

# PARAGON UNION BERHAD (286457-V)

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2005 RM'000	Preceding Year Corresponding Quarter 30/09/2004 RM'000	Current Year To Date 30/09/2005 RM'000	Preceding Year Corresponding Period 30/09/2004 RM'000
Revenue	21,710	13,746	58,656	39,624
Operating expenses	(20,369)	(13,483)	(55,276)	(38,533)
Other operating income	16	8	42	55
Profit from operations	1,357	271	3,422	1,146
Finance costs	(352)	(267)	(915)	(653)
Investment income	45	29	45	49
Gain on disposal of other investments	-	-	-	483
Profit before taxation	1,050	33	2,552	1,025
Taxation	(247)	(8)	(657)	4
Profit after taxation	803	25	1,895	1,029
Minority interest	-	-	-	-
Net profit for the period	803	25	1,895	1,029
Earnings per share (sen)				
- Basic	1.20	0.04	2.82	1.53
- 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 SEPTEMBER 2005

	As at End of Current Quarter 30/9/2005 RM'000	As at Preceding Financial Year End 31/12/2004 RM'000
Property, Plant and Equipment	33,704	34,200
Goodwill On Acquisition	2,344	2,744
Other Investments	4,003	4,003
<b>Current Assets</b>		
Property Development Costs	53,125	36,718
Inventories	14,752	10,340
Trade and Other Receivables	42,508	38,703
Tax Recoverable	380	239
Cash and Cash Equivalents	3,118	4,095
	<u>113,883</u>	<u>90,095</u>
<b>Current Liabilities</b>		
Trade and Other Payables	28,705	13,622
Hire purchase	195	46
Short Term Borrowings	27,200	21,697
Tax Payable	504	243
	<u>56,604</u>	<u>35,608</u>
<b>Net Current Assets</b>	<u>57,280</u>	<u>54,487</u>
	<u>97,330</u>	<u>95,434</u>
<b>Share Capital</b>	70,000	70,000
Reserves, non-distributable	906	952
Retained Profit	4,532	3,074
Treasury Shares, at cost	(2,919)	(2,919)
<b>Shareholders' Equity</b>	<u>72,519</u>	<u>71,107</u>
Long Term Borrowings	15,496	15,417
Deferred Tax Liabilities	8,736	8,735
Hire Purchase	579	175
	<u>97,330</u>	<u>95,434</u>
<b>Net Tangible Assets Per Share (RM)</b>	1.0454	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 SEPTEMBER 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	-	-	-	-	1,895	-	1,895	-	1,895
Dividend paid - balance b/f	-	-	-	-	-	(483)	(483)	-	(483)
<b>At 30 September 2005</b>	70,000	-	5,524	(4,618)	4,532	-	4,532	(2,919)	72,519
<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	-	-	-	-	1,029	-	1,029	-	1,029
Dividend paid - balance b/f	-	-	-	-	-	(1,450)	(1,450)	-	(1,450)
<b>At 30 September 2004</b>	70,000	2,929	5,615	(7,547)	3,002	-	3,002	(2,919)	71,080

(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 SEPTEMBER 2005

	2005 9 Months Ended 30 September RM'000	2004 9 Months Ended 30 September RM'000
<b>Operating Activities</b>		
Net Profit Before Tax	2,552	1,025
Adjustments for non-cash flow :		
Interest expenses	915	653
Non-cash items	3,054	2,734
Non-operating items	(57)	(550)
Operating profit before working capital changes	6,464	3,862
Changes in working capital		
Net change in development properties	(14,866)	(2,537)
Net change in current assets	(8,396)	(4,957)
Net change in current liabilities	16,884	4,162
Cash generated from operations	86	530
Net taxation (paid) / refunded	(525)	(77)
Interest paid	(2,433)	(1,252)
Interest received	20	-
Net cash used in operating activities	(2,852)	(799)
<b>Investing Activities</b>		
Other investments	32	35
Other investing activities	(1,301)	1,115
Net cash (used in) / from investing activities	(1,269)	1,150
<b>Financing Activities</b>		
Drawdown of bank borrowings	11,086	-
Repayment of term loans	(5,743)	(1,478)
Dividend paid	(483)	(1,450)
Hire purchase interest	(23)	(4)
Payment of hire purchase instalments	(130)	(9)
Net cash from / (used in) financing activities	4,707	(2,941)
<b>Net changes in cash and cash equivalents</b>	586	(2,590)
<b>Cash and cash equivalents brought forward</b>	(7,315)	(5,143)
<b>Cash and cash equivalents carried forward</b>	(6,729)	(7,733)

(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 periods of the current financial year or prior financial year.

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 period ended 30 September 2005. However, shares held as treasury shares as at 30 September 2005 remain at 2,870,000 ordinary shares of RM1.00 each at a total cost of RM2,918,712.

7) Dividends Paid

Since the end of the previous financial year, the Company paid a first and final dividend of 1% less 28% tax amounting to RM483,336 for the year ended 31 December 2004.

## 8) Segmental Analysis

9 months ended  
30 September 2005  
RM'000

### Segment Revenue

Manufacturing carpets	44,034
Property development	14,622
	-----
	58,656
Elimination of inter-segment sales	-
	-----
Total revenue	58,656
	=====

### Segment Results

Manufacturing carpets	918
Property development	2,633
	-----
	3,551
Eliminations	-
	-----
	3,551
Unallocated expenses	(129)
	-----
Profit from operations	3,422
	=====

There was no comparative for the segmental analysis. In the previous financial period, the Group is principally involved in a single industry segment relating to the manufacturing of carpets as the property development segment was at its preliminary stage with no contributions in both revenue and results.

## 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 RM58,656,000 in the current financial period compared to the corresponding period in the preceding year of RM39,624,000 and the Group's profit before taxation stood at RM2,552,000 compared to RM1,025,000 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 RM21,710,000 in the current quarter compared to the immediate preceding quarter of RM20,061,000 and the Group's profit before taxation stood at RM1,050,000 compared to RM1,001,000 in the immediate preceding quarter.

### 15) Current Year Prospects

The Government's moves to promote a dynamic local automotive industry that is globally competitive through incentives and support, within the framework of the National Automotive Policy and the forecast of economic growth rate of 5.5% for the year 2006 augers well for the Group.

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

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.

Activities at the property development segment are showing promising results. 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 Show houses 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	247	657
	-----	-----

The effective tax rate of the Group for the current quarter and the 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 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 September 2005	4,166

## 20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 9 November 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 September 2005 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	4,249
Bank overdrafts	5,721
Current portion of bank loans	11,129
	-----
Sub-total	21,099
	-----
	30 September 2005 RM'000
Unsecured:	
Bills payable	1,975
Bank overdrafts	4,126
	-----
Sub-total	6,101
	-----
Total	27,200
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	12,800
Bridging loan	2,696
	-----
Total	15,496
	=====



## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 9 November 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) 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 June 2005.

### 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 June 2005, other than the Court has fixed the matter for final case management on 15 December 2005.

## 24) Dividend

No dividend has been declared for the financial quarter ended 30 September 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 30.09.2005	Preceding Year to date 30.09.2004	Current Year 30.09.2005	Preceding Year 30.09.2004
<b>i) Earnings</b>					
Net profit for the period (RM'000)		803	25	1,895	1,029

### 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.