

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2009

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
Revenue	14,551	23,736	52,582	88,965
Operating expenses	(13,717)	(23,379)	(51,735)	(88,135)
Other operating income	77	374	97	579
Profit from operations	911	731	944	1,409
Finance costs	(395)	(271)	(1,552)	(532)
Profit/(Loss) before exceptional item and taxation	516	460	(608)	877
Exceptional item	-	-	(16,540)	-
Profit/(Loss) before taxation	516	460	(17,148)	877
Taxation	(221)	(637)	(221)	(742)
Profit/(Loss) for the year	295	(177)	(17,369)	135
Attributable to :				
Equity holders of the parent	295	(177)	(17,369)	135
Minority interest	-	-	-	-
	295	(177)	(17,369)	135
Earnings/(Loss) per share (sen)				
- Basic	0.46	(0.27)	(26.85)	0.21
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009

	As at End of Current Quarter 31/12/2009 RM'000	As at Preceding Financial Year End 31/12/2008 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	29,396	24,142
Prepaid Lease Payments	8,738	8,859
	38,135	33,000
Current Assets		
Inventories	17,280	15,928
Trade and Other Receivables	38,101	64,757
Current Tax Assets	595	484
Cash and Cash Equivalents	1,434	1,086
	57,410	82,255
TOTAL ASSETS	95,545	115,255
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	743	826
Retained Profit	(10,861)	6,911
Treasury Shares, at cost	(4,221)	(4,209)
Total Equity	55,662	73,528
Non-Current Liabilities		
Deferred Tax Liabilities	3,249	3,056
Hire Purchase Liabilities	3,100	645
Bank Borrowings	4,670	5,307
	11,020	9,008
Current Liabilities		
Trade and Other Payables	8,651	9,842
Hire Purchase Liabilities	1,103	343
Borrowings	18,469	21,019
Current Tax Liabilities	640	1,516
	28,863	32,719
Total Liabilities	39,883	41,728
TOTAL EQUITY AND LIABILITIES	95,545	115,255
Net Assets Per Share (RM)	0.8603	1.1360

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2008)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	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 2009	70,000	5,444	(4,618)	6,911	(4,209)	73,528
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(83)	-	83	-	-
Net loss for the year	-	-	-	(17,369)	-	(17,369)
Total recognised income and expense for the year	-	(83)	-	(17,286)	-	(17,369)
Dividend Paid	-	-	-	(485)	-	(485)
Shares purchased during the year held as treasury shares	-	-	-	-	(11)	(11)
At 31 December 2009	70,000	5,361	(4,618)	(10,861)	(4,221)	55,662
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
Dividend 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

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2008)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 12 Months Ended 31 December RM'000	2008 12 Months Ended 31 December RM'000
Operating Activities		
Net (Loss)/Profit Before Tax	(17,148)	877
Adjustments for non-cash flow :		
Interest expenses	1,552	532
Non-cash items	19,386	3,325
Non-operating items	(32)	(219)
Operating profit before working capital changes	3,758	4,515
Changes in working capital		
Net change in development properties	-	10,691
Net change in current assets	8,464	(8,009)
Net change in current liabilities	(4,360)	(23,181)
Cash generated from/(utilised in) operations	7,862	(15,984)
Taxation paid	(1,015)	(2,444)
Interest paid	(1,219)	(490)
Interest received	26	172
Net cash from/(used in) operating activities	5,654	(18,746)
Investing Activities		
Other investing activities	(3,299)	(2,132)
Net cash used in investing activities	(3,299)	(2,132)
Financing Activities		
Drawdown of bank borrowings		6,000
Repayment of term loans	(613)	(394)
Dividend Paid	(485)	(481)
Shares buy-back	(11)	(351)
Hire purchase interest	(333)	(42)
Payment of hire purchase instalments	(1,162)	(375)
Net cash from/(used in) financing activities	(2,604)	4,355
Net changes in cash and cash equivalents	(248)	(16,523)
Cash and cash equivalents brought forward	(12,167)	4,356
Cash and cash equivalents carried forward	(12,415)	(12,167)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2008)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2009

NOTES TO THE INTERIM FINANCIAL REPORT

1) Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134 : "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2008 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 2008 Annual Financial Report.

