

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2004

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2004 RM'000	Preceding Year Corresponding Quarter 31/12/2003 RM'000	Current Year To Date 31/12/2004 RM'000	Preceding Year Corresponding Period 31/12/2003 RM'000
Revenue	14,387	11,882	54,011	49,690
Operating expenses	(14,021)	(10,812)	(52,554)	(46,726)
Other operating income	168	26	223	47
Profit from operations	534	1,096	1,680	3,011
Finance costs	(252)	(133)	(905)	(421)
Investment income	38	27	87	103
Gain on disposal of other investments	-	-	483	340
Profit before taxation	320	990	1,345	3,033
Taxation	(293)	(657)	(289)	(678)
Profit after taxation	27	333	1,056	2,355
Minority interest	-	-	-	-
Net profit for the year	27	333	1,056	2,355
Earnings per share (sen)				
- Basic	0.04	0.50	1.57	3.51
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

	As at End of Current Quarter 31/12/2004 RM'000	As at Preceding Financial Year End 31/12/2003 RM'000
Property, Plant and Equipment	34,200	36,090
Land and Property Development Cost	-	28,412
Goodwill On Acquisition	2,744	2,744
Other Investments	4,003	5,590
Current Assets		
Land and Property Development Cost	36,718	-
Inventories	10,340	9,317
Trade and Other Receivables	38,703	33,890
Tax Recoverable	239	200
Cash and Cash Equivalents	4,095	3,984
	<u>90,095</u>	<u>47,391</u>
Current Liabilities		
Trade and Other Payables	13,622	8,208
Hire purchase	46	-
Short Term Borrowings	21,697	14,772
Tax Payable	243	4
	<u>35,608</u>	<u>22,984</u>
Net Current Assets	54,487	24,407
	<u>95,434</u>	<u>97,243</u>
Share Capital	70,000	70,000
Reserves, non-distributable	952	1,043
Retained Profit	3,074	3,377
Treasury Shares, at cost	(2,919)	(2,919)
	<u>71,107</u>	<u>71,501</u>
Shareholders' Equity	71,107	71,501
Long Term Borrowings	15,417	16,871
Deferred Tax Liabilities	8,735	8,871
Hire Purchase	175	-
	<u>95,434</u>	<u>97,243</u>
Net Tangible Assets Per Share (RM)	1.0184	1.0242

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

	Share Capital RM'000	Share Premium RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained profit Undistributed RM'000	Proposed Dividend RM'000	Sub-total RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2004	70,000	2,929	5,661	(7,547)	1,927	1,450	3,377	(2,919)	71,501
Net gain not recognised in income statement									
Realisation of reserve on amortisation of revalued properties	-	-	(92)	-	92	-	92	-	-
Movements during the year									
Net profit for the year	-	-	-	-	1,056	-	1,056	-	1,056
Dividend paid - balance b/f	-	-	-	-	-	(1,450)	(1,450)	-	(1,450)
Proposed first and final dividend of 1% less 28% tax	-	-	-	-	(483)	483	-	-	-
At 31 December 2004	70,000	2,929	5,569	(7,547)	2,591	483	3,074	(2,919)	71,107
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 adjustments 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
Net gain not recognised in income statement									
Realisation of reserve on amortisation of revalued properties	-	-	(92)	-	92	-	92	-	-
Movements during the year									
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

