

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2008

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2008 RM'000	Preceding Year Corresponding Quarter 31/12/2007 RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year Corresponding Period 31/12/2007 RM'000
Revenue	23,736	36,411	88,965	132,996
Operating expenses	(23,379)	(34,924)	(88,135)	(130,729)
Other operating income	374	163	579	273
Profit from operations	731	1,650	1,409	2,540
Finance costs	(271)	(34)	(532)	(882)
Gain on disposal of other investments	-	-	-	8
Profit before taxation	460	1,616	877	1,666
Taxation	(637)	(466)	(742)	(461)
Profit/(Loss) for the year	(177)	1,150	135	1,205
Attributable to :				
Equity holders of the parent	(177)	1,150	135	1,205
Minority interest	-	-	-	-
	(177)	1,150	135	1,205
Earnings per share (sen)				
- Basic	(0.27)	1.76	0.21	1.84
- 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 DECEMBER 2008

	As at End of Current Quarter 31/12/2008 RM'000	As at Preceding Financial Year End 31/12/2007 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	24,142	23,182
Prepaid Lease Payments	8,859	8,979
Intangible Asset	-	981
Deferred Tax Asset	-	2
	33,000	33,143
Current Assets		
Property Development Costs	-	10,689
Inventories	15,928	11,986
Trade and Other Receivables	62,312	58,584
Current Tax Assets	488	553
Cash and Cash Equivalents	1,102	5,831
	79,830	87,643
TOTAL ASSETS	112,830	120,786
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	826	909
Retained Profit	6,911	7,174
Treasury Shares, at cost	(4,209)	(3,858)
Total Equity	73,528	74,225
Non-Current Liabilities		
Deferred Tax Liabilities	3,060	3,747
Hire Purchase Liabilities	645	359
Bank Borrowings	5,292	-
	8,997	4,106
Current Liabilities		
Trade and Other Payables	7,396	36,140
Hire Purchase Liabilities	343	339
Borrowings	21,050	3,380
Current Tax Liabilities	1,516	2,597
	30,305	42,455
Total Liabilities	39,302	46,561
TOTAL EQUITY AND LIABILITIES	112,830	120,786
Net Assets Per Share (RM)	1.1360	1.1340

(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 YEAR ENDED 31 DECEMBER 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	-	(83)	-	83	-	-
Net profit for the year	-	-	-	135	-	135
Total recognised income and expense for the year	-	(83)	-	218	-	135
Divident Paid	-	-	-	(481)	-	(481)
Shares purchased during the year held as treasury shares	-	-	-	-	(351)	(351)
At 31 December 2008	70,000	5,444	(4,618)	6,911	(4,209)	73,528
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
Divident 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

(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 YEAR ENDED 31 DECEMBER 2008

	2008 RM'000	2007 RM'000
Operating Activities		
Net Profit Before Tax	877	1,666
Adjustments for non-cash flow :		
Interest expenses	532	882
Non-cash items	3,325	2,782
Non-operating items	(219)	(207)
Operating profit before working capital changes	4,515	5,123
Changes in working capital		
Net change in development properties	10,691	49,698
Net change in current assets	(8,009)	(21,373)
Net change in current liabilities	(23,181)	(2,949)
Cash generated from/(utilised in) operations	(15,984)	30,499
Taxation paid	(2,444)	(1,723)
Interest paid	(490)	(1,732)
Interest received	172	223
Net cash from/(used in) operating activities	(18,746)	27,266
Investing Activities		
Other investments	-	-
Other investing activities	(2,132)	(1,151)
Net cash used in investing activities	(2,132)	(1,151)
Financing Activities		
Drawdown of bank borrowings	6,000	10,500
Repayment of term loans	(394)	(28,160)
Dividend Paid	(481)	(480)
Shares buy-back	(351)	(275)
Hire purchase interest	(42)	(50)
Payment of hire purchase instalments	(375)	(333)
Net cash from/(used in) financing activities	4,355	(18,799)
Net changes in cash and cash equivalents	(16,523)	7,317
Cash and cash equivalents brought forward	4,356	(2,961)
Cash and cash equivalents carried forward	(12,167)	4,356

(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 FOURTH QUARTER
ENDED 31 DECEMBER 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 effective date for applying will be 1 January 2010.