The Group has not adopted the following new FRSs which have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

		<u>Effective date for financial periods beginning on or after</u>
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010

FRS 4 is not relevant to the Group's operations. The possible impacts of applying FRS 7, FRS 8 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards. FRS 8 replaces FRS 114²⁰⁰⁴ Segment Reporting and this new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial period beginning on 1 January 2010.

2) Qualified Audit Report

The auditors' report on the financial statements for the year ended 31 December 2008 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 2009 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 : 27,100 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.380 each.
- iii) The maximum price paid for each share purchased : RM0.450 each.
- iv) The total amount paid for the shares purchased : RM11,210.
- v) Number of shares purchased retained in treasury : 27,100 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31 December 2009: 5,301,700 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 25% tax amounting to RM485,237 for the year ended 31 December 2008.

8) Segmental Analysis

	12 months ended	
	31 December 2009	31 December 2008
	RM'000	RM'000
Segment Revenue		
Manufacturing carpets	52,582	61,431
Property development	-	27,534
	-----	-----
	52,582	88,965
Elimination of inter-segment sales	-	-
	-----	-----
Total revenue	52,582	88,965
	=====	=====
Segment Results		
Manufacturing carpets	1,712	2,151
Property development	(195)	(493)
	-----	-----
	1,517	1,658
Eliminations	-	-
	-----	-----
	1,517	1,658
Unallocated expenses	(573)	(249)
	-----	-----
Profit from operations	944	1,409
	=====	=====

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 2008 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM52,582,000 in the current financial year compared to the preceding year of RM88,965,000 and the Group's loss before taxation stood at RM17,148,000 compared to profit before taxation of RM877,000 in the preceding year.

The decreased in gross revenue was mainly attributed to Paragon Heights development which was at its project end. In addition to that gross revenue for carpet segment was also reduced align with lower economic growth rate.

The Group recorded a profit from operations of RM944,000 for the current financial year however due to the high finance costs of RM1,552,000 thus resulting in loss before exceptional item and taxation of RM608,000 whereas loss before taxation for the year was mainly due to general provision of doubtful debt on non trade nature amounting to RM16,540,000.

14) Quarterly Profit or Loss Before Taxation Comparison

The Group recorded a gross revenue of RM14,551,000 in the current quarter compared to the immediate preceding quarter of RM13,641,000 and the Group's profit before taxation stood at RM516,000 compare to loss before taxation of RM16,488,000 in the immediate preceding quarter.

The increased in profit before exceptional item and taxation is consistent with higher gross revenue registered in the carpet segment 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 grow of 2.4% in vehicle sales which is forecasted by MAA for the year 2010 compare to year 2009, the performance of the local automotive industry will again depend on the various new models launched, government vehicle scrapping policy, improved business confidence, increased consumer spending, aggressive discount and promotional programs by car companies. On the automotive export scene, the Group has secured new contracts to supply carpet products for the export market.

On our commercial carpet division, the higher forecast of economic growth rate for the year 2010 auger well for the Group. We will continue to increase our operational efficiency, effectiveness and cost management in order to reduce the cost of manufacturing.

Despite the termination of the acquisition of Dominion Park Sdn. Bhd., we will continue to build on the success and reputation of the Paragon Heights project and to broaden the earnings base of the Group by scouting for land and undertake viable property projects within its resources.

