

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2010 RM'000	Preceding Year Corresponding Quarter 30/06/2009 RM'000	Current Year To Date 30/06/2010 RM'000	Preceding Year Corresponding Period 30/06/2009 RM'000
Revenue	13,337	10,480	25,357	24,390
Operating expenses	(13,679)	(11,262)	(25,592)	(24,808)
Other operating income	3	3	11	11
Profit from operations	(339)	(779)	(224)	(407)
Finance costs	(370)	(438)	(741)	(769)
Profit/(Loss) before taxation	(709)	(1,217)	(965)	(1,176)
Taxation	-	-	-	-
Profit/(Loss) for the period	(709)	(1,217)	(965)	(1,176)
Attributable to :				
Equity holders of the parent	(709)	(1,217)	(965)	(1,176)
Minority interest	-	-	-	-
	(709)	(1,217)	(965)	(1,176)
Earnings/(Loss) per share (sen)				
- Basic	(1.10)	(1.88)	(1.49)	(1.82)
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2010

	As at End of Current Quarter 30/06/2010 RM'000	As at Preceding Financial Year End 31/12/2009 RM'000 Restated
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	36,891	38,135
Deferred Tax Asset	141	141
	37,032	38,276
Current Assets		
Inventories	18,315	17,280
Trade and Other Receivables	33,010	37,917
Current Tax Assets	655	595
Cash and Cash Equivalents	1,701	1,322
	53,681	57,114
TOTAL ASSETS	90,713	95,390
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	701	743
Retained Profit	(11,742)	(10,820)
Treasury Shares, at cost	(4,221)	(4,221)
Total Equity	54,738	55,703
Non-Current Liabilities		
Deferred Tax Liabilities	3,327	3,327
Hire Purchase Liabilities	2,525	3,100
Bank Borrowings	4,370	4,670
	10,222	11,097
Current Liabilities		
Trade and Other Payables	7,591	8,651
Hire Purchase Liabilities	1,095	1,103
Borrowings	16,660	18,430
Current Tax Liabilities	406	406
	25,752	28,590
Total Liabilities	35,975	39,687
TOTAL EQUITY AND LIABILITIES	90,713	95,390
Net Assets Per Share (RM)	0.8461	0.8610

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2010	70,000	5,361	(4,618)	(10,820)	(4,221)	55,703
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(42)	-	42	-	-
Net loss for the period	-	-	-	(965)	-	(965)
Total recognised income and expense for the period	-	(42)	-	(923)	-	(965)
Dividend Paid	-	-	-	-	-	-
Shares purchased during the period held as treasury shares	-	-	-	-	-	-
At 30 June 2010	70,000	5,319	(4,618)	(11,743)	(4,221)	54,738
At 1 January 2009	70,000	5,444	(4,618)	6,911	(4,209)	73,528
Realisation of reserve on amortisation of revalued properties, representing net gain/(loss) recognised directly in equity	-	(42)	-	42	-	-
Net profit for the period	-	-	-	(1,176)	-	(1,176)
Total recognised income and expense for the period	-	(42)	-	(1,134)	-	(1,176)
Shares purchased during the period held as treasury shares	-	-	-	-	(11)	(11)
At 30 June 2009	70,000	5,402	(4,618)	5,777	(4,220)	72,340

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

	2010 6 Months Ended 30 June RM'000	2009 6 Months Ended 30 June RM'000
Operating Activities		
Net (Loss)/Profit Before Tax	(965)	(1,176)
Adjustments for non-cash flow :		
Interest expenses	742	769
Non-cash items	1,446	1,340
Non-operating items	(2)	(5)
Operating profit before working capital changes	1,222	928
Changes in working capital		
Net change in development properties	-	
Net change in current assets	3,753	10,516
Net change in current liabilities	26	(7,382)
Cash generated from operations	5,000	4,062
Taxation paid	(60)	(49)
Interest paid	(615)	(582)
Interest received	2	
Net cash from operating activities	4,327	3,430
Investing Activities		
Other investing activities	(83)	(1,841)
Net cash used in investing activities	(83)	(1,841)
Financing Activities		
Repayment of term loans	(299)	(310)
Shares buy-back		(11)
Hire purchase interest	(127)	(187)
Payment of hire purchase instalments	(582)	(558)
Net cash used in financing activities	(1,008)	(1,066)
Net changes in cash and cash equivalents	3,236	523
Cash and cash equivalents brought forward	(12,487)	(12,166)
Cash and cash equivalents carried forward	(9,251)	(11,643)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 30 JUNE 2010

NOTES TO THE INTERIM FINANCIAL REPORT

1) Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2009 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 2009 Annual Financial Report.

The Directors of the Group and of the Company anticipate that the application of the following new FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations which are mandatory and will be effective for financial periods as stated below will have no material impact on the financial statements of the Group and of the Company:

	Effective date for financial periods beginning on or after
FRS 8 Operating Segments	1 July 2009
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 101 Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing Costs	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting and FRS127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transaction	1 January 2010

IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combination	1 July 2010
FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedge of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distribution of Non-cash Assets to Owners	1 July 2010
Amendments IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures of First-time Adopters	1 January 2011
Amendments to FRS 7 : Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Financial Instruments: Presentation	
- paragraphs 95A, 97AA and 97AB	1 January 2010
- paragraphs 11,16 and 97E	1 March 2010

The Company plans to adopt the abovementioned FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations which are relevant to the Company's operation when they become effective.