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 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 2008 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 : 730,200 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 : RM351,465.
- v) Number of shares purchased retained in treasury : 730,200 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31 December 2008: 5,274,600 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

	12 months ended		
	31 December 2008	31 December 2007	
	RM'000	RM'000	
Segment Revenue			
Manufacturing carpets development	61,431	50,515	Property
	27,534	82,481	
	-----	-----	
	88,965	132,996	
Elimination of inter-segment sales	-	-	
	-----	-----	
Total revenue	88,965	132,996	
	=====	=====	
Segment Results			
Manufacturing carpets	2,151	1,975	
Property development	(493)	1,014	
	-----	-----	
	1,658	2,989	
Eliminations	-	-	
	-----	-----	
	1,658	2,989	
Unallocated expenses	(249)	(449)	
	-----	-----	
Profit from operations	1,409	2,540	
	=====	=====	

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

13) Performance Review

The Group recorded a gross revenue of RM88,965,000 in the current financial year compared to the preceding year of RM132,996,000 and the Group's profit before taxation stood at RM877,000 compared to RM1,666,000 in the preceding year.

The decreased in gross revenue was mainly attributed to Paragon Heights development which was at its project end. The group has recognised an impairment loss of goodwill due to the project development which is in compliance with FRS 136. However profit before taxation for carpets segment has improved due to higher revenue from export sector and commercial carpets.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM23,736,000 in the current quarter compared to the immediate preceding quarter of RM17,043,000 and the Group's profit before taxation stood at RM460,000 compared to RM108,000 in the immediate preceding quarter.

The 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 coupled with the reduction on secondhand cars trade-in values and the expected drop of 12.4% in vehicle sales which is forecasted by MAA for year 2009 compare to year 2008 actual total industry volume amidst the global slowdown, the performance of the local automotive industry will again depend on the various new models that will be launched. The Group has supplied carpets to Nissan and Honda models in the fourth quarter of 2008. In additional, the group targets to supply more carpets to Nissan for other model in second quarter of 2009. 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 2.5% 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, the current reduction in fuel prices will be a positive note to the Group. In addition to that the Group will remain focused and increase its operational efficiency and effectiveness and cost management continuously in order to weather the global economic downturn.

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 are as follows:

	Current Quarter RM'000	Current Year RM'000
Current tax expense		
- current period	850	1,550
- overestimated in prior year	(123)	(123)
	-----	-----
	727	1,427
	-----	-----
Deferred tax expense		
- current period	(95)	(690)
- overestimated in prior year	5	5
	-----	-----
	(90)	(685)
	-----	-----
	637	742
	=====	=====

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) There was no purchase or disposal of quoted investments for the current quarter and financial year.
- 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:

	31 December 2008 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	2,684
Bank overdrafts	9,963
Current portion of term loan	593

Sub-total	13,240

Unsecured:	
Bills payable	4,505
Bank overdrafts	3,305

Sub-total	7,810

Total	21,050
	=====
<u>Long Term Bank Borrowings</u>	
Secured Term Loan	5,292
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 20 February 2009, 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 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 September 2008 except that the Court has fixed a final mention date on 12 March 2009.

24) Dividend

(a)(i) The Board of Directors proposed a first & final dividend of 1% less tax at 25% in respect of the financial year ended 31st December 2008 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/(loss) for the period and on weighted average number of ordinary shares in issue during the period.

	Current Year Quarter 31.12.2008	Preceding Year Quarter 31.12.2007	Current Year Quarter 31.12.2008	Preceding Year Quarter 31.12.2007
i) Earnings				
Net profit/(loss) for the period (RM'000)	(177)	1,150	135	1,205

	Current Year Quarter 31.12.2008	Preceding Year Quarter 31.12.2007	Current Year Quarter 31.12.2008	Preceding Year Quarter 31.12.2007
ii) Weighted average number of ordinary shares				
Basic and diluted				
Weighted average number of ordinary shares at beginning of the period ('000)	64,793	65,622	65,456	66,035
Effect of shares buyback during the period ('000)	(67)	(166)	(730)	(579)
Weighted average number of ordinary shares at end of the period ('000)	64,726	65,456	64,726	65,456

Weighted average number of ordinary shares at end of the period ('000) of

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.