

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2007

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2007 RM'000	31/12/2006 RM'000	31/12/2007 RM'000	31/12/2006 RM'000
Revenue	36,411	18,956	132,996	86,327
Operating expenses	(34,924)	(17,933)	(130,729)	(83,726)
Other operating income	163	251	273	341
Profit from operations	1,650	1,274	2,540	2,942
Finance costs	(34)	(386)	(882)	(1,805)
Investment income	-	2	-	6
Gain on disposal of other investments	-	298	8	307
Allowance for diminution in value of other investments written back	-	8	-	8
Profit before taxation	1,616	1,196	1,666	1,458
Taxation	(466)	(172)	(461)	(412)
Profit for the year	1,150	1,024	1,205	1,046
Attributable to :				
Equity holders of the parent	1,150	1,024	1,205	1,046
Minority interest	-	-	-	-
	1,150	1,024	1,205	1,046
Earnings per share (sen)				
- Basic	1.76	1.55	1.84	1.58
- 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 31 DECEMBER 2007

	As at End of Current Quarter 31/12/2007 RM'000	As at Preceding Financial Year End 31/12/2006 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	23,182	23,717
Prepaid Lease Payments	8,979	9,099
Other Investments	-	17
Intangible Asset	981	1,770
Deferred Tax Asset	2	95
	33,143	34,699
Current Assets		
Property Development Costs	10,689	59,487
Inventories	11,986	11,197
Trade and Other Receivables	58,584	38,184
Current Tax Assets	553	414
Cash and Cash Equivalents	5,802	3,747
	87,614	113,028
TOTAL ASSETS	120,758	147,727
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	909	768
Retained Profit	7,174	6,366
Treasury Shares, at cost	(3,858)	(3,583)
Total Equity	74,225	73,551
Non-Current Liabilities		
Borrowings	-	9,157
Deferred Tax Liabilities	3,747	6,405
Hire Purchase Liabilities	355	697
	4,102	16,260
Current Liabilities		
Trade and Other Payables	36,140	36,343
Hire Purchase Liabilities	342	333
Borrowings	3,351	19,861
Current Tax Liabilities	2,597	1,379
	42,430	57,916
Total Liabilities	46,532	74,176
TOTAL EQUITY AND LIABILITIES	120,758	147,727
Net Assets Per Share (RM)	1.1340	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 YEAR ENDED 31 DECEMBER 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	-	(83)	-	83	-	-
Adjustments for reduction in tax rates	-	224	-	-	-	224
Net profit for the year	-	-	-	1,205	-	1,205
Total recognised income and expense for the year	-	141	-	1,288	-	1,429
Dividend paid	-	-	-	(480)	-	(480)
Shares purchased during the year held as treasury shares	-	-	-	-	(275)	(275)
At 31 December 2007	70,000	5,527	(4,618)	7,174	(3,858)	74,225
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	-	(92)	-	92	-	-
Net profit for the year	-	-	-	1,046	-	1,046
Total recognised income and expense for the year	-	(92)	-	1,138	-	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)	6,367	(3,583)	73,551

(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 YEAR ENDED 31 DECEMBER 2007

	2007	2006
	RM'000	RM'000
Operating Activities		
Net Profit Before Tax	1,666	1,458
Adjustments for non-cash flow :		
Interest expenses	882	1,805
Non-cash items	2,782	2,095
Non-operating items	(207)	520
Operating profit before working capital changes	5,123	5,878
Changes in working capital		
Net change in development properties	49,698	(1,151)
Net change in current assets	(21,373)	14,191
Net change in current liabilities	(2,949)	(3,229)
Cash generated from operations	30,499	15,689
Taxation paid	(1,723)	(2,207)
Interest paid	(1,732)	(2,361)
Interest received	223	63
Net cash from operating activities	27,266	11,184
Investing Activities		
Other investments	-	6
Other investing activities	(1,151)	3,271
Net cash (used in)/from investing activities	(1,151)	3,277
Financing Activities		
Drawdown of bank borrowings	10,500	3,000
Repayment of term loans	(28,160)	(12,554)
Dividend paid	(480)	(477)
Shares buy-back	(275)	(492)
Hire purchase interest	(50)	(71)
Payment of hire purchase instalments	(333)	(295)
Net cash used in financing activities	(18,799)	(10,889)
Net changes in cash and cash equivalents	7,317	3,572
Cash and cash equivalents brought forward	(2,961)	(6,533)
Cash and cash equivalents carried forward	4,356	(2,961)

(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 FOURTH QUARTER
ENDED 31 DECEMBER 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 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 2007 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 : 579,200 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.415 each.
- iii) The maximum price paid for each share purchased : RM0.64 each.
- iv) The total amount paid for the shares purchased : RM274,751.
- v) Number of shares purchased retained in treasury : 579,200 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31 December 2007: 4,544,400 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 27% tax amounting to RM480,391 for the year ended 31 December 2006.

