

## PARAGON UNION BERHAD (286457-V)

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2002

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2002 RM'000	Preceding Year Corresponding Quarter 30/09/2001 RM'000	Current Year To Date 30/09/2002 RM'000	Preceding Year Corresponding Period 30/09/2001 RM'000
Revenue	12,251	14,380	37,747	41,773
Operating expenses	(11,223)	(13,107)	(34,849)	(38,278)
Other operating income	12	43	53	228
Profit from operations	1,040	1,316	2,951	3,723
Finance costs	(58)	(84)	(163)	(462)
Investing results	25	25	34	31
Profit before taxation	1,007	1,257	2,822	3,292
Taxation	(107)	(67)	(112)	(86)
Profit after taxation	900	1,190	2,710	3,206
Minority interest	-	-	-	-
Net profit for the period	900	1,190	2,710	3,206
Earnings per share (sen)				
- Basic	1.34	1.77	4.03	4.74
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2002

	As at End of Current Quarter 30/9/2002 RM'000	As at Preceding Financial Year End 31/12/2001 RM'000
Property, Plant and Equipment	37,631	34,738
Long Term Investments	5,078	5,078
<b>Current Assets</b>		
Inventories	5,616	7,055
Trade and Other Debtors	34,330	33,112
Tax Recoverable	303	80
Cash and Cash Equivalents	2,192	3,053
	<u>42,441</u>	<u>43,300</u>
<b>Current Liabilities</b>		
Trade and Other Creditors	7,484	6,857
Short Term Borrowings	2,410	1,322
Taxation	-	68
	<u>9,894</u>	<u>8,247</u>
<b>Net Current Assets</b>	32,547	35,053
	<u>75,256</u>	<u>74,869</u>
<b>Share Capital</b>	70,000	70,000
<b>Reserves, non-distributable</b>	4,274	4,274
<b>Retained Profit</b>	3,391	3,104
<b>Treasury Shares, at cost</b>	(2,758)	(2,758)
	<u>74,907</u>	<u>74,620</u>
<b>Shareholders' Funds</b>	74,907	74,620
<b>Deferred Taxation</b>	349	249
	<u>75,256</u>	<u>74,869</u>
<b>Net Tangible Assets Per Share (RM)</b>	1.1127	1.1085

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

## PARAGON UNION BERHAD (286457-V)

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPTEMBER 2002

	Share Capital RM'000	Share Premium RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
<b>9 MONTH QUARTER ENDED 30 SEPTEMBER 2002</b>							
At 1 January 2002	70,000	2,929	8,892	(7,547)	3,104	(2,758)	74,620
<b>Movements during the period</b>							
Net profit for the period	-	-	-	-	2,710	-	2,710
Dividend paid	-	-	-	-	(2,423)	-	(2,423)
<b>At 30 September 2002</b>	<b>70,000</b>	<b>2,929</b>	<b>8,892</b>	<b>(7,547)</b>	<b>3,391</b>	<b>(2,758)</b>	<b>74,907</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

# PARAGON UNION BERHAD (286457-V)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2002

	2002 9 Month Ended 30 September RM'000
<b>Operating Activities</b>	
Net Profit Before Tax	2,822
Adjustments for non-cash flow :	
Interest expenses	161
Non-cash items	2,422
Non-operating items	(58)
Operating profit before working capital changes	<hr/> 5,347
Changes in working capital	
Net change in current assets	41
Net change in current liabilities	1,327
Cash generated from operations	<hr/> 6,715
Taxation paid	(302)
Interest paid	(161)
Net cash flows from operating activities	<hr/> <hr/> 6,252
<b>Investing Activities</b>	
Other investments	24
Other investing activities	(5,094)
Net cash used in investing activities	<hr/> <hr/> (5,070)
<b>Financing Activities</b>	
Dividend paid	(2,423)
Hire purchase instalments and finance lease term charges paid	(50)
Net cash used in financing activities	<hr/> <hr/> (2,473)
<b>Net changes in cash and cash equivalents</b>	<hr/> <hr/> (1,291)
<b>Cash and cash equivalents brought forward</b>	2,938
<b>Cash and cash equivalents carried forward</b>	<hr/> <hr/> <hr/> 1,647

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2001)

**PARAGON UNION BERHAD (286457-V)**  
**QUARTERLY REPORT ON CONSOLIDATION RESULTS FOR THE THIRD QUARTER**  
**ENDED 30 SEPTEMBER 2002**

**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 2001 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 2001 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 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, cancellation, repurchases, resale and repayment of debts and equity securities for the current financial period ended 30 September 2002. However, shares held as treasury shares as at 30 September 2002 remain at 2,681,000 ordinary shares of RM1.00 each which were purchased in the year 2001 at a total cost of RM2,758,037.

