

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2004

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2004 RM'000	Preceding Year Corresponding Quarter 30/06/2003 RM'000	Current Year To Date 30/06/2004 RM'000	Preceding Year Corresponding Period 30/06/2003 RM'000
Revenue	14,445	12,243	25,878	24,121
Operating expenses	(13,934)	(11,602)	(25,050)	(22,769)
Other operating income	25	6	47	14
Profit from operations	536	647	875	1,366
Finance costs	(196)	(99)	(386)	(166)
Investment income	11	20	20	26
Gain on disposal of other investments	483	202	483	202
Profit before taxation	834	770	992	1,428
Taxation	14	(5)	12	(7)
Profit after taxation	848	765	1,004	1,421
Minority interest	-	-	-	-
Net profit for the period	848	765	1,004	1,421
Earnings per share (sen)				
- Basic	1.26	1.14	1.50	2.12
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004

	As at End of Current Quarter 30/6/2004 RM'000	As at Preceding Financial Year End 31/12/2003 RM'000
Property, Plant and Equipment	35,098	36,090
Land and Development Expenditure	30,293	28,412
Goodwill On Acquisition	2,744	2,744
Other Investments	4,003	5,590
Current Assets		
Inventories	9,376	9,317
Trade and Other Receivables	38,174	33,890
Tax Recoverable	134	200
Cash and Cash Equivalents	2,554	3,984
	<u>50,238</u>	<u>47,391</u>
Current Liabilities		
Trade and Other Payables	7,737	8,208
Hire purchase	28	-
Short Term Borrowings	19,144	14,772
Tax Payable	4	4
	<u>26,913</u>	<u>22,984</u>
Net Current Assets	23,325	24,407
	<u>95,463</u>	<u>97,243</u>
Share Capital	70,000	70,000
Reserves, non-distributable	997	1,043
Retained Profit	4,427	3,377
Treasury Shares, at cost	(2,919)	(2,919)
Shareholders' Equity	<u>72,505</u>	<u>71,501</u>
Term Loans	13,970	16,871
Deferred Tax Liabilities	8,853	8,871
Hire Purchase	135	-
	<u>95,463</u>	<u>97,243</u>
Net Tangible Assets Per Share (RM)	1.0392	1.0242

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2004

	Share Capital RM'000	Share Premium RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Undistributed RM'000	Retained profit Proposed Dividend RM'000	Sub-total RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2004	70,000	2,929	5,661	(7,547)	1,927	1,450	3,377	(2,919)	71,501
Net gain not recognised in income statement									
Realisation of reserve on amortisation of revalued properties	-	-	(46)	-	46	-	46	-	-
Movements during the period									
Net profit for the period	-	-	-	-	1,004	-	1,004	-	1,004
At 30 June 2004	70,000	2,929	5,615	(7,547)	2,977	1,450	4,427	(2,919)	72,505
At 1 January 2003									
- as previously reported	70,000	2,929	8,892	(7,547)	1,258	1,933	3,191	(2,795)	74,670
- prior year adjustments in relation to deferred taxation following adoption of MASB 25 "Income Taxes"	-	-	(3,139)	-	(328)	-	(328)	-	(3,467)
- as restated	70,000	2,929	5,753	(7,547)	930	1,933	2,863	(2,795)	71,203
Net gain not recognised in income statement									
Realisation of reserve on amortisation of revalued properties	-	-	(46)	-	46	-	46	-	-
Movements during the period									
Net profit for the period	-	-	-	-	1,421	-	1,421	-	1,421
Shares purchased during the period held as treasury shares	-	-	-	-	-	-	-	(122)	(122)
At 30 June 2003	70,000	2,929	5,707	(7,547)	2,397	1,933	4,330	(2,917)	72,502

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

	2004 6 Months Ended 30 June RM'000	2003 6 Months Ended 30 June RM'000
Operating Activities		
Net Profit Before Tax	992	1,428
Adjustments for non-cash flow :		
Interest expenses	386	166
Non-cash items	1,807	1,763
Non-operating items	(524)	(227)
Operating profit before working capital changes	2,661	3,130
Changes in working capital		
Net change in land and development expenditure	(1,483)	-
Net change in current assets	(4,463)	(4,691)
Net change in current liabilities	1,764	(113)
Cash utilised in operations	(1,521)	(1,674)
Taxation refunded/(paid)	66	(57)
Interest paid	(783)	(166)
Net cash used in operating activities	(2,238)	(1,897)
Investing Activities		
Equity investments	-	(3,896)
Other investments	14	19
Other investing activities	1,561	244
Net cash from investing activities	1,575	(3,633)
Financing Activities		
Repayment of term loans	(837)	-
Shares buy-back	-	(122)
Payment of hire purchase instalments	(3)	-
Net cash used in financing activities	(840)	(122)
Net changes in cash and cash equivalents	(1,503)	(5,652)
Cash and cash equivalents brought forward	(5,143)	3,805
Cash and cash equivalents carried forward	(6,646)	(1,847)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

NOTES TO THE INTERIM FINANCIAL REPORT

1) Accounting Policies

The interim financial report has been prepared in accordance with MASB 26 "Interim Financial Reporting" and should be read in conjunction with the 31 December 2003 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 2003 Annual Financial Report.

