

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2007

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2007 RM'000	Preceding Year Corresponding Quarter 30/06/2006 RM'000	Current Year To Date 30/06/2007 RM'000	Preceding Year Corresponding Period 30/06/2006 RM'000
Revenue	38,203	22,749	64,442	43,117
Operating expenses	(38,246)	(22,278)	(64,068)	(41,810)
Other operating income	51	18	62	46
Profit from operations	8	489	436	1,353
Finance costs	(304)	(480)	(663)	(945)
Gain on disposal of other investments	-	-	8	-
Profit/(Loss) before taxation	(296)	9	(219)	408
Taxation	347	(156)	384	(197)
Profit/(Loss) for the period	51	(147)	165	211
Attributable to :				
Equity holders of the parent	51	(147)	165	211
Minority interest	-	-	-	-
	51	(147)	165	211
Earnings per share (sen)				
- Basic	0.08	(0.22)	0.25	0.32
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2007

	As at End of Current Quarter 30/06/2007 RM'000	As at Preceding Financial Year End 31/12/2006 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	23,468	23,717
Prepaid Lease Payments	9,039	9,099
Other Investments	-	17
Intangible Asset	1,770	1,770
Deferred Tax Asset	95	95
	34,372	34,699
Current Assets		
Property Development Costs	22,119	59,487
Inventories	11,681	11,197
Trade and Other Receivables	52,598	38,184
Current Tax Assets	432	414
Cash and Bank Balances	6,345	3,747
	93,176	113,028
TOTAL ASSETS	127,548	147,727
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	722	768
Retained Profit	6,577	6,366
Treasury Shares, at cost	(3,680)	(3,583)
Total Equity	73,619	73,551
Non-Current Liabilities		
Borrowings	6,939	9,157
Deferred Tax Liabilities	5,363	6,405
Hire Purchase Liabilities	523	697
	12,825	16,260
Current Liabilities		
Trade and Other Payables	21,740	36,343
Hire Purchase Liabilities	344	333
Borrowings	17,281	19,861
Current Tax Liabilities	1,740	1,379
	41,104	57,916
Total Liabilities	53,929	74,176
TOTAL EQUITY AND LIABILITIES	127,548	147,727
Net Assets Per Share (RM)	1.1184	1.1138

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2006)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2007

	← 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	
At 1 January 2007	70,000	5,386	(4,618)	6,366	(3,583)	73,551
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(46)	-	46	-	-
Net profit for the period	-	-	-	165	-	165
Total recognised income and expense for the period	-	(46)	-	211	-	165
Shares purchased during the period held as treasury shares	-	-	-	-	(97)	(97)
At 30 June 2007	70,000	5,340	(4,618)	6,577	(3,680)	73,619
At 1 January 2006	70,000	5,478	(4,618)	5,706	(3,091)	73,474
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(46)	-	46	-	-
Net profit for the period	-	-	-	211	-	211
Total recognised income and expense for the period	-	(46)	-	257	-	211
Shares purchased during the period held as treasury shares	-	-	-	-	(384)	(384)
At 30 June 2006	70,000	5,432	(4,618)	5,963	(3,475)	73,301

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2006)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2007

	2007 6 Months Ended 30 June RM'000	2006 6 Months Ended 30 June RM'000
Operating Activities		
Net (Loss)/Profit Before Tax	(219)	408
Adjustments for non-cash flow :		
Interest expenses	664	945
Non-cash items	992	1,633
Non-operating items	(18)	(29)
Operating profit before working capital changes	1,418	2,957
Changes in working capital		
Net change in development properties	37,537	(3,069)
Net change in current assets	(15,019)	7,664
Net change in current liabilities	(15,136)	(4,975)
Cash generated from operations	8,801	2,577
Taxation paid	(316)	(450)
Interest paid	(805)	(1,243)
Interest received	52	20
Net cash from operating activities	7,732	904
Investing Activities		
Other investing activities	(579)	3,115
Net cash (used in)/from investing activities	(579)	3,115
Financing Activities		
Drawdown of bank borrowings	6,000	3,000
Repayment of term loans	(6,109)	(5,937)
Shares buy-back	(97)	(384)
Hire purchase interest	(28)	(33)
Payment of hire purchase instalments	(164)	(136)
Net cash used in financing activities	(398)	(3,490)
Net changes in cash and cash equivalents	6,755	529
Cash and cash equivalents brought forward	(2,961)	(6,533)
Cash and cash equivalents carried forward	3,794	(6,004)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2006)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 30 JUNE 2007

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 2006 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 2006 Annual Financial Report except for the adoption of the following new/revised FRSs that are applicable for the financial period beginning 1 January 2007 :

FRS 117 - Leases
FRS 124 - Related Party Disclosures

The adoption of FRS 124 did not have significant financial impact on the Group.

The principal effects of the necessary changes in accounting policies resulting from the adoption of FRS 117 are discussed below:

FRS 117 - Leases

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings.

