

PARAGON UNION BERHAD (286457-V)

QUARTERLY REPORT

Quarterly report on consolidated results for the second quarter ended 30th June 2001.
The figures have not been audited.

CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/06/2001 RM'000	30/06/2000 RM'000	30/06/2001 RM'000	30/06/2000 RM'000
1 (a) Revenue	14,572	9,622	27,393	16,597
(b) Investment Income	6	-	6	-
(c) Other income	40	231	185	421
2 (a) Profit before finance cost, depreciation and amortisation, exceptional items, income tax, minority interest and extraordinary items	2,179	1,879	3,746	2,569
(b) Finance cost	(202)	(153)	(378)	(492)
(c) Depreciation and amortisation	(654)	(531)	(1,333)	(1,085)
(d) Exceptional items	-	(604)	-	(604)
(e) Profit before income tax, minority interests and extraordinary items	1,323	591	2,035	388
(f) Share of profits and losses of associated companies	-	-	-	-
(g) Profit before income tax, minority interests and extraordinary items	1,323	591	2,035	388
(h) Income tax	(7)	(33)	(19)	(33)
(i) (i) Profit after income tax before deducting minority interests	1,316	558	2,016	355
(ii) Less minority interests	-	-	-	-
(j) Pre-acquisition profit/(loss), if applicable	-	-	-	-
(k) Net profit from ordinary activities attributable to members of the company	1,316	558	2,016	355
(l) (i) Extraordinary Items	-	-	-	-
(ii) Less Minority Interests	-	-	-	-
(iii) Extraordinary Items attributable to members of the company	-	-	-	-
(m) Net profit attributable to members of the company	1,316	558	2,016	355
3 Earnings per share based on 2(m) above after deducting any provision for preference dividends, if any:				
(a) Basic (based on ordinary shares - sen)	1.95	0.91	2.98	0.83
(b) Fully diluted (based on ordinary shares - sen)	-	-	-	-

Remarks :

The basic earnings per share for the current and preceding year are based on the weighted ordinary shares of RM1 each as follows:

67,319,000	61,467,000	67,695,000	42,895,000
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PARAGON UNION BERHAD (286457-V)

CONSOLIDATED BALANCE SHEET

	(UNAUDITED) As at End of Current Quarter 30/6/2001 RM'000	(AUDITED) As at Preceding Financial Year End 31/12/2000 RM'000
1 Property, Plant and Equipment	35,187	34,203
2 Investment Property	-	-
3 Investment in Associated Companies	-	-
4 Long Term Investments	5,078	5,078
5 Goodwill On Consolidation	-	-
6 Intangible Assets	-	-
7 Other Long Term Assets	-	-
8 Current Assets		
Inventories	7,378	7,717
Trade Receivables	16,515	16,392
Other Receivables, Deposits and Prepayments	18,622	19,593
Fixed Deposits	7	5,556
Cash and Bank balances	3,481	4,223
	<u>46,003</u>	<u>53,481</u>
9 Current Liabilities		
Trade Payables	3,972	5,496
Other Payables and Accruals	3,451	3,503
Amount Owing to A Director	-	199
Hire Purchase and Finance Lease Liabilities	73	73
Bank Borrowings	6,104	10,056
Taxation	69	61
	<u>13,669</u>	<u>19,388</u>
10 Net Current Assets	32,334	34,093
	<u>72,599</u>	<u>73,374</u>
11 Shareholders' Funds		
Share Capital	70,000	70,000
Reserves		
Share Premium	2,929	2,929
Revaluation Reserve	8,892	8,892
Merger Reserve	(7,547)	(7,547)
Unappropriated Profit	1,073	(943)
Less:2,681,000 Treasury Shares, At Cost	(2,758)	-
	<u>72,589</u>	<u>73,331</u>
12 Minority Interests	-	-
13 Bank Term Loans	-	-
14 Hire Purchase and Finance Lease Liabilities	10	43
15 Deferred Taxation	-	-
	<u>72,599</u>	<u>73,374</u>
16 Net Tangible Assets Per Share (RM)	1.0783	1.0476

Notes

1) Accounting Policies

The quarterly financial statements have been prepared based on accounting policies and methods of computation which are consistent with those adopted in the 31 December 2000 Annual Report.

2) Exceptional Items

There were no exceptional items for the financial periods under review.

3) Extraordinary Items

There were no extraordinary items for the financial periods under review.

4) Taxation

The provisions for taxation are based on results for the financial periods under review and do not contain any deferred taxation or adjustments in respect of prior years.

The effective tax rate of the Group for the current quarter and financial year-to-date is low compared to the statutory rate because of the availability of unabsorbed capital allowances and tax losses brought forward in certain subsidiary companies.

5) Profit/(Loss) on sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties for the financial periods under review.

6) Purchase and Disposal of Quoted Securities

a) There were no purchases or disposals of quoted securities for the financial periods under review.

b) Summary details of all investments in quoted securities at the end of the reporting period are as follows:

	RM
	'000
Total investments at cost	5,130
Total investments at book value	5,078
Total investments at market value as at 30 June 2001	2,188

7) Changes in the composition of the Group

There were no changes in the composition of the Group for the financial periods under review.

8) Status of Corporate Proposals

- a) There were no corporate proposals announced but not completed at the date of this announcement.
- b) The total proceeds of RM56 million arising from the Company's earlier rights issue in the year 2000 of 56,000,000 new ordinary shares of RM1.00 each at par on the basis of four (4) new ordinary shares for each ordinary share held, was fully utilised after obtaining the Securities Commission's approval for a revision of the utilisation of its unutilised proceeds of RM 5.109 million to meet the working capital requirement of the Group.