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2003)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 RM'000	2003 RM'000
Operating Activities		
Net Profit Before Tax	1,345	3,033
Adjustments for non-cash flow :		
Interest expenses	906	421
Non-cash items	3,315	3,704
Non-operating items	(660)	(462)
Operating profit before working capital changes	4,906	6,696
Changes in working capital		
Net change in development properties	(8,306)	(693)
Net change in current assets	(5,739)	(2,937)
Net change in current liabilities	7,321	(11,991)
Cash utilised in operations	(1,818)	(8,925)
Net taxation refunded/(paid)	(200)	(319)
Interest paid	(898)	(640)
Interest received	68	18
Net cash used in operating activities	(2,848)	(9,866)
Investing Activities		
Acquisition of subsidiary company	-	(14,292)
Equity investments	-	(3,896)
Other investments	63	74
Other investing activities	808	1,088
Net cash from / (used in) investing activities	871	(17,026)
Financing Activities		
Drawdown of bank borrowings	3,414	20,000
Repayment of term loans	(2,132)	-
Dividend paid	(1,450)	(1,933)
Shares buy-back	-	(124)
Hire purchase interest	(8)	-
Payment of hire purchase instalments	(18)	-
Net cash (used in) / from financing activities	(194)	17,943
Net changes in cash and cash equivalents	(2,171)	(8,949)
Cash and cash equivalents brought forward	(5,144)	3,805
Cash and cash equivalents carried forward	(7,315)	(5,144)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Re

PARAGON UNION BERHAD (286457-V)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31
DECEMBER 2004

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 2003 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 2003 Annual Financial Report.

2) Qualified Audit Report

There were no qualifications 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.

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 2004. However, shares held as treasury shares as at 31 December 2004 remain at 2,870,000 ordinary shares of RM1.00 each at a total cost of RM2,918,712.

7) Dividends Paid

Since the end of the previous financial year, the Company paid a first and final dividend of 3% less 28% tax amounting to RM1,450,008 for the year ended 31 December 2003.

8) Segmental Reporting

No segmental analysis is presented as the Group is principally involved in the industry segment relating to the manufacturing of carpets whereas the property development segment will be officially launched in 2005. 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 2003 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM54,011,000 in the current financial year compared to the preceding year of RM49,690,000 and the Group's profit before taxation stood at RM1,345,000 compared to RM3,033,000 in the preceding year .

Despite an increased of 9% in gross revenue, profit before taxation has reduced as a result of higher raw material prices and finance cost.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM14,387,000 in the current quarter compared to the immediate preceding quarter of RM13,746,000 and the Group's profit before taxation stood at RM320,000 compared to RM33,000 in the immediate preceding quarter.

15) Current Year Prospects

The aggressive launching of various new car models and the low interest rates charged by the banks and financial institutions, easing of car financing terms, the Government's moves to stimulate consumer spending and the forecast of economic growth rate of 5.7% for the year 2005 augers well for the company.

However, the impact of high oil prices, more prominent in the fourth quarter of year 2004, are still being felt with high raw materials cost as our major raw materials are petrochemical based. Profit margins were eroded in year 2004 as most of our projects have been secured through tenders 6 to 12 months ago.

The management has reviewed the selling prices to customers to reflect the rising raw materials cost as far as possible to minimize the impact. We are hopeful that this unstable pricing phenomenon will normalize over the near future.

In order to further enhance earnings and to increase shareholders' values, the Group's diversification into the property development business via the acquisition of Paragon Property Development Sdn Bhd (PPD), is considered a right and timely move. PPD owns a 34 acre piece of prime development land in Bukit Jalil (within Federal Territory) and the planning for this development is well on track. This property development project is expected to be officially launched in year 2005 and upon its successful launch, will contribute significantly to the Group's earnings in the coming years.

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	434	447
- overestimated in prior year	(21)	(21)
	-----	-----
	413	426
Deferred tax expense		
- current period	(137)	(154)
- underestimated in prior year	17	17
	-----	-----
	293	289
	-----	-----

The effective tax rate of the Group for the current quarter and financial year is high compared to the statutory rate because certain expenses have been disallowed in arriving at the chargeable income 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 is as follows:

	Current Quarter	Current Year
	RM'000	RM'000
Total purchases	Nil	Nil
Total disposals	Nil	2,069
Total profit on disposals	Nil	483

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 2004	3,817

20) Status of Corporate Proposals

There were no outstanding corporate proposals announced but not completed as at 15 February 2005, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

21) Group Borrowings

The total group borrowings are as follows:

31 December 2004
RM'000

Short Term Bank Borrowings

Secured:

Bills payable	3,401
Bank overdrafts	5,437
Current portion of term loans	5,865

Sub-total ----- 14,703 -----

Unsecured:

Bills payable	1,021
