the current financial year compared to the preceding year of RM85,823,000 and the Group's profit before taxation stood at RM1,458,000 compared to RM4,348,000 in the preceding year.

There were no material differences in the gross revenue in the current financial year as the reduction in the automotive carpet division revenue was off-set with the increased revenue in the property segment and commercial carpet division. However, higher finance costs from increased interest rates and high material costs, together with the impairment of goodwill of RM973,611 have resulted in lower profit before taxation.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM18,956,000 in the current quarter compared to the immediate preceding quarter of RM24,254,000 and the Group's profit before taxation stood at RM1,196,000 compared to a loss before taxation of RM146,000 in the immediate preceding quarter.

The increased in profit before taxation in the current quarter was mainly due to lower borrowings, doubtful debts recovered, reversal of impairment loss on other investments and other provisions.

15) Current Year Prospects

With tighter financing terms and higher hire purchase interest rates coupled with the reduction on secondhand cars trade-in values, the performance of the automotive industry will depend on the various new models that will be launched in 2007 and the potential tie-ups of the local automotive players with strong technical partners.

On our commercial carpet division, the forecast of economic growth rate of 5.2% for the year 2007 and the expected private sector upgrading and refurbishment of hotels in anticipation of Visit Malaysia Year 2007 will be a positive factor.

Escalating cost brought about by the increased interest rates and fluctuating fuel prices have affected the cost of manufacturing and construction. The Group has to continuously increase its operational efficiency and effectiveness and cost management in order to weather these challenges.

As for activities at the property development segment, Phase 1 of Paragon Heights, situated in Bukit Jalil, Kuala Lumpur has been completed with Certificate of Fitness issued by the authorities. Phase 2 has been launched in January 2007.

16) Profit Forecast or Profit Guarantee

This note is not applicable.

17) Taxation

The breakdown of tax charge for the current quarter and financial year are as follows :

	Current Quarter RM'000	Current Year RM'000
Current tax expense		
- current period	856	1,806
- over estimated in prior year	(10)	(10)
	-----	-----
	846	1,796
	-----	-----
Deferred tax expense		
- current period	(663)	(1,373)
- over estimated in prior year	(11)	(11)
	-----	-----
	(674)	(1,384)
	-----	-----
	172	412
	=====	=====

The effective tax rate of the Group for the current quarter and the financial year is high compared to the statutory rate because certain expenses have been disallowed in arriving at the chargeable income in certain subsidiary companies.

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.

19) Purchase and Disposal of Quoted Securities

a) Summary of dealings in quoted securities for the current quarter and financial year are as follows.

	Current Quarter	Current Year
	RM'000	RM'000
Total purchases	Nil	Nil
Total disposals	869	4,442
Total loss on disposals	(638)	(629)
Impairment loss on value of investments written back	944	944

b) Summary details of all investments in quoted securities at the end of the reporting year are as follows:

	RM '000
Total investments at cost	59
Total investments at book value	17
Total investments at market value as at 31 December 2006	17

20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 7 February 2007 (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 December 2006 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,199
Bank overdrafts	3,777
Current portion of bank loans	8,783

Sub-total	15,759

Unsecured:	
Bills payable	1,172
Bank overdrafts	2,930

Sub-total	4,102

Total	19,861
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	9,157
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 7 February 2007, 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 30 September 2006, other than the suit is fixed for continued trial on 27 and 28 March 2007.

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 30 September 2006.

24) Dividend

(a)(i) The Board of Directors proposed a first & final dividend of 1% less tax at 28% in respect of the financial year ended 31st December 2006 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

(ii) Gross amount per share : 1 sen

(iii) Previous corresponding period : 1 sen

(iv) Date of payment : To be determined at a later date

(v) Date of entitlement : To be determined at a later date

(b) Total dividend proposed for the current financial year : 1 sen

25) Earnings Per Share

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

	Quarter	Quarter	Current Year	Preceding Year	Current Year	Preceding Year
			31.12.2006	31.12.2005	31.12.2006	31.12.2005
i) Earnings						
Net profit for the period (RM'000)			1,024	1,128	1,046	3,023
			<hr/>			
	Quarter	Quarter	Current Year	Preceding Year	Current Year	Preceding Year
			31.12.2006	31.12.2005	31.12.2006	31.12.2005

ii) Weighted average number of ordinary shares

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	66,170	67,130	66,860	67,130
Effect of shares buyback during the period ('000)	(135)	(270)	(825)	(270)
Weighted average number of ordinary shares at end of the period ('000)	66,035	66,860	66,035	66,860

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.