2) Qualified Audit Report

There were no qualification on audit report of preceding annual financial statements.

3) 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.

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 period of the current financial year or prior financial year.

6) Issuance and Repayment of Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayment of debts and equity securities for the current financial period ended 30 June 2004. However, shares held as treasury shares as at 30 June 2004 remain at 2,870,000 ordinary shares of RM1.00 each at a total cost of RM2,918,712.

7) Dividends Paid

The Company did not pay any dividend for the current quarter under review.

8) Segmental Reporting

No segmental analysis is presented as the Group is principally involved in a single industry segment relating to the manufacturing of carpets and the property development segment has not commenced yet. The business of the Group is entirely carried out in Malaysia.

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 2003 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM25,878,000 in the current financial period compared to the corresponding period in the preceding year of RM24,121,000 and the Group's profit before taxation stood at RM992,000 compared to RM1,428,000 in the corresponding period in the preceding year .

Despite an increased of 7% in gross revenue, profit before taxation has reduced as a result of higher raw material prices. This was mainly attributed to rising oil prices, which affected our major raw materials that are petrochemical based.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM14,445,000 in the current quarter compared to the immediate preceding quarter of RM11,433,000 and the Group's profit before taxation stood at RM834,000 compared to RM158,000 in the immediate preceding quarter.

15) Current Year Prospects

The aggressive launching of various new car models and the low interest rates charged by the banks and financial institutions, easing of car financing terms, the Government's moves to stimulate consumer spending and the forecast of improving economic growth rate of more than 6% for the current year augers well for the company.

However, high oil prices over the last few months without any sign of price stability affected our profit margins tremendously as our major raw materials are petrochemical based. With persistent high oil prices, profit margins can be further eroded as most of our projects have been secured through tenders 6 to 12 months ago.

The management is reviewing the selling prices to customers to reflect the rising raw materials cost as far as possible to minimize the impact. We are hopeful that this unstable pricing phenomenon will normalize over the next few months.

In order to further enhance earnings and to increase shareholders' values, the Group's diversification into the property development business via the acquisition of Paragon Property Development Sdn Bhd (PPD), is considered a right and timely move. PPD owns a 34 acre piece of prime development land in Bukit Jalil (within Federal Territory) and the planning for this development is well on track. This property development project is expected to be launched soon and upon its successful launch, will contribute significantly to the Group's earnings in the coming years.

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	3	5
Deferred tax expense - current period	(17)	(17)
	-----	-----
	(14)	(12)
	-----	-----

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.

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) Summary of dealings in quoted securities for the current quarter and financial year-to-date is as follows:

	Current Quarter	Current Year-To-Date
	RM'000	RM'000
Total purchases	Nil	Nil
Total disposals	2,069	2,069
Total profit on disposals	483	483

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	4,003
Total investments at market value as at 30 June 2004	3,344

20) Status of Corporate Proposals

There were no outstanding corporate proposals announced but not completed as at 2 September 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

21) Group Borrowings

The total group borrowings are as follows:

	30 June 2004 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,212
Bank overdrafts	5,397

Sub-total	8,609

Unsecured:	
Bills payable	1,538
Bank overdrafts	3,803
Current portion of term loans	5,194

Sub-total	10,535

Total	19,144
	=====
 <u>Long Term Bank Borrowings</u>	
Unsecured term loans	13,970
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 2 September 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

23) 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.

On 6 February 2003, the Judge allowed the Defendant's appeal with costs. The Court has fixed the suit for mention on 28 September 2004.

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. On 22 October 2003, Paragon's appeal to the Judge in Chambers against the dismissal of Paragon's summary judgement application was withdrawn. Paragon's application for the production of bank records under the Banker's Books Evidence Act has been allowed and the Court has fixed the suit for case management on 24 January 2005.

24) Dividend

No dividend has been declared for the financial quarter ended 30 June 2004.

25) Earnings Per Share

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

Quarter	Quarter	Current Year Date 30.06.2004	Preceding Year Date 30.06.2003	Current Year To 30.06.2004	Preceding Year To 30.06.2003
i) Earnings					
Net profit/(loss) for the period (RM'000)		848	765	1,004	1,421

ii) Weighted average number of ordinary shares

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	67,130	67,132	67,130	67,273
Effect of shares buyback during the period ('000)	-	-	-	(141)
Weighted average number of ordinary shares at end of the period ('000)	67,130	67,132	67,130	67,132

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.