

Announcement

Subject : PARAGON UNION BERHAD ("PUB" or the "Company")
 Proposed Revision and Extension of Time for the Utilisation of
 Proceeds ("Proposals")

Date Announced : 01/06/2001

Reference No. : CU-010601-55173

Type : Announcement

Company Name : Paragon Union Berhad

Stock Name : Paragon

Content:

1. INTRODUCTION

On behalf of the Board of Directors of PUB, Affin Merchant Bank Berhad ("Affin Merchant") wishes to announce that an amount of approximately RM5.109 million out of the total proceeds of RM56 million arising from the Company's earlier rights issue of 56,000,000 new ordinary shares of RM1.00 each at par ("Rights Issue") on the basis of four (4) new ordinary shares for each ordinary share held, remains unutilised as at to date ("Unutilised Proceeds").

In this respect, on behalf of the Board of Directors of PUB, we wish to announce that the Company proposes to revise the utilisation of the Unutilised Proceeds and to extend the time up to 24 November 2001 for the utilisation of the Unutilised Proceeds.

2. DETAILS OF THE PROPOSALS

Subject to the prior approval of the Securities Commission ("SC"), PUB proposes to revise the utilisation of the Unutilised Proceeds to meet the working capital requirements of the Group, to be utilised within the proposed time frame of up to 24 November 2001, as set out below.

	As approved by the SC on 24.11.1999	Total utilisation	Unutilised Proceeds	Proposed Revision
	RM'000	RM'000	RM'000	RM'000
Capital expenditure	10,726	6,018	4,708#	-
Repayment of bank borrowings	36,511	36,506	5*	-
Incidental expenses	1,000	604	396*	-
Working capital	7,763	7,763	-	5,109
	56,000	50,891	5,109	5,109

This fund represents the balance of the Rights Issue proceeds of approximately RM10.7 million allocated by PUB to upgrade the Group's plant and machinery for its automotive carpets and components division (RM5.3 million) and commercial carpet division (RM5.4 million). The proposed utilisation is part of the business plan of the PUB Group to improve the quality of its products, reduce operation cost and meet the projected increase in the Group's turnover from its Carpet Divisions.

In view of the global economic scenario and external risk that may affect our Malaysian economy, the Company does not foresee the need to expand further the operations of its Carpet Divisions, and hence does not intend to proceed with the acquisition of the remaining machinery so as to conserve its funds and to prevent the capital outflow from the country as the machinery would have to be imported.

** These funds represent the surplus of the Rights Issue proceeds as their actual utilisation are less than the budgeted amount approved earlier by the SC, and the Company do not foresee any further utilisation.*

3. FINANCIAL EFFECTS

The Proposals are not expected to have any material effects on the financial position of the Paragon Group.

4. APPROVALS REQUIRED

The Proposals are subject to the approvals of the following:

- (i) the SC, of which the SC's decision is still pending; and
- (ii) other relevant authorities, if any.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders of PUB and/or persons connected with them pursuant to Section 122A of the Companies Act, 1965, have any interest, either direct or indirect, in the Proposals.

6. DIRECTORS' RECOMMENDATION

After due consideration of all aspects of the Proposals, the Directors of PUB are of the opinion that the Proposals are fair and reasonable and in the best interest of the Company.