

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2003

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/2003 RM'000	31/12/2002 RM'000	31/12/2003 RM'000	31/12/2002 RM'000
Revenue	11,882	11,092	49,690	48,839
Operating expenses	(10,812)	(9,767)	(46,726)	(44,616)
Other operating income	26	10	387	63
Profit from operations	1,096	1,335	3,351	4,286
Finance costs	(133)	(35)	(421)	(198)
Investment income	27	26	103	60
Impairment loss on value of other investments	-	(1,075)	-	(1,075)
Profit before taxation	990	251	3,033	3,073
Taxation	(657)	(955)	(678)	(1,067)
Profit after taxation	333	(704)	2,355	2,006
Minority interest	-	-	-	-
Net profit for the year	333	(704)	2,355	2,006
Earnings per share (sen)				
- Basic	0.50	(1.05)	3.51	2.98
- 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 31 DECEMBER 2003

	As at End of Current Quarter 31/12/2003 RM'000	As at Preceding Financial Year End 31/12/2002 RM'000
Property, Plant and Equipment	36,090	37,853
Land and Development Expenditure	28,412	-
Goodwill On Consolidation	2,744	-
Other Investments	5,590	4,003
Current Assets		
Inventories	9,317	7,491
Trade and Other Receivables	33,890	33,159
Tax Recoverable	196	177
Cash and Cash Equivalents	3,984	3,805
	<u>47,387</u>	<u>44,632</u>
Current Liabilities		
Trade and Other Payables	8,208	10,836
Short Term Borrowings	14,772	348
	<u>22,980</u>	<u>11,184</u>
Net Current Assets	24,407	33,448
	<u>97,243</u>	<u>75,304</u>
Share Capital	70,000	70,000
Reserves, non-distributable	1,043	1,135
Retained Profit	3,377	2,863
Treasury Shares, at cost	(2,919)	(2,795)
	<u>71,501</u>	<u>71,203</u>
Shareholders' Equity	71,501	71,203
Term Loans	16,871	-
Deferred Tax Liabilities	8,871	4,101
	<u>97,243</u>	<u>75,304</u>
Net Tangible Assets Per Share (RM)	1.0242	1.0584

(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 YEAR ENDED 31 DECEMBER 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
At 1 January 2003									
- as previously reported	70,000	2,929	8,892	(7,547)	1,258	1,933	3,191	(2,795)	74,670
- prior year adjustment in relation to deferred taxation following adoption of MASB 25 "Income Taxes"	-	-	(3,139)	-	(328)	-	(328)	-	(3,467)
- as restated	70,000	2,929	5,753	(7,547)	930	1,933	2,863	(2,795)	71,203
Movements during the year									
Net gain not recognised in income statement	-	-	(92)	-	92	-	92	-	-
Net profit for the year	-	-	-	-	2,355	-	2,355	-	2,355
Dividend paid - balance b/f	-	-	-	-	-	(1,933)	(1,933)	-	(1,933)
Proposed first and final dividend of 3% less 28% tax	-	-	-	-	(1,450)	1,450	-	-	-
Shares purchased during the year held as treasury shares	-	-	-	-	-	-	-	(124)	(124)
At 31 December 2003	70,000	2,929	5,661	(7,547)	1,927	1,450	3,377	(2,919)	71,501
At 1 January 2002									
- as previously reported	70,000	2,929	8,892	(7,547)	681	2,423	3,104	(2,758)	74,620
- prior year adjustment in relation to deferred taxation following adoption of MASB 25 "Income Taxes"	-	-	(3,047)	-	84	-	84	-	(2,963)
- as restated	70,000	2,929	5,845	(7,547)	765	2,423	3,188	(2,758)	71,657
Movements during the year									
Net gain not recognised in income statement	-	-	(92)	-	92	-	92	-	-
Net profit for the year	-	-	-	-	2,510	-	2,510	-	2,510
- as previously reported	-	-	-	-	2,510	-	2,510	-	2,510
- prior year adjustment in relation to deferred taxation following adoption of MASB 25 "Income Taxes"	-	-	-	-	(504)	-	(504)	-	(504)
- as restated	-	-	-	-	2,006	-	2,006	-	2,006
Dividend paid - balance b/f	-	-	-	-	-	(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	5,753	(7,547)	930	1,933	2,863	(2,795)	71,203

(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 YEAR ENDED 31 DECEMBER 2003

	2003 RM'000	2002 RM'000
Operating Activities		
Net Profit Before Tax	3,033	3,073
Adjustments for non-cash flow :		
Interest expenses	421	195
Impairment loss on value of other investments	-	1,075
Non-cash items	3,704	3,121
Non-operating items	(462)	(78)
Operating profit before working capital changes	6,696	7,386
Changes in working capital		
Net change in land and development exp.	(693)	-
Net change in current assets	(2,937)	(560)
Net change in current liabilities	(11,991)	3,163
Cash (utilised in)/generated from operations	(8,924)	9,989
Taxation paid	(319)	(326)
Interest paid	(640)	(195)
Interest received	18	8
Net cash (used in)/from operating activities	(9,866)	9,476
Investing Activities		
Acquisition of subsidiary company	(14,292)	-
Equity investments	(3,896)	-
Other investments	74	43
Other investing activities	1,088	(6,147)
Net cash used in investing activities	(17,026)	(6,104)
Financing Activities		
Drawdown of term loans	20,000	-
Dividend paid	(1,933)	(2,423)
Shares buy-back	(124)	(37)
Hire purchase instalments and finance lease term charges paid	-	(52)
Net cash from/(used in) financing activities	17,943	(2,512)
Net changes in cash and cash equivalents	(8,949)	860
Cash and cash equivalents brought forward	3,805	2,945
Cash and cash equivalents carried forward	(5,144)	3,805

1e 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 FOURTH QUARTER
ENDED 31 DECEMBER 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.