The Directors of the Company anticipate that the application of the above FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Company except for the changes in disclosures arising from the adoption of FRS 101 and Amendment to FRS 132.

The Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt the Company from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Company.

The Group has adopted the amendment to FRS 117 which clarifies the classification of lease of land and requires entities with existing lease of land and buildings to reassess the classification of land as finance or operating lease. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively in accordance with the transitional provision of the amendment and the following comparatives were restated:

	Previously Stated RM'000	Reclassification RM'000	Restated RM'000
As at 31 December 2009			
Property, plant and equipment	29,396	8,739	38,135
Prepaid lease payments	8,739	(8,739)	-

2) Qualified Audit Report

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

3) Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors for the financial period 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 that have had a material impact on the current quarter results.

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 June 2010.

7) Dividends Paid

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

8) Operating Segments

	Automotive		Commercial		Consolidated	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	14,174	11,288	11,183	13,102	25,357	24,390
Segment results	1,048	20	(922)	(283)	126	(263)
Unallocated expenses					(349)	(145)
Profit from operations					(223)	(408)

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 2009 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM25,357,000 in the current financial period compared to the corresponding period of RM24,390,000 and the Group's loss before taxation stood at RM965,000 compared to loss before taxation of RM1,176,000 in the corresponding period in the preceding year.

The increased in gross revenue was mainly contributed by increase in the automotive carpet division while the slow down of economic growth in year 2009 still have an adverse impact on commercial carpet division.

14) Quarterly Profit or Loss Before Taxation Comparison

The Group recorded a gross revenue of RM25,357,000 in the current quarter compared to the immediate preceding quarter of RM12,020,000 and the Group's loss before taxation stood at RM965,000 compare to RM256,000 in the immediate preceding quarter.

15) Current Year Prospects

The growth of the GDP in the local economy has lately boasted business confidence and consumer spending in the country when compared to 2009. The better economic sentiment has generally strengthened the demand for manufactured goods both locally and overseas. But the recently implemented AFTA has inadvertently change the business landscape in the country particularly the increase market competitiveness for manufactured goods in the region.

For the automotive division, the prospects for the next quarter looks encouraging in view of the increased in demand for automotive components both local and export sector. However, the sales would largely depend on securing contracts of the anticipated launching of new models as well as the increase in demand of existing models both locally and overseas. To further expand our market share and to enhance our market competitive edge, the automotive division is increasing our product range to complement our existing carpet range as well as seeking potential export market.

With the increased business confidence in the local economy, the sales for commercial carpets is expected to rise in the next quarter in view of the anticipated seasonal demand for Hari Raya. The commercial carpet is also planning to expand its market share through introducing new carpet range and design. Effort is being undertaken to increase the export segment through introducing our company and products to potential clients in other countries.

16) Profit Forecast or Profit Guarantee

This note is not applicable.

17) Taxation

There is no tax charge for the current quarter.

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 was no purchase or disposal of quoted investments for the current quarter and financial year-to-date.
- b) There were no investments in quoted securities at the end of the reporting period.

20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 17 August 2010 (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 2010 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,503
Bank overdrafts	6,282
Current portion of term loan	599

Sub-total	10,384

Unsecured:	
Bills payable	1,601
Bank overdrafts	4,671

Sub-total	6,272

 Total	 16,656
	=====
<u>Long Term Bank Borrowings</u>	
Secured Term Loan	4,374
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 17 August 2010, 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 31 December 2009.

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 31 December 2009.

iii) Paragon Union Berhad v Prestamewah Development Sdn. Bhd. and Liw Jun Wai

On 8 February 2010 the appeal by the Prestamewah Development Sdn Bhd and Liw Jun Wai (“the Defendants”) against the decision of High Court which, inter alia, granted PUB the interlocutory mandatory injunction compelling the Defendants to refund RM13,500,000.00 and RM4,500,000.00 respectively to PUB was allowed by the Court of Appeal. The order of the Court of Appeal essentially set aside the interlocutory mandatory order granted by the High Court Judge on 16 November 2009. PUB has filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal and the hearing of the leave of application was fixed on 17 May 2010. The application for leave was dismissed with cost by the Federal Court.

24) Dividend

No dividend has been declared for the financial quarter ended 30 June 2010.

25) Earnings Per Share

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

	Current Year Quarter 30.6.2010	Preceding Year Quarter 30.6.2009	Current Year to date 30.6.2010	Preceding Year to date 30.6.2009
i) Earnings				
Net profit/(loss) for the period (RM'000)	(709)	(1,217)	(965)	(1,176)
	Current Year Quarter 30.6.2010	Preceding Year Quarter 30.6.2009	Current Year to date 30.6.2010	Preceding Year to date 30.6.2009

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

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	64,699	64,726	64,699	64,726
Effect of shares buyback during the period ('000)	-	(7)	-	(7)
Weighted average number of ordinary shares at end of the period ('000)	64,699	64,719	64,699	64,719

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.