

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2008 RM'000	Preceding Year Corresponding Quarter 30/09/2007 RM'000	Current Year To Date 30/09/2008 RM'000	Preceding Year Corresponding Period 30/09/2007 RM'000
Revenue	17,043	32,143	65,229	96,585
Operating expenses	(16,894)	(31,737)	(64,756)	(95,805)
Other operating income	119	48	205	110
Profit from operations	268	454	678	890
Finance costs	(160)	(185)	(261)	(848)
Gain on disposal of other investments	-	-	-	8
Profit before taxation	108	269	417	50
Taxation	(13)	(379)	(105)	5
Profit/(Loss) for the period	95	(110)	312	55
Attributable to :				
Equity holders of the parent	95	(110)	312	55
Minority interest	-	-	-	-
	95	(110)	312	55
Earnings per share (sen)				
- Basic	0.15	(0.17)	0.48	0.08
- 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 30 SEPTEMBER 2008

	As at End of Current Quarter 30/09/2008 RM'000	As at Preceding Financial Year End 31/12/2007 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	23,416	23,182
Prepaid Lease Payments	8,889	8,979
Intangible Asset	981	981
Deferred Tax Asset	2	2
	<b>33,287</b>	<b>33,143</b>
<b>Current Assets</b>		
Property Development Costs	4,760	10,689
Inventories	15,431	11,986
Trade and Other Receivables	41,831	58,584
Current Tax Assets	462	553
Cash and Cash Equivalents	17,764	5,831
	<b>80,247</b>	<b>87,643</b>
<b>TOTAL ASSETS</b>	<b>113,534</b>	<b>120,786</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To Equity Holders Of The Parent</b>		
Share Capital	70,000	70,000
Reserves, non-distributable	847	909
Retained Profit	7,066	7,174
Treasury Shares, at cost	(4,177)	(3,858)
<b>Total Equity</b>	<b>73,737</b>	<b>74,225</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	3,152	3,747
Hire Purchase Liabilities	292	359
Bank Borrowings	5,376	-
	<b>8,820</b>	<b>4,106</b>
<b>Current Liabilities</b>		
Trade and Other Payables	17,383	36,140
Hire Purchase Liabilities	302	339
Borrowings	12,400	3,380
Current Tax Liabilities	893	2,597
	<b>30,978</b>	<b>42,455</b>
<b>Total Liabilities</b>	<b>39,797</b>	<b>46,561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113,534</b>	<b>120,786</b>
<b>Net Assets Per Share (RM)</b>	<b>1.1380</b>	<b>1.1340</b>

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

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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	
<b>At 1 January 2008</b>	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	-	(62)	-	62	-	-
Net profit for the period	-	-	-	312	-	312
Total recognised income and expense for the period	-	(62)	-	374	-	312
Divident Paid	-	-	-	(481)	-	(481)
Shares purchased during the period held as treasury shares	-	-	-	-	(319)	(319)
<b>At 30 September 2008</b>	70,000	5,465	(4,618)	7,066	(4,177)	73,737
<b>At 1 January 2007</b>	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	-	-	-	55	-	55
Total recognised income and expense for the period	-	(46)	-	101	-	55
Divident Paid	-	-	-	(480)	-	(480)
Shares purchased during the period held as treasury shares	-	-	-	-	(198)	(198)
<b>At 30 September 2007</b>	70,000	5,340	(4,618)	5,987	(3,781)	72,928

(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 30 SEPTEMBER 2008

	2008 9 Months Ended 30 Sept RM'000	2007 9 Months Ended 30 Sept RM'000
<b>Operating Activities</b>		
Net Profit Before Tax	417	50
Adjustments for non-cash flow :		
Interest expenses	261	847
Non-cash items	1,610	1,512
Non-operating items	(166)	(60)
Operating profit before working capital changes	2,121	2,351
Changes in working capital		
Net change in development properties	5,931	42,403
Net change in current assets	13,129	(11,684)
Net change in current liabilities	(13,986)	(5,860)
Cash generated from operations	7,194	27,210
Taxation paid	(2,313)	(1,570)
Interest paid	(238)	(1,487)
Interest received	119	93
Net cash from operating activities	4,763	24,247
<b>Investing Activities</b>		
Other investments	-	-
Other investing activities	(1,367)	(801)
Net cash used in investing activities	(1,367)	(801)
<b>Financing Activities</b>		
Drawdown of bank borrowings	6,000	9,000
Repayment of term loans	(299)	(21,399)
Dividend Paid	(481)	(480)
Shares buy-back	(319)	(197)
Hire purchase interest	(25)	(40)
Payment of hire purchase instalments	(263)	(248)
Net cash from/(used in) financing activities	4,613	(13,364)
<b>Net changes in cash and cash equivalents</b>	8,009	10,082
<b>Cash and cash equivalents brought forward</b>	4,356	(2,961)
<b>Cash and cash equivalents carried forward</b>	12,366	7,122

(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 THIRD QUARTER**  
**ENDED 30 SEPTEMBER 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 <sub>2004</sub> - 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 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 September 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 :663,000 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 : RM0.530 each.
- iv) The total amount paid for the shares purchased : RM318,535.
- v) Number of shares purchased retained in treasury : 663,000 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 30 September 2008: 5,207,400 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 26% tax amounting to RM481,370 for the year ended 31 December 2007.

