

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2003

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30/09/2003 RM'000	30/09/2002 RM'000	30/09/2003 RM'000	30/09/2002 RM'000
Revenue	13,687	12,251	37,808	37,747
Operating expenses	(13,145)	(11,223)	(35,914)	(34,849)
Other operating income	145	12	361	53
Profit from operations	687	1,040	2,255	2,951
Finance costs	(122)	(58)	(288)	(163)
Investment income	50	25	76	34
Profit before taxation	615	1,007	2,043	2,822
Taxation	(14)	(107)	(21)	(112)
Profit after taxation	601	900	2,022	2,710
Minority interest	-	-	-	-
Net profit for the period	601	900	2,022	2,710
Earnings per share (sen)				
- Basic	0.90	1.34	3.01	4.03
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2002)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2003

	As at End of Current Quarter 30/9/2003 RM'000	As at Preceding Financial Year End 31/12/2002 RM'000
Property, Plant and Equipment	36,776	37,853
Other Investments	5,590	4,003
Current Assets		
Inventories	8,190	7,491
Trade and Other Receivables	40,722	33,159
Tax Recoverable	364	177
Cash and Cash Equivalents	2,197	3,805
	<u>51,473</u>	<u>44,632</u>
Current Liabilities		
Trade and Other Payables	9,598	10,836
Short Term Borrowings	8,971	348
	<u>18,569</u>	<u>11,184</u>
Net Current Assets	<u>32,904</u>	<u>33,448</u>
	<u>75,270</u>	<u>75,304</u>
Share Capital	70,000	70,000
Reserves, non-distributable	4,274	4,274
Retained Profit	3,280	3,191
Treasury Shares, at cost	(2,918)	(2,795)
Shareholders' Equity	<u>74,636</u>	<u>74,670</u>
Deferred Tax Liabilities	634	634
	<u>75,270</u>	<u>75,304</u>
Net Tangible Assets Per Share (RM)	1.1118	1.1100

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31st December 2002)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2003

	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
9 MONTH QUARTER ENDED 30 SEPTEMBER 2003									
At 1 January 2003	70,000	2,929	8,892	(7,547)	1,258	1,933	3,191	(2,795)	74,670
Movements during the period									
Net profit for the period	-	-	-	-	2,022	-	2,022	-	2,022
Dividend paid - balance b/f	-	-	-	-	-	(1,933)	(1,933)	-	(1,933)
Shares purchased during the period held as treasury shares	-	-	-	-	-	-	-	(123)	(123)
At 30 September 2003	70,000	2,929	8,892	(7,547)	3,280	-	3,280	(2,918)	74,636

9 MONTH QUARTER ENDED 30 SEPTEMBER 2002									
At 1 January 2002	70,000	2,929	8,892	(7,547)	681	2,423	3,104	(2,758)	74,620
Movements during the period									
Net profit for the period	-	-	-	-	2,710	-	2,710	-	2,710
Dividend paid - balance b/f	-	-	-	-	-	(2,423)	(2,423)	-	(2,423)
At 30 September 2002	70,000	2,929	8,892	(7,547)	3,391	-	3,391	(2,758)	74,907

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2002)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2003

	2003 9 Months Ended 30 September RM'000	2002 9 Months Ended 30 September RM'000
Operating Activities		
Net Profit Before Tax	2,043	2,822
Adjustments for non-cash flow :		
Interest expenses	288	161
Non-cash items	2,668	2,422
Non-operating items	(415)	(58)
Operating profit before working capital changes	4,584	5,347
Changes in working capital		
Net change in current assets	(8,444)	41
Net change in current liabilities	2,088	1,327
Cash (utilised in)/generated from operations	(1,772)	6,715
Taxation paid	(187)	(302)
Interest paid	(288)	(161)
Net cash (used in)/from operating activities	(2,247)	6,252
Investing Activities		
Equity investments	(3,896)	-
Other investments	55	24
Other investing activities	1,239	(5,094)
Net cash used in investing activities	(2,602)	(5,070)
Financing Activities		
Dividend paid	(1,933)	(2,423)
Shares buy-back	(123)	-
Hire purchase instalments and finance lease term charges paid	-	(50)
Net cash used in financing activities	(2,056)	(2,473)
Net changes in cash and cash equivalents	(6,905)	(1,291)
Cash and cash equivalents brought forward	3,805	2,938
Cash and cash equivalents carried forward	(3,100)	1,647

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2002)

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2003

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 2002 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 2002 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 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 period ended 30 September 2003 except for shares buy-back.