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortized revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments. Leasehold land is now classified as operating lease. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and the following comparatives were restated.

	Previously Stated RM'000	Reclassification RM'000	Restated RM'000
As at 31 December 2006			
Property, plant & equipment	32,816	(9,099)	23,717
Prepaid lease payments	-	9,099	9,099

2) Qualified Audit Report

The auditors' report on the financial statements for the year ended 31 December 2006 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 periods 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 30 June 2007 except for shares buy-back.

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

- i) The total number of shares purchased during the financial period : 212,800 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.43 each.
- iii) The maximum price paid for each share purchased : RM0.58 each.
- iv) The total amount paid for the shares purchased : RM96,979.
- v) Number of shares purchased retained in treasury : 212,800 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 30 June 2007: 4,178,000 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

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

8) Segmental Analysis

	6 months ended		
	30 June 2007	30 June 2006	
	RM'000	RM'000	
Segment Revenue			
Manufacturing carpets development	22,219	29,215	Property
	42,223	13,902	
	-----	-----	
	64,442	43,117	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	64,442	43,117	
	=====	=====	
Segment Results			
Manufacturing carpets	197	390	
Property development	301	1,017	
	-----	-----	
	498	1,407	
Eliminations	-	-	
	-----	-----	
	498	1,407	
Unallocated expenses	(62)	(54)	
	-----	-----	
Profit from operations	436	1,353	
	=====	=====	

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 2006 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM64,442,000 in the current financial period compared to the corresponding period in the preceding year of RM43,117,000 and the Group's loss before taxation stood at RM219,000 compared to a profit before taxation of RM408,000 in the corresponding period in the preceding year.

Gross revenue has increased as a result of increased revenue in the property segment, off-setting the reduction in both the automotive and commercial carpet division revenue. However, high material costs due to upgraded product specifications and features in Phase 2 of the property segment coupled with the decreased in revenue of the manufacturing carpets division, mainly due to the automotive segment, have resulted in a lower Group's performance.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM38,203,000 in the current quarter compared to the immediate preceding quarter of RM26,239,000 and the Group's loss before taxation stood at RM296,000 compared to a profit before taxation of RM77,000 in the immediate preceding quarter.

The decreased in profit before taxation in the current quarter was mainly due to the above factors in note 13.

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. The launching of a new Proton sedan, Proton Persona, and the introduction of the Gen. 2 in China in the coming months will be a positive note for the Group. On the automotive export scene, the Group has secured contracts to supply substantial quantities of carpet products for the export market estimated to commence in the 1st Quarter of 2008.

On our commercial carpet division, the forecast of economic growth rate of 6% for the year 2007 and the expected private sector upgrading and refurbishment of hotels, as a result of Visit Malaysia Year 2007 will be a positive factor.

However, escalating cost brought about by 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 2 of Paragon Heights, situated in Bukit Jalil, Kuala Lumpur has achieved sales of 80% after its launch in February 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-to-date are as follows :

	Current Quarter RM'000	Current Year To Date RM'000
Current tax expense - current period	348	658
Deferred tax expense - current period	(695)	(1,042)
	-----	-----
	(347)	(384)
	=====	=====

The effective tax rate of the Group for the current quarter and the financial year-to-date 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-to-date.

19) Purchase and Disposal of Quoted Securities

a) Summary of dealings in quoted securities for the current quarter and financial year-to-date is as follows.

	Current Quarter	Current Year-To-Date
	RM'000	RM'000
Total purchases	Nil	Nil
Total disposals	Nil	25
Total gain on disposals	Nil	8

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 4 August 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:

	30 June 2007 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,096
Bank overdrafts	1,498
Current portion of bank loans	10,891

Sub-total	15,485

Unsecured:	
Bills payable	742
Bank overdrafts	1,054

Sub-total	1,796

Total	17,281
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	6,939
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 4 August 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 31 March 2007, other than the trial has been adjourned for continuation on 18 September 2007 for legal submissions.

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 March 2007.

24) Dividend

No dividend has been declared for the financial quarter ended 30 June 2007.

25) Earnings Per Share

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

	Current Year Quarter 30.06.2007	Preceding Year to date 30.06.2006	Current Year to date 30.06.2007	Preceding Year 30.06.2006
i) Earnings				
Net profit/(Loss) for the period (RM'000)	51	(147)	165	211

	Current Year Quarter 30.06.2007	Preceding Year to date 30.06.2006	Current Year to date 30.06.2007	Preceding Year 30.06.2006
ii) Weighted average number of ordinary shares				
Basic and diluted				
Weighted average number of ordinary shares at beginning of the period ('000)	65,949	66,358	66,035	66,860
Effect of shares buyback during the period ('000)	(127)	(105)	(213)	(607)
Weighted average number of ordinary shares at end of the period ('000)	65,822	66,253	65,822	66,253

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.