

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2005

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/06/2005 RM'000	30/06/2004 RM'000	30/06/2005 RM'000	30/06/2004 RM'000
Revenue	20,061	14,445	36,946	25,878
Operating expenses	(18,765)	(13,934)	(34,907)	(25,050)
Other operating income	10	25	26	47
Profit from operations	1,306	536	2,065	875
Finance costs	(305)	(196)	(563)	(386)
Investment income	-	11	-	20
Gain on disposal of other investments	-	483	-	483
Profit before taxation	1,001	834	1,502	992
Taxation	(314)	14	(410)	12
Profit after taxation	687	848	1,092	1,004
Minority interest	-	-	-	-
Net profit for the period	687	848	1,092	1,004
Earnings per share (sen)				
- Basic	1.02	1.26	1.63	1.50
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005

	As at End of Current Quarter 30/6/2005 RM'000	As at Preceding Financial Year End 31/12/2004 RM'000
Property, Plant and Equipment	34,075	34,200
Goodwill On Acquisition	2,515	2,744
Other Investments	4,003	4,003
<b>Current Assets</b>		
Property Development Cost	46,637	36,718
Inventories	13,939	10,340
Trade and Other Receivables	40,876	38,703
Tax Recoverable	233	239
Cash and Cash Equivalents	3,999	4,095
	<u>105,684</u>	<u>90,095</u>
<b>Current Liabilities</b>		
Trade and Other Payables	21,093	13,622
Hire purchase	79	46
Short Term Borrowings	20,471	21,697
Tax Payable	453	243
	<u>42,096</u>	<u>35,608</u>
<b>Net Current Assets</b>	<u>63,588</u>	<u>54,487</u>
	<u>104,181</u>	<u>95,434</u>
<b>Share Capital</b>	70,000	70,000
Reserves, non-distributable	906	952
Retained Profit	4,212	3,074
Treasury Shares, at cost	(2,919)	(2,919)
	<u>72,199</u>	<u>71,107</u>
<b>Shareholders' Equity</b>	<u>72,199</u>	<u>71,107</u>
<b>Long Term Borrowings</b>	22,994	15,417
<b>Deferred Tax Liabilities</b>	8,736	8,735
<b>Hire Purchase</b>	252	175
	<u>104,181</u>	<u>95,434</u>
<b>Net Tangible Assets Per Share (RM)</b>	1.0380	1.0184

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2005

	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
<b>At January 2005</b>	70,000	-	5,570	(4,618)	2,591	483	3,074	(2,919)	71,107
<b>Net gain not recognised in income statement</b>									
Realisation of reserve on amortisation of revalued properties	-	-	(46)	-	46	-	46	-	-
<b>Movements during the period</b>									
Net profit for the period	-	-	-	-	1,092	-	1,092	-	1,092
<b>At 30 June 2005</b>	70,000	-	5,524	(4,618)	3,729	483	4,212	(2,919)	72,199
<b>At 1 January 2004</b>	70,000	2,929	5,661	(7,547)	1,927	1,450	3,377	(2,919)	71,501
<b>Net gain not recognised in income statement</b>									
Realisation of reserve on amortisation of revalued properties	-	-	(46)	-	46	-	46	-	-
<b>Movements during the period</b>									
Net profit for the period	-	-	-	-	1,004	-	1,004	-	1,004
<b>At 30 June 2004</b>	70,000	2,929	5,615	(7,547)	2,977	1,450	4,427	(2,919)	72,505

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005

	2005 6 Months Ended 30 June RM'000	2004 6 Months Ended 30 June RM'000
<b>Operating Activities</b>		
Net Profit Before Tax	1,502	992
Adjustments for non-cash flow :		
Interest expenses	563	386
Non-cash items	2,001	1,807
Non-operating items	(2)	(524)
Operating profit before working capital changes	4,064	2,661
Changes in working capital		
Net change in development properties	(8,898)	(1,483)
Net change in current assets	(5,892)	(4,463)
Net change in current liabilities	8,393	1,764
Cash utilised in operations	(2,333)	(1,521)
Net taxation (paid) / refunded	(193)	66
Interest paid	(1,577)	(783)
Interest received	9	-
Net cash used in operating activities	(4,094)	(2,238)
<b>Investing Activities</b>		
Other investments	-	14
Other investing activities	(1,348)	1,561
Net cash (used in) / from investing activities	(1,348)	1,575
<b>Financing Activities</b>		
Drawdown of bank borrowings	11,086	-
Repayment of term loans	(2,276)	(837)
Hire purchase interest	(8)	-
Payment of hire purchase instalments	(76)	(3)
Net cash from / (used in) financing activities	8,726	(840)
<b>Net changes in cash and cash equivalents</b>	3,284	(1,503)
<b>Cash and cash equivalents brought forward</b>	(7,315)	(5,143)
<b>Cash and cash equivalents carried forward</b>	(4,031)	(6,646)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

