

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2008

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2008 RM'000	Preceding Year Corresponding Quarter 31/03/2007 RM'000	Current Year To Date 31/03/2008 RM'000	Preceding Year Corresponding Period 31/03/2007 RM'000
Revenue	31,475	26,239	31,475	26,239
Operating expenses	(31,243)	(25,822)	(31,243)	(25,822)
Other operating income	29	11	29	11
Profit from operations	261	428	261	428
Finance costs	(46)	(359)	(46)	(359)
Gain on disposal of other investments	-	8	-	8
Profit before taxation	215	77	215	77
Taxation	(73)	37	(73)	37
Profit for the period	142	114	142	114
Attributable to :				
Equity holders of the parent	142	114	142	114
Minority interest	-	-	-	-
	142	114	142	114
Earnings per share (sen)				
- Basic	0.22	0.17	0.22	0.17
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2008

	As at End of Current Quarter 31/03/2008 RM'000	As at Preceding Financial Year End 31/12/2007 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	22,890	23,182
Prepaid Lease Payments	8,949	8,979
Intangible Asset	981	981
Deferred Tax Asset	2	2
	32,821	33,143
Current Assets		
Property Development Costs	5,942	10,689
Inventories	12,324	11,986
Trade and Other Receivables	63,485	58,584
Current Tax Assets	561	553
Cash and Cash Equivalents	10,662	5,831
	92,974	87,643
TOTAL ASSETS	125,795	120,786
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	888	909
Retained Profit	7,337	7,174
Treasury Shares, at cost	(3,938)	(3,858)
Total Equity	74,288	74,225
Non-Current Liabilities		
Deferred Tax Liabilities	3,268	3,747
Hire Purchase Liabilities	280	359
	3,548	4,106
Current Liabilities		
Trade and Other Payables	39,843	36,140
Hire Purchase Liabilities	331	339
Borrowings	4,767	3,380
Current Tax Liabilities	3,018	2,597
	47,959	42,455
Total Liabilities	51,508	46,561
TOTAL EQUITY AND LIABILITIES	125,795	120,786
Net Assets Per Share (RM)	1.1378	1.1340

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2008

	← 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 2008	70,000	5,527	(4,618)	7,174	(3,858)	74,225
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(21)	-	21	-	-
Net profit for the period	-	-	-	142	-	142
Total recognised income and expense for the period	-	(21)	-	163	-	142
Shares purchased during the period held as treasury shares	-	-	-	-	(80)	(80)
At 31 March 2008	70,000	5,506	(4,618)	7,337	(3,938)	74,287
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	-	(23)	-	23	-	-
Net profit for the period	-	-	-	114	-	114
Total recognised income and expense for the period	-	(23)	-	137	-	114
Shares purchased during the period held as treasury shares	-	-	-	-	(35)	(35)
At 31 March 2007	70,000	5,363	(4,618)	6,503	(3,618)	73,630

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

	2008 3 Months Ended 31 March RM'000	2007 3 Months Ended 31 March RM'000
Operating Activities		
Net Profit Before Tax	215	77
Adjustments for non-cash flow :		
Interest expenses	46	358
Non-cash items	527	478
Non-operating items	(12)	24
Operating profit before working capital changes	776	937
Changes in working capital		
Net change in development properties	4,749	14,094
Net change in current assets	(5,299)	(3,107)
Net change in current liabilities	5,315	(10,824)
Cash generated from operations	5,541	1,100
Taxation paid	(138)	(163)
Interest paid	(38)	(471)
Interest received	24	10
Net cash from operating activities	5,389	476
Investing Activities		
Other investments	-	-
Other investing activities	(157)	(206)
Net cash used in investing activities	(157)	(206)
Financing Activities		
Repayment of term loans	(280)	(2,540)
Shares buy-back	(80)	(35)
Hire purchase interest	(9)	(15)
Payment of hire purchase instalments	(87)	(81)
Net cash used in financing activities	(455)	(2,671)
Net changes in cash and cash equivalents	4,777	(2,401)
Cash and cash equivalents brought forward	4,356	(2,961)
Cash and cash equivalents carried forward	9,133	(5,362)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER
ENDED 31 MARCH 2008

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 2007 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 2007 Annual Financial Report except for the adoption of the following new/revised FRSs and new Interpretations, that are applicable for the financial period beginning 1 January 2008 :

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similiar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronics Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of these new/revised FRSs does not have significant financial impact on the financial statements of the Group, whereas FRS 120, IC Interpretation 1, 2, 5, 6 and 7 are not relevant or material for the Group’s operations.