8) Segmental Analysis

	12 months ended		
	31 Dec 2007	31 Dec 2006	
	RM'000	RM'000	
Segment Revenue			
Manufacturing carpets development	82,481	54,106	Property
	50,515	32,221	
	-----	-----	
	132,996	86,327	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	132,996	86,327	
	=====	=====	
Segment Results			
Manufacturing carpets	1,975	1,520	
Property development	1,014	1,720	
	-----	-----	
	2,989	3,240	
Eliminations	-	-	
	-----	-----	
	2,989	3,240	
Unallocated expenses	(449)	(298)	
	-----	-----	
Profit from operations	2,540	2,942	
	=====	=====	

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

13) Performance Review

The Group recorded a gross revenue of RM132,996,000 in the current financial year compared to the preceding year of RM86,327,000 and the Group's profit before taxation stood at RM1,666,000 compared to RM1,458,000 in the preceding year.

Gross revenue has increased as a result of increased revenue in the property segment, off-setting the reduction in the carpet division revenue. Although gross revenue has increased, 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 moderate increased in profit before taxation.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM36,411,000 in the current quarter compared to the immediate preceding quarter of RM32,143,000 and the Group's profit before taxation stood at RM1,616,000 compared to RM269,000 in the immediate preceding quarter.

The increased in profit before taxation in the current quarter is consistent with higher sales, lower finance costs as a result of a reduction in the Group's borrowings and doubtful debts recovered.

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. The launched of Proton Persona, and the introduction of the Gen. 2 in China has been 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.

On our commercial carpet division, the forecast of economic growth rate of 5.4% for the year 2008 augers well for the Group.

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 will be completed by 1st quarter of 2008.

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	1,304	2,847
- overestimated in prior year	(45)	(45)
	-----	-----
	1,259	2,802
	-----	-----
Deferred tax expense		
- current period	(859)	(2,407)
- overestimated in prior year	66	66
	-----	-----
	(793)	(2,341)
	-----	-----
	466	461
	=====	=====

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 is as follows.

	Current Quarter	Current Year
	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 15 February 2008 (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 2007 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,468
Bank overdrafts	597
Current portion of bank term loans	279

Sub-total	2,344

Unsecured:	
Bills payable	158
Bank overdrafts	849

Sub-total	1,007

Total	3,351
	=====
Long Term Bank Borrowings	Nil
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 15 February 2008, 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

The Company filed the suit on 28 December 1999 in respect of a breach by the Defendants of an agreement between the parties for the sale of shares in a company known as Kinma Holdings Sdn Bhd. The Company has claimed a sum of RM2,460,000 from the Defendants together with interest thereon and costs. The Defendants have counterclaimed for general damages, interest and costs.

The suit was fixed for decision on 12 December 2007. The Judge ordered that the deposit of RM1.23 million is to be returned by the Defendants to the Company with no order as to interest. The Judge also dismissed the Company's claim for liquidated damages and the Defendants' Counterclaim, and ordered each party to bear its own costs. The Company has on 7 January 2008 appealed to the Court of Appeal against part of the Judge's decision.

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 2007.

24) Dividend

(a)(i) The Board of Directors proposed a first & final dividend of 1% less tax at 26% in respect of the financial year ended 31st December 2007 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.

	Current Year Quarter 31.12.2007	Preceding Year Quarter 31.12.2006	Current Year Quarter 31.12.2007	Preceding Year Quarter 31.12.2006
i) Earnings				
Net profit for the period (RM'000)	1,150	1,024	1,205	1,046

	Current Year Quarter 31.12.2007	Preceding Year Quarter 31.12.2006	Current Year Quarter 31.12.2007	Preceding Year Quarter 31.12.2006
ii) Weighted average number of ordinary shares				
Basic and diluted				
Weighted average number of ordinary shares at beginning of the period ('000)	65,622	66,170	66,035	66,860
Effect of shares buyback during the period ('000)	(166)	(135)	(579)	(825)
Weighted average number of ordinary shares at end of the period ('000)	65,456	66,035	65,456	66,035

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.