

PARAGON UNION BERHAD (286457-V)

QUARTERLY REPORT

Quarterly report on consolidated results for the second quarter ended 30th June 2002.
The figures have not been audited.

CONSOLIDATED INCOME STATEMENT

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/06/2002 RM'000	Preceding Year Corresponding Quarter 30/06/2001 RM'000	Current Year To Date 30/06/2002 RM'000	Preceding Year Corresponding Period 30/06/2001 RM'000
1 (a)	Revenue	13,803	14,572	25,496	27,393
(b)	Investment Income	-	6	9	6
(c)	Other income	30	40	41	185
2 (a)	Profit before finance cost, depreciation and amortisation, exceptional items, income tax, minority interest and extraordinary items	1,971	2,179	3,356	3,746
(b)	Finance cost	(65)	(202)	(105)	(378)
(c)	Depreciation and amortisation	(747)	(654)	(1,436)	(1,333)
(d)	Exceptional items	-	-	-	-
(e)	Profit before income tax, minority interests and extraordinary items	1,159	1,323	1,815	2,035
(f)	Share of profits and losses of associated companies	-	-	-	-
(g)	Profit before income tax, minority interests and extraordinary items	1,159	1,323	1,815	2,035
(h)	Income tax	-	(7)	(5)	(19)
(i) (i)	Profit after income tax before deducting minority interests	1,159	1,316	1,810	2,016
(ii)	Less minority interests	-	-	-	-
(j)	Pre-acquisition profit/(loss), if applicable	-	-	-	-
(k)	Net profit from ordinary activities attributable to members of the company	1,159	1,316	1,810	2,016
(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	1,159	1,316	1,810	2,016
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)	1.72	1.95	2.69	2.98
(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	67,319,000	67,319,000	67,695,000
------------	------------	------------	------------

PARAGON UNION BERHAD (286457-V)

CONSOLIDATED BALANCE SHEET

	(UNAUDITED) As at End of Current Quarter 30/6/2002 RM'000	(AUDITED) As at Preceding Financial Year End 31/12/2001 RM'000
1 Property, Plant and Equipment	37,897	34,738
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	6,393	7,055
Trade Receivables	17,053	13,849
Other Receivables, Deposits and Prepayments	19,072	19,262
Tax Recoverable	281	80
Fixed Deposits	7	7
Cash and Bank balances	522	3,047
	<u>43,328</u>	<u>43,300</u>
9 Current Liabilities		
Trade Payables	3,308	2,897
Other Payables and Accruals	5,320	3,960
Hire Purchase and Finance Lease Liabilities	13	49
Bank Borrowings	3,406	1,273
Taxation	-	68
	<u>12,047</u>	<u>8,247</u>
10 Net Current Assets	<u>31,281</u>	<u>35,053</u>
	<u>74,256</u>	<u>74,869</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)
Retained Profit	2,491	3,104
Less: 2,681,000 Treasury Shares, At Cost	(2,758)	(2,758)
	<u>74,007</u>	<u>74,620</u>
12 Minority Interests	-	-
13 Bank Term Loans	-	-
14 Hire Purchase and Finance Lease Liabilities	-	-
15 Deferred Taxation	249	249
	<u>74,256</u>	<u>74,869</u>
16 Net Tangible Assets Per Share (RM)	1.0993	1.1085

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 2001 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 breakdown of tax charge for the financial year-to-date is as follows :

	30 June 2002 RM'000
Malaysian taxation based on results for the period	3
Underprovision in prior years	2

	5

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, reinvestment 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 2002	4,002

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

Proposed Private Placement Of 7,000,000 New Ordinary Shares Of RM1.00 Each ("Placement Shares") In Paragon Union Berhad ("Proposed Private Placement").

Public Merchant Bank Berhad has been appointed as the advisor to Paragon Union Berhad for the Proposed Private Placement.

Approval from the SC was obtained on 17 January 2002 while approvals from the MITI and the FIC were obtained on 20 February 2002.

On 13 June 2002, KLSE has approved in-principal the additional listing of the Placement Shares.

On 20 June 2002, Paragon Union Berhad had requested from the SC for an extension of time of additional 6 months from 17 July 2002 to 17 January 2003 for the implementation of the Proposed Private Placement and the utilisation of proceeds from the Proposed Private Placement. The approval for the extension was obtained from the SC on 3 July 2002.

As the authority from the shareholders to approve the Directors of the Company to allot and issue new ordinary shares of RM1.00 each, provided that the aggregate number of the ordinary shares to be issued shall not exceed 10% of the issued and paid-up share capital of the Company, pursuant to Section 132D of the Companies Act, 1965 was renewed in the Company's Eighth Annual General Meeting held on 23 May 2002, the approval from the shareholders is not required for the Proposed Private Placement.

9) Issuance and Repayment of Debt and Equity Securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the financial periods under review. However, shares held as treasury shares as at 30 June 2002 remain at 2,681,000 ordinary shares of RM1.00 each which were purchased earlier in the year 2001 at a total cost of RM2,758,037.

10) Group Borrowings

The total group borrowings are as follows:

	30 June 2002 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,605
Bank overdrafts	677

Sub-total	2,282

Unsecured:	
Bills payable	578
Bank overdrafts	546

Sub-total	1,124

Total	3,406
	=====

11) Contingent Liabilities

There were no changes in contingent liabilities (other than material litigation disclosed in Note 13) since the last annual balance sheet as at 31 December 2001 up to 26 July 2002, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12) Off-Balance Sheet Financial Instruments

There were no financial instruments with off-balance sheet risk as at 26 July 2002, 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 was 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 RM1,230,000 deposit sum paid and RM1,230,000 in liquidated damages. An application for summary judgement was filed on 31 January 2000. On 17 May 2002, the Deputy Registrar has granted Paragon Union Berhad's (Paragon) summary judgement application with costs and accordingly has entered judgement against the Defendants jointly and severally in the sum of RM2,460,000 together with interest thereon at the rate of 8% per annum from 9 April 1999 until the date of full payment and costs to be taxed. The Defendants appealed to the Judge in Chambers against the Deputy Registrar's decision, which appeal was heard on 30 July 2002 and is fixed for continued hearing on 17 October 2002. The Defendants also obtained an interim stay of execution which expired on 30 July 2002.

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’s 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.

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. The appeal is currently fixed for mention on 17 October 2002 pending receipt of the Senior Assistant Registrar’s grounds of decision.

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

The Group recorded a gross revenue of RM13,803,000 in the current quarter compared to the immediate preceding quarter of RM11,693,000 and the Group’s profit before taxation stood at RM1,159,000 compared to RM656,000 in the immediate preceding quarter.

The 77% increased in profit before taxation was mainly attributed to the growth in gross revenue.

16) Performance Review

The Group recorded a gross revenue of RM25,496,000 in the current financial year-to-date compared to the corresponding period in the preceding year of RM27,393,000 and the Group’s profit before taxation stood at RM1,815,000 compared to RM2,035,000 in the corresponding period in the preceding year .

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 26 July 2002 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

The low interest rates, easing of car financing terms and the Government's moves to stimulate consumer spending, coupled with the continuous management efforts for better manufacturing efficiency, quality and cost reduction will help to minimise the adverse effect of the current global economic and political uncertainties and barring unforeseen circumstances, the performance of the Group is expected to be satisfactory.

20) Profit Forecast or Profit Guarantee

Not applicable

21) Dividend

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