The Group has not opted for early adoption of FRS 139 Financial Instruments : Recognition and Measurement, which has been deferred to an effective date yet to be announced.

2) Qualified Audit Report

The auditors’ report on the financial statements for the year ended 31 December 2007 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 2008 except for shares buy-back.

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

- i) The total number of shares purchased during the financial period : 164,700 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.420 each.
- iii) The maximum price paid for each share purchased : RM0.525 each.
- iv) The total amount paid for the shares purchased : RM80,517.
- v) Number of shares purchased retained in treasury :164,700 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31 March 2008: 4,709,100 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

	3 months ended		
	31 March 2008 RM'000	31 March 2007 RM'000	
Segment Revenue			
Manufacturing carpets development	11,969	10,896	Property
	19,506	15,343	
	-----	-----	
	31,475	26,239	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	31,475	26,239	
	=====	=====	
Segment Results			
Manufacturing carpets	97	357	
Property development	183	97	
	-----	-----	
	280	454	
Eliminations	-	-	
	-----	-----	
	280	454	
Unallocated expenses	(19)	(26)	
	-----	-----	
Profit from operations	261	428	
	=====	=====	

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 2007 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM31,475,000 in the current financial period compared to the corresponding period in the preceding year of RM26,239,000 and the Group's profit before taxation stood at RM215,000 compared to RM77,000 in the corresponding period in the preceding year.

The increased in gross revenue was mainly attributed to the property segment. Although gross revenue has increased, high material costs due to upgraded product specifications and features in Phase 2 of the property segment and persistent increase in the materials costs experienced in the carpets division, have resulted in a moderate increased in profit before taxation.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM31,475,000 in the current quarter compared to the immediate preceding quarter of RM36,411,000 and the Group's profit before taxation stood at RM215,000 compared to RM1,616,000 in the immediate preceding quarter.

The decreased in profit before taxation in the current quarter is consistent with lower gross revenue registered compared to the immediate preceding quarter.

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 local automotive industry will again depends on the various new models that will be launched. On the automotive export scene, the Group has secured contracts to supply substantial quantities of carpet products for the export market. The Group will be exporting to Australia and Indonesia in the second quarter of the year whereas the Group targets exports to South Korea to commence in the second half of 2008.

On our commercial carpet division, the forecast of economic growth rate of 5.4% for the year 2008 augers well for the Group. The Group plans to purchase additional production machines to relieve the Group of the immense pressure on production scheduling and targets to increase the revenue in the profitable areas of the Group's business.

While activities are in place to increase gross revenue of the carpet division, persistent 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 in 2008.

16) Profit Forecast or Profit Guarantee

This note is not applicable.

17) Taxation

The breakdown of tax charge for the current quarter is as follows :

	Current Quarter RM'000
Current tax expense - current period	552
Deferred tax expense - current period	(479)

	73
	=====

The effective tax rate of the Group for the current quarter 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 under review.

19) Purchase and Disposal of Quoted Securities

a) There was no purchase or disposal of quoted investments for the current quarter under review.

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 21 May 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 March 2008 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,665
Bank overdrafts	-

Sub-total	1,665

Unsecured:	
Bills payable	1,572
Bank overdrafts	1,530

Sub-total	3,102

Total	4,767
	=====
Long Term Bank Borrowings	Nil
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 21 May 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.

On 6 March 2008, the Company received the refund of RM1.23 million from the Defendants.

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 2007.

24) Dividend

No dividend has been declared for the financial quarter ended 31 March 2008.

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 31.03.2008	Preceding Year to date 31.03.2007	Current Year to date 31.03.2008	Preceding Year 31.03.2007
i) Earnings				
Net profit for the period (RM'000)	142	114	142	114

	Current Year Quarter 31.03.2008	Preceding Year to date 31.03.2007	Current Year to date 31.03.2008	Preceding Year 31.03.2007
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ii) **Weighted average number of ordinary shares**

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	65,456	66,035	65,456	66,035
Effect of shares buyback during the period ('000)	(165)	(86)	(165)	(86)
Weighted average number of ordinary shares at end of the period ('000)	65,291	65,949	65,291	65,949

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.