**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 2004 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 2004 Annual Financial Report.

2) Qualified Audit Report

There were no qualifications 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 2005. However, shares held as treasury shares as at 30 June 2005 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

6 months  
ended 30 June 2005  
RM'000

### Segment Revenue

Manufacturing carpets	29,896
Property development	7,050
	-----
	36,946
Elimination of inter-segment sales	-
	-----
Total revenue	36,946
	=====

### Segment Results

Manufacturing carpets	718
Property development	1,416
	-----
	2,134
Eliminations	-
	-----
	2,134
Unallocated expenses	(69)
	-----
Profit from operations	2,065
	=====

## 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 2004 up to the date of issue of this quarterly report.

### 13) Performance Review

The Group recorded a gross revenue of RM36,946,000 in the current financial period compared to the corresponding period in the preceding year of RM25,878,000 and the Group's profit before taxation stood at RM1,502,000 compared to RM992,000 in the corresponding period in the preceding year .

The increased in gross revenue and profit before taxation in the current financial period was mainly due to the recognition of units sold in the property segment, which had commenced development and construction activities.

### 14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM20,061,000 in the current quarter compared to the immediate preceding quarter of RM16,885,000 and the Group's profit before taxation stood at RM1,001,000 compared to RM501,000 in the immediate preceding quarter.

The increased in gross revenue and profit before taxation was mainly contributed by additional units sold and progress in the development and construction activities in the property segment.

### 15) Current Year Prospects

The launching of various new CKD car models, the low interest rates charged by the banks and financial institutions, the Government's moves to stimulate consumer spending and the forecast of economic growth rate of 6% for the year 2005 augers well for the Group.

However, the impact of high oil prices are still being felt as our major raw materials are petrochemical based. Profit margins were substantially eroded as a result of immediate raw material price increases and it will take time for the Group to recover its manufacturing gross profit margin.

The management has reviewed the selling prices to customers to reflect the rising raw materials cost as far as possible to minimize the impact. We are concerned that this volatile high oil prices will continue to adversely affect our performances.

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. To date, the Group has already sold 100% of its Phase 1A units during it's pre-launch.

We have now soft-launched the next phase, which are Phase 1B, 1C and 1D with 3 units of Showhouses completed for viewing. The response is quite encouraging thus far and the marketing and promotional activities will be further enhanced and this project 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	314	410
-----	-----	

The effective tax rate of the Group for the current quarter is high compared to the statutory rate because certain expenses have been disallowed in arriving at the chargeable income in certain subsidiaries.

#### 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) There were no purchases or disposals of quoted securities for the current quarter and financial year-to-date.

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 2005	3,590

#### 20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 16 August 2005 (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:

	30 June 2005 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,978
Bank overdrafts	5,486
Current portion of term loans	7,097
	-----
Sub-total	16,561
	-----
Unsecured:	
Bills payable	1,366
Bank overdrafts	2,544
	-----
Sub-total	3,910
	-----
Total	20,471
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	15,316
Bridging loan	7,678
	-----
	22,994
	=====



## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 16 August 2005, 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 trial dates on 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> July 2006.

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 23 September 2005 to enable the parties to comply with the standard case management directions.

## 24) Dividend

No dividend has been declared for the financial quarter ended 30 June 2005.

## 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 to date 30.06.2005	Preceding Year to date 30.06.2004	Current Year 30.06.2005	Preceding Year 30.06.2004
<b>i) Earnings</b>					
Net profit/(loss) for the period (RM'000)		687	848	1,092	1,004

**ii) Weighted average number of ordinary shares**

**Basic and diluted**

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

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.