Other than the adoption of the new MASB 25 "Income Taxes", 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 year 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 other than the acquisition of a new subsidiary, Paragon Property Development Sdn Bhd (PPD).

The effects of the acquisition of PPD are disclosed in note 11.

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 2003 except for shares buy-back.

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

- i) The total number of shares purchased during the financial year : 143,000 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 : RM123,665.
- v) Number of shares purchased retained in treasury : 143,000 Ordinary Shares.
- vi) Total number of shares retained in treasury as at 31 December 2003 : 2,870,000 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 still involved in a single industry segment relating to the manufacturing of carpets while the property development segment has not commenced yet. 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, other than the acquisition of a new subsidiary, Paragon Property Development Sdn Bhd (PPD).

The effects of the acquisition of PPD are as follows :

- Effect on consolidated financial position :

	Group RM'000
Development properties	27,715
Goodwill on consolidation	2,744
Current assets	320
Current liabilities	(1)
Deferred tax liabilities	(4,422)

Increase in the Group's share of net assets	26,356

- Effect on consolidated net profit

	Group RM'000
Decrease in Group's net profit	(2)

- Effect on consolidated cash flow statement

	Group RM'000
Net assets acquired :-	
Development properties	27,500
Goodwill on acquisition	2,744
Current liabilities	(11,530)
Deferred tax liabilities	(4,422)

Cash outflow on acquisition of PPD	14,292

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 RM49,690,000 in the current financial year compared to the preceding year of RM48,839,000 and the Group's profit before taxation stood at RM3,033,000 compared to RM3,073,000 in the preceding year .

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM11,882,000 in the current quarter compared to the immediate preceding quarter of RM13,687,000 and the Group's profit before taxation stood at RM990,000 compared to RM615,000 in the immediate preceding quarter.

15) Current Year Prospects

The low interest rates, easing of car financing terms, the Government's moves to stimulate consumer spending and the forecast improving economic growth rate of more than 5% for year 2004 augers well for the company. With the continuous management efforts for better manufacturing efficiency, quality improvement and cost reduction, and the country's stable political climate, and barring unforeseen circumstances, the performance of the carpet segment of our business is expected to remain satisfactory.

The Group's diversification into the property development business via the acquisition of Paragon Property Development Sdn Bhd (formerly known as Gapurna Property Development Sdn Bhd), which own a 34 acres approved residential development land in Bukit Jalil is well on track. This property development project is expected to be launched in the second quarter of 2004 and upon its successful launch, will contribute significantly to the Group's earnings.

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	303	324
- underestimated in prior year	5	5
	-----	-----
	308	329
Deferred tax expense		
- current period	355	355
- overestimated in prior year	(6)	(6)
	-----	-----
	657	678
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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.

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.

19) Purchase and Disposal of Quoted Securities

a) Summary of dealings in quoted securities for the current quarter and financial year are as follows:

	Current Quarter	Current Year
	RM	RM
	'000	'000
Total purchases	-	3,896
Total disposals	-	2,649
Total profit/(loss) on disposal	-	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 31 Dec 2003	5,445

20) Status of Corporate Proposals

There were no outstanding corporate proposals announced but not completed as at 21 February 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

On 13 January 2004, Paragon Union Berhad has decided to abort the Proposed Private Placements and will not be seeking an extension for the said exercise.

21) Group Borrowings

The total group borrowings are as follows:

	31 December 2003
	RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	1,724
Bank overdrafts	5,080

Sub-total	6,804

Unsecured:	
Bills payable	791
Bank overdrafts	4,048
Current portion of term loans	3,129

Sub-total	7,968

Total	14,772
	=====
 <u>Long Term Bank Borrowings</u>	
Unsecured term loans	16,871
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 21 February 2004, 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 trial dates for the suit on 9,10 and 11 August 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. Paragon's application for the production of bank records is also fixed for hearing on 9 June 2004.

24) Dividend

- (a) (i) The Board of Directors propose a first and final dividend of 3% less tax at 28% in respect of the financial year ended 31 December 2003 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

(ii)	Gross amount per share	: 3 sen
(iii)	Previous corresponding period	: 4 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 proposed for the current financial year : 3 sen

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 31.12.2003	Preceding Year Quarter 31.12.2002	Current Year 31.12.2003	Preceding Year 31.12.2002
i) Earnings				
Net profit/(loss) for the period (RM'000)	333	(704)	2,355	2,006

	Current Year Quarter 31.12.2003	Preceding Year Quarter 31.12.2002	Current Year 31.12.2003	Preceding Year 31.12.2002
ii) Weighted average number of ordinary shares				

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	67,131	67,319	67,273	67,319
Effect of shares buyback during the period ('000)	(1)	(1)	(143)	(1)
Weighted average number of ordinary shares at end of the period ('000)	67,130	67,318	67,130	67,318

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.