9) Issuance and Repayment of Debt and Equity Securities

There were no issuances and repayment of debt and equity securities for the financial periods under review except for shares buy-back.

The particulars of shares buy-back for the financial period to date are as follows:

- i) The total number of shares purchased: 2,681,000 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased: RM0.91 each.
- iii) The maximum price paid for each share purchased: RM1.18 each.
- iv) The total amount paid for the shares purchased: RM2,758,037.
- v) Total no. of shares retained in treasury: 2,681,000 Ordinary Shares.
- vi) No. of shares purchased which were cancelled: Nil
- vii) The total issued capital as diminished: Nil.

10) Group Borrowings

The total group borrowings are as follows:

	30 June 2001 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,568
Bank overdrafts	1,372

Sub-total	2,940

	30 June 2001 RM'000

Unsecured:	
Bills payable	1,590
Bank overdrafts	1,574

Sub-total	3,164

Total	6,104
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11) Contingent Liabilities

There were no contingent liabilities which, in the opinion of the Board of Directors, will or may substantially affect the ability of the Group to meet their obligations as and when they fall due.

12) Off-Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at 27 July 2001, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

13) Material Litigation

- i) A writ has been filed at the Shah Alam Court on 28 December 1999 against Transpac Capital Pte Ltd (TCPL) and Transpac Industrial Holdings Ltd (TIHL) for the recovery of RM 1,230,000 deposit sum paid and RM1,230,000 in liquidated damages. An application for summary judgement has been filed on 31 January 2000 and the application was fixed for hearing on 10 May 2000. On that date the matter was not listed and Paragon Union Berhad's (Paragon) solicitor has since written to Court for a new hearing date. No hearing has been fixed by the Court. However, upon a search conducted on the Court file, this application was in fact struck off on 10 May 2000 due to a miscommunication between the Court and Paragon's solicitor. An application to reinstate the case was filed on 6 November 2000. The hearing of the application to reinstate the summary judgement which was fixed on 19 February 2001 was erroneously listed before the Judge instead of the Senior Assistant Registrar. As such, the Judge accordingly directed that the application be heard by the Senior Assistant Registrar and instructed Paragon's solicitors to liaise with the Court Registry to procure the next hearing date for application. The application to restore the summary judgement application to the hearing list has been fixed for hearing on 15 May 2001.

On 15 May 2001, the Court has granted the application and fixed the summary judgement application for hearing on 17 July 2001. However, on 17 July 2001, the hearing for the summary judgement application has been adjourned to 1 November 2001 by the Senior Assistant Registrar. Paragon's solicitors received a Defence and Counterclaim dated 28 May 2001 from TCPL and TIHL's solicitors. In their Counterclaim, TCPL and TIHL claimed damages together with interest thereon and cost. In respect of the damages, no quantum is provided in the Counterclaim.

- ii) A writ was filed at the Shah Alam Court on 27 January 2000 against Wong Chee Kong and Poh Hock Leng (“Wong & Poh”) for the recovery of RM16,540,000 (being a deposit paid) and RM3,821,850 (being liquidated damages). Paragon Union Berhad's (Paragon) solicitors received a Defence and Counterclaim from Wong & Poh's solicitors on 18 February 2000. In their Counterclaim, Wong & Poh claimed inter alia RM4,470,000 as liquidated damages, RM105,875 as special damages and general damages. An application for summary judgement was filed on 1 March 2000 by Paragon. The application was heard on 10 August 2000 and the Senior Assistant Registrar deferred her decision to 20 September 2000. However, the decision was subsequently postponed to 30 October 2000.

On 30 October 2000, the Senior Assistant Registrar dismissed Paragon's application for summary judgement with costs. An appeal against the decision of the Senior Assistant Registrar was filed by Paragon on 1 November 2000 and the appeal has been fixed for hearing on 17 April 2001. On that date, the hearing of the appeal has been adjourned to 23 August 2001 by the Judge.

14) Segmental Reporting

No segmental analysis is presented as the Group is involved in a single industry segment relating to the manufacturing of carpets. The business of the Group is entirely carried out in Malaysia.

15) Quarterly Profit Before Taxation Comparison

There is a 14% increase in gross revenue in the current quarter compared to the last quarter from RM12,821,000 to RM14,572,000 and the Group has achieved a profit before taxation of RM1,323,000 compared to RM712,000 in the preceding quarter.

The 86% increase in profit before taxation was mainly due to the growth in gross revenue and profit margins.

16) Performance Review

The Group recorded a 65% increase in gross revenue in the current financial year-to-date compared to the corresponding period in the preceding year from RM16,597,000 to RM27,393,000 and has achieved a 424% increase in profit before taxation of RM2,035,000 in the current financial year-to-date compared to a profit before taxation of RM388,000 in the corresponding period in the preceding year.

The increase in gross revenue was due to better performances in the car carpets, automotive components and commercial carpets as a result of the stronger growth in the industry for the first 6 months of the current period compared to the preceding year corresponding 6 months.

Besides the growth in these industries, the management commitment to invest in capital expenditure for better manufacturing efficiency, quality and cost reduction, have also contributed to the increase in profit before taxation.

17) Subsequent Material Events

There are no material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period, made up to 27 July 2001 which is not earlier than 7 days from the date of issue of this quarterly report.

18) Seasonal or Cyclical Factors

The business operations of the Group were not affected by any significant seasonal or cyclical factors for the financial periods under review.

19) Current Year Prospects

With the low interest rates, easing of car financing terms and the Government's moves to stimulate consumer spending, coupled with refurbishment of existing hotels and upgrading of corporate offices, current year prospects look favourable and barring unforeseen circumstances, further improvements in the performance of the Group are expected.

20) Profit Forecast or Profit Guarantee

Not applicable

21) Dividend

No dividend has been declared for the financial periods under review.