The particulars of shares buy-back for the financial period are as follows:

- i) The total number of shares purchased during the financial period : 142,000 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.80 each.
- iii) The maximum price paid for each share purchased : RM1.04 each.
- iv) The total amount paid for the shares purchased : RM122,702.
- v) Number of shares purchased retained in treasury : 142,000 Ordinary Shares.
- vi) Total number of shares retained in treasury as at 30 September 2003 : 2,869,000 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 4% less 28% tax amounting to RM1,933,402 for the year ended 31 December 2002.

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

On 1 October 2003, Paragon Expression Sdn Bhd, a wholly-owned subsidiary of Paragon Union Berhad has completed the acquisition of the entire issued and paid-up share capital of Gapurna Property Development Sdn Bhd (GPD).

Subsequent on 29 October 2003, GPD has changed its name to Paragon Property Development Sdn Bhd (PPD).

The proposed acquisition of PPD, which is the registered and beneficial owner of a leasehold vacant land held under PN 30936, Lot 38821 (formerly known as H.S. (D) 100630, No. P.T.7601), Mukim Petaling, Kuala Lumpur measuring in area of approximately 137,600 square meters, would enable Paragon Group to embark into the property development sector.

Other than the above, there were no other 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 2002 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM37,808,000 in the current financial period compared to the corresponding period in the preceding year of RM37,747,000 and the Group's profit before taxation stood at RM2,043,000 compared to RM2,822,000 in the corresponding period in the preceding year .

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM13,687,000 in the current quarter compared to the immediate preceding quarter of RM12,243,000 and the Group's profit before taxation stood at RM615,000 compared to RM770,000 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 remain 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	14	21
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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) Summary of dealings in quoted securities for the current quarter and financial year-to-date are as follows:

	Current Quarter	Current Year-To-Date
	RM	RM
	'000	'000
Total purchases	-	3,896
Total disposals	1,439	2,649
Total profit/(loss) on disposal	138	340

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	6,717
Total investments at book value	5,590
Total investments at market value as at 30 Sept 2003	4,971

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 10 July 2003, Paragon Union Berhad had obtained the approval from the SC for an extension of time of additional 6 months until 17 January 2004 to complete the implementation of 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 Ninth Annual General Meeting ("AGM") held on 17 June 2003 and that such authority shall continue in force until the conclusion of the next AGM, 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 2003 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	2,559
Bank overdrafts	2,479

Sub-total	5,038

Unsecured:	
Bills payable	1,115
Bank overdrafts	2,818

Sub-total	3,933

Total	8,971
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22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 15 October 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. The Court has fixed the suit for further case management on 14 January 2004.

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. On 22 October 2003, Paragon's appeal to the Judge in Chambers against the dismissal of Paragon's summary judgement application was withdrawn. The Court has fixed the case management on 9 June 2004.

24) Dividend

No dividend has been declared for the financial quarter ended 30 September 2003.

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 30.09.2003	Preceding Year Quarter 30.09.2002	Current Year To Date 30.09.2003	Preceding Year To Date 30.09.2002
i) Earnings				
Net profit for the period (RM'000)	601	900	2,022	2,710
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ii) Weighted average number of ordinary shares				
Basic and diluted				
Weighted average number of ordinary shares at beginning of the period ('000)	67,132	67,319	67,273	67,319
Effect of shares buyback during the period ('000)	(1)	-	(142)	-
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Weighted average number of ordinary shares at end of the period ('000)	67,131	67,319	67,131	67,319
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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.