

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2002

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2002 RM'000	31/12/2001 RM'000	31/12/2002 RM'000	31/12/2001 RM'000
Revenue	11,092	11,511	48,839	53,284
Operating expenses	(9,767)	(10,587)	(44,616)	(48,865)
Other operating income	10	133	63	361
Profit from operations	1,335	1,057	4,286	4,780
Finance costs	(35)	(36)	(198)	(498)
Investment income	26	25	60	56
Impairment loss on value of other investments	(1,075)	-	(1,075)	-
Profit before taxation	251	1,046	3,073	4,338
Taxation	(451)	(205)	(563)	(291)
Profit after taxation	(200)	841	2,510	4,047
Minority interest	-	-	-	-
Net profit for the year	(200)	841	2,510	4,047
Earnings per share (sen)				
- Basic	(0.30)	1.25	3.73	5.99
- 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 31 DECEMBER 2002

	As at End of Current Quarter 31/12/2002 RM'000	As at Preceding Financial Year End 31/12/2001 RM'000
Property, Plant and Equipment	37,853	34,738
Other Investments	4,003	5,078
Current Assets		
Inventories	7,491	7,055
Trade and Other Debtors	33,159	33,112
Tax Recoverable	177	80
Cash and Cash Equivalents	3,805	3,053
	<u>44,632</u>	<u>43,300</u>
Current Liabilities		
Trade and Other Creditors	10,836	6,857
Short Term Borrowings	348	1,322
Taxation	-	68
	<u>11,184</u>	<u>8,247</u>
Net Current Assets	<u>33,448</u>	<u>35,053</u>
	<u>75,304</u>	<u>74,869</u>
Share Capital	70,000	70,000
Reserves, non-distributable	4,274	4,274
Retained Profit	3,191	3,104
Treasury Shares, at cost	(2,795)	(2,758)
	<u>74,670</u>	<u>74,620</u>
Shareholders' Funds	<u>74,670</u>	<u>74,620</u>
Deferred Taxation	634	249
	<u>75,304</u>	<u>74,869</u>
Net Tangible Assets Per Share (RM)	1.1100	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 YEAR ENDED 31 DECEMBER 2002

	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
At 1 January 2002	70,000	2,929	8,892	(7,547)	681	2,423	3,104	(2,758)	74,620
Movements during the year									
Net profit for the year	-	-	-	-	2,510	-	2,510	-	2,510
Dividend paid-balance brought forward	-	-	-	-	-	(2,423)	(2,423)	-	(2,423)
Proposed first and final dividend of 4% less 28% tax					(1,933)	1,933			
Shares purchased during the year held as treasury shares	-	-	-	-	-	-	-	(37)	(37)
At 31 December 2002	70,000	2,929	8,892	(7,547)	1,258	1,933	3,191	(2,795)	74,670
At 1 January 2001	70,000	2,929	8,892	(7,547)	(943)	-	(943)	-	73,331
Movements during the year									
Net profit for the year	-	-	-	-	4,047	-	4,047	-	4,047
Proposed first and final dividend of 5% less 28% tax					(2,423)	2,423	-		-
Shares purchased during the year held as treasury shares	-	-	-	-	-	-	-	(2,758)	(2,758)
At 31 December 2001	70,000	2,929	8,892	(7,547)	681	2,423	3,104	(2,758)	74,620

(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 FINANCIAL YEAR ENDED 31 DECEMBER 2002

	31/12/2002 RM'000	31/12/2001 RM'000
Operating Activities		
Net Profit Before Tax	3,073	4,338
Adjustments for non-cash flow :		
Interest expenses	195	476
Impairment loss on value of other investments	1,075	-
Non-cash items	3,121	3,409
Non-operating items	(78)	(364)
Operating profit before working capital changes	7,386	7,859
Changes in working capital		
Net change in current assets	(560)	2,790
Net change in current liabilities	3,163	(3,277)
Cash generated from operations	9,989	7,372
Taxation paid	(326)	(100)
Interest paid	(195)	(476)
Interest income	8	79
Net cash flows from operating activities	9,476	6,875
Investing Activities		
Other investments	43	40
Other investing activities	(6,147)	(2,954)
Net cash used in investing activities	(6,104)	(2,914)
Financing Activities		
Dividend paid	(2,423)	-
Shares buy-back	(37)	(2,758)
Hire purchase instalments and finance lease term charges paid	(52)	(75)
Other financing activities	-	(199)
Net cash used in financing activities	(2,512)	(3,032)
Net changes in cash and cash equivalents	860	929
Cash and cash equivalents brought forward	2,945	2,016
Cash and cash equivalents carried forward	3,805	2,945

(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 CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 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 except in the 4th quarter (final quarter) performance of the company which was adversely affected by the year end festive seasons because of shorter number of working days.