## 8) Segmental Analysis

	9 months ended		
	30 September 2008	30 September 2007	
	RM'000	RM'000	
Segment Revenue			
Manufacturing carpets development	41,104	34,673	Property
	24,125	61,912	
	-----	-----	
	65,229	96,585	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	65,229	96,585	
	=====	=====	
Segment Results			
Manufacturing carpets	484	325	
Property development	273	703	
	-----	-----	
	757	1,028	
Eliminations	-	-	
	-----	-----	
	757	1,028	
Unallocated expenses	(79)	(138)	
	-----	-----	
Profit from operations	678	890	
	=====	=====	

## 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 RM65,229,000 in the current financial period compared to the corresponding period in the preceding year of RM96,585,000 and the Group's profit before taxation stood at RM417,000 compared to RM50,000 in the corresponding period in the preceding year.

The decreased in gross revenue was mainly attributed to Paragon Heights development which is at its project end. Although overall gross revenue has decreased, lower finance costs amidst higher carpets segment revenue from the export sector have resulted in a moderate increased in profit before taxation.

### 14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM17,043,000 in the current quarter compared to the immediate preceding quarter of RM16,711,000 and the Group's profit before taxation stood at RM108,000 compared to RM94,000 in the immediate preceding quarter.

The moderate increased in profit before taxation in the current quarter is consistent with higher 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 and the expected contraction in vehicle sales amidst the global slowdown, the performance of the local automotive industry will again depend on the various new models that will be launched. Currently, the Group targets to supply carpets to Nissan and Honda models in the fourth quarter of 2008. On the automotive export scene, the Group has secured contracts to supply substantial quantities of carpet products for the export market. The Group's export sales to Australia, Indonesia and South Korea will enhance its revenue compared to the previous year.

On our commercial carpet division, the forecast of economic growth rate of 3.5% for the year 2009 will be seen as a challenge to the Group. However, the Group has purchased additional production machines which targets to increase the revenue in the profitable areas of the Group's business and also to relieve the Group of the immense pressure on production scheduling.

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 current reduction in fuel prices if maintained, will be a positive note to the Group. Nevertheless, 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.

The Group plans to continue to venture into property development via the proposed acquisition of Dominion Park Sdn Bhd ("Dominion"). The proposed acquisition was based on the development rights obtained by Dominion to develop a piece of leasehold land held under Pajakan Negeri No. 16052 for Lot 21690 Seksyen 2, Bandar Ulu Kelang, District of Gombak comprising 86,018 square metres.



## 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	79	700
Deferred tax expense - current period	(66)	(595)
	-----	-----
	13	105
	=====	=====

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) There was no purchase or disposal of quoted investments for the current quarter and financial year-to-date.
- b) There were no investments in quoted securities at the end of the reporting period.

## 20) Status of Corporate Proposals

Proposed acquisition by Paragon Union Berhad ("PUB") of the entire issued and paid-up share capital of Dominion Park Sdn Bhd ("Dominion") comprising 1,000,000 ordinary shares of RM1.00 each for a cash consideration of RM18,000,000.

On 19 August 2008, PUB had on even date entered into a shares sale agreement with Prestamewah Development Sdn Bhd and Datuk Liw Jun Wai (collectively, the "Vendors") to acquire 1,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Dominion.

The proposed acquisition of Dominion is in line with PUB's plan to continue to venture into property development segment as Dominion has obtained the development rights to develop a piece of leasehold land held under Pajakan Negeri No. 16052 for Lot 21690 Seksyen 2, Bandar Ulu Kelang, District of Gombak comprising 86,018 square metres.

## 21) Group Borrowings

The total group borrowings are as follows:

	30 September 2008 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	4,327
Bank overdrafts	3,651
Current portion of term loan	605
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Sub-total	8,583
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Unsecured:	
Bills payable	2,070
Bank overdrafts	1,747
	-----
Sub-total	3,817
	-----
Total	12,400
	=====
<u>Long Term Bank Borrowings</u>	
Secured Term Loan	5,376
	=====

## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 6 November 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

There were no changes in the status of the above material litigation since the previous quarter ended 30 June 2008.

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 June 2008 except that the suit has been fixed for mention on 14<sup>th</sup> January 2009.

## 24) Dividend

No dividend has been declared for the financial quarter ended 30 September 2008.

## 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 30.09.2008	Preceding Year to date 30.09.2007	Current Year to date 30.09.2008	Preceding Year 30.09.2007
<b>i) Earnings</b>				
Net profit/(loss) the period (RM'000)	95	(110)	312	55

	Current Year Quarter 30.09.2008	Preceding Year to date 30.09.2007	Current Year to date 30.09.2008	Preceding Year 30.09.2007
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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)

65,018	65,822	65,456	66,035
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Effect of shares buyback during the period ('000)

(225)	(200)	(663)	(413)
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Weighted average number of ordinary shares at end the period ('000)

64,793	65,622	64,793	65,622	of
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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.