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	(28)	(28)
- underestimated in prior year	55	55
	-----	-----
	27	27
	-----	-----
Deferred tax expense		
- current period	246	246
- overestimated in prior year	(52)	(52)
	-----	-----
	194	194
	-----	-----
	221	221
	=====	=====

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

There are no other corporate proposals, which have been announced by the Company but pending completion as at 18 February 2010 (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 2009 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,439
Bank overdrafts	7,419
Current portion of term loan	602

Sub-total	11,460

Unsecured:	
Bills payable	580
Bank overdrafts	6,429

Sub-total	7,009

 Total	 18,469
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<u>Long Term Bank Borrowings</u>	
Secured Term Loan	4,670
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 18 February 2010, 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 2009.

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 2009.

iii) Paragon Union Berhad v Prestamewah Development Sdn. Bhd. and Liw Jun Wai

Paragon Union Berhad ("PUB") has obtained an Injunction Order ("the Order") from the High Court of Malaya on 27 April 2009 to compel Prestamewah Development Sdn. Bhd. and Liw Jun Wai (referred to as the First and Second Defendants respectively) to pay to the Court the total sum of RM18,000,000 (i.e. RM13,500,000 by Prestamewah Development Sdn. Bhd. and RM4,500,000 by Liw Jun Wai) and that this application be heard inter-partes on 12 May 2009. On that day, the Judge ordered a stay on the ex-parte Order Pending the hearing of Encl 4 & 9 on 18 June 2009.

The hearing which was fixed for 18 June 2009 was postponed to 29 July 2009 through a letter from the Kuala Lumpur High Court as the learned High Court Judge was unavailable at the said hearing date. On 29 July 2009, the hearing was postponed to allow the PUB to file a reply to an affidavit filed by the Defendants.

The hearing of the inter-partes application for injunction and the hearing of the Defendants' application to set aside the ex-parte order for injunction is fixed for hearing on 3 September 2009 at Kuala Lumpur High Court.

PUB's application for injunction as well as the Defendants' application to set aside the ex-parte injunction order dated 27 April 2009 and for transfer of these proceedings to the Shah Alam High Court was concluded on 26 October 2009. The decision with regards these applications was fixed for 16 November 2009 at 2.30pm.

The learned Judge after considering submissions from all parties made the followings orders on 16 November 2009:-

- a) PUB's application for injunction was allowed with costs. The Defendants are to pay PUB RM18,000,000.00 on or before 15 January 2010;
- b) The Defendants' application to set aside the ex-parte injunction order dated 27 April 2009 was dismissed with costs;
- c) The Defendants' application to transfer the proceedings to the Shah Alam High Court was dismissed with costs. However, the Court allowed a stay of these proceedings pending the Defendants' appeal to the Court of Appeal with respect to this application.

On 8 February 2010 the appeal by the Defendants against the decision of High Court which, inter alia, granted PUB the interlocutory mandatory injunction compelling the Defendants to refund RM13,500,000.00 and RM4,500,000.00 respectively to PUB was allowed by the Court of Appeal. The order of the Court of Appeal essentially set aside the interlocutory mandatory order granted by the High Court Judge on 16 November 2009. PUB has instructed its solicitors to prepare and file an application for leave to appeal to the Federal Court against the decision of the Court of Appeal.

24) Dividend

No dividend has been declared for the financial year ended 31 December 2009.

25) Earnings Per Share

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

	Current Year Quarter 31.12.2009	Preceding Year Quarter 31.12.2008	Current Year 31.12.2009	Preceding Year 31.12.2008
i) Earnings				
Net profit/(loss) for the period (RM'000)	295	(177)	(17,369)	135

	Current Year Quarter 31.12.2009	Preceding Year Quarter 31.12.2008	Current Year 31.12.2009	Preceding Year 31.12.2008
ii) Weighted average number of ordinary shares				

Basic and diluted

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

64,699	64,793	64,726	65,456
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Effect of shares buyback during the period ('000)

-	(67)	(27)	(730)
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Weighted average number of ordinary shares at end of the period ('000)

64,699	64,726	64,699	64,726
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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.