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 except for the impairment loss on value of other investments of RM1,074,964 in the current quarter.

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, cancellation, repurchases, resale and repayment of debts and equity securities for the current financial year ended 31 December 2002 except for shares buy-back in the 4th quarter.

The particulars of shares buy-back in the financial year are as follows:

- i) The total number of shares purchased during the financial year : 46,000 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.725 each.
- iii) The maximum price paid for each share purchased : RM0.810 each.
- iv) The total amount paid for the shares purchased : RM37,010.
- v) Number of shares purchased retained in treasury : 46,000 Ordinary Shares.
- vi) Total number of shares retained in treasury as at 31st December 2002 : 2,727,000 Ordinary Shares.
- vii) Number of shares purchased which were cancelled : Nil.
- viii) The total issued capital as diminished : Nil.

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 in respect of the financial 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 financial year 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 RM48,839,000 in the current financial year compared to the preceding year of RM53,284,000 and the Group's profit before taxation stood at RM3,073,000 compared to RM4,338,000 in the preceding year .

The decrease in profit before tax was mainly contributed by adjustments of impairment loss on value of other investments of RM1,074,964 at the end of the year to reflect the fair value of certain investments.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM11,092,000 in the current quarter compared to the immediate preceding quarter of RM12,251,000 and the Group's profit before taxation stood at RM251,000 compared to RM1,007,000 in the immediate preceding quarter.

The decrease in gross revenue was in line with the shorter number of working days in the current quarter due to the year end festive seasons and the decrease in profit before tax was mainly contributed by adjustments of impairment loss on value of other investments of RM1,074,964 in the current quarter to reflect the fair value of certain investments.

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 are as follows :

	Current Quarter RM'000	Current Year RM'000
Current tax expense		
- current period	168	178
- (over)/underprovision in prior years	(2)	-
Deferred taxation	285	385
	-----	-----
	451	563
	-----	-----

The effective tax rate of the Group for the current financial year 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. However, in the current quarter, the effective tax rate is high is because the impairment loss on value of other investments have been disallowed in arriving at the taxable income.

18) Profit/(Loss) on sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties for the current financial year under review.

19) Purchase and Disposal of Quoted Securities

a) There were no purchases or disposals of quoted securities for the current financial year under review.

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 31 Dec. 2002	3,337

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 23 January 2003, Paragon Union Berhad had obtained the approval from the SC for the second extension of time of additional 6 months from 17 January 2003 to 17 July 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 short term secured bills payable amounting to RM348,000 as at 31st December 2002.

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 14 February 2003, 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. Paragon has the option to file an appeal to the Court of Appeal within 30 days or to proceed to trial. The Judge has fixed the matter for the case management on 16 April 2003 to give directions pertaining to the trial.

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

- (a) (i) The Board of Directors propose a final dividend of 4% less tax at 28% in respect of the financial year ended 31 December 2002 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

(ii)	Gross amount per share	: 4 sen
(iii)	Previous corresponding period	: 5 sen
(iv)	Date of payment	: To be determined at a later date
(v)	Date of entitlement	: To be determined at a later date

- (b) Total dividend for the current financial year: RM1,933,402

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 31.12.2002	Preceding Year Quarter 31.12.2001	Current Year 31.12.2002	Preceding Year 31.12.2001
i) Earnings				
Net profit/(loss) for the period (RM'000)	(200)	841	2,510	4,047

	Current Year Quarter 31.12.2002	Preceding Year Quarter 31.12.2001	Current Year 31.12.2002	Preceding Year 31.12.2001
ii) Weighted average number of ordinary shares				

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	67,319	67,319	67,319	70,000
Effect of shares buyback during the period ('000)	(1)	-	(1)	(2,493)
Weighted average number of ordinary shares at end of the period ('000)	67,318	67,319	67,318	67,507

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.