7) Dividends Paid

Since the end of the previous financial year, the Company paid a first and final dividend of 5% less 28% tax amounting to RM2,423,484 for the year ended 31 December 2001.

#### 8) Segmental Reporting

No segmental analysis is presented as the Group is involved in a single industry segment relating to the manufacturing of carpets. 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 interim periods 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 2001 up to the date of issue of this quarterly report.

#### 13) Performance Review

The Group recorded a gross revenue of RM37,747,000 in the current financial year-to-date compared to the corresponding period in the preceding year of RM41,773,000 and the Group's profit before taxation stood at RM2,822,000 compared to RM3,292,000 in the corresponding period in the preceding year .

#### 14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM12,251,000 in the current quarter compared to the immediate preceding quarter of RM13,803,000 and the Group's profit before taxation stood at RM1,007,000 compared to RM1,159,000 in the immediate preceding quarter.

#### 15) Current Year Prospects

The low interest rates, easing of car financing terms and the Government's moves to stimulate consumer spending, coupled with the continuous management efforts for better manufacturing efficiency, quality and cost reduction will help to minimise the adverse effect of the current global economic and political uncertainties and barring unforeseen circumstances, the performance of the Group is expected to be satisfactory.

#### 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	7	10
- underprovision in prior years	-	2
Deferred taxation	100	100
	-----	-----
	107	112
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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) 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	5,078
Total investments at market value as at 30 Sept. 2002	3,332

#### 20) Status of Corporate Proposals

Proposed Private Placement Of 7,000,000 New Ordinary Shares Of RM1.00 Each ("Placement Shares") In Paragon Union Berhad ("Proposed Private Placement").

Public Merchant Bank Berhad has been appointed as the advisor to Paragon Union Berhad for the Proposed Private Placement.

Approval from the SC was obtained on 17 January 2002 while approvals from the MITI and the FIC were obtained on 20 February 2002.

On 13 June 2002, KLSE has approved in-principal the additional listing of the Placement Shares.

On 3 July 2002, Paragon Union Berhad had obtained the approval from the SC for an extension of time of additional 6 months from 17 July 2002 to 17 January 2003 for the implementation of the Proposed Private Placement and the utilisation of proceeds from the Proposed Private Placement.

As the authority from the shareholders to approve the Directors of the Company to allot and issue new ordinary shares of RM1.00 each, provided that the aggregate number of the ordinary shares to be issued shall not exceed 10% of the issued and paid-up share capital of the Company, pursuant to Section 132D of the Companies Act, 1965 was renewed in the Company's Eighth Annual General Meeting held on 23 May 2002, the approval from the shareholders is not required for the Proposed Private Placement.

## 21) Group Borrowings

The total group borrowings are as follows:

	30 September 2002 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,206
Bank overdrafts	543
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Sub-total	1,749
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Unsecured:	
Bills payable	659
Bank overdrafts	2
	-----
Sub-total	661
	-----
Total	2,410
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## 22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 6 November 2002, 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, which appeal was heard on 30 July 2002 and is fixed for continued hearing on 29 January 2003. The Defendants also obtained an interim stay of execution which expired on 30 July 2002.

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. The appeal is currently fixed for mention on 13 March 2003 pending receipt of the Senior Assistant Registrar's grounds of decision.

#### 24) Dividend

No dividend has been declared for the financial quarter ended 30 September 2002.

#### 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.

	Current Year Quarter 30.9.2002	Preceding Year Quarter 30.9.2001	Current Year To Date 30.9.2002	Preceding Year To Date 30.9.2001
<b>i) Earnings</b>				
Net profit for the period (RM'000)	900	1,190	2,710	3,206
	Current Year Quarter 30.9.2002	Preceding Year Quarter 30.9.2001	Current Year To Date 30.9.2002	Preceding Year To Date 30.9.2001

**ii) Weighted average number of ordinary shares****Basic and diluted**

Issued ordinary shares at beginning of period ('000)	67,319	67,319	67,319	70,000
Effect of shares buyback in 2001('000)	-	-	-	(2,430)
Weighted average number of ordinary shares ('000)	67,319	67,319	67,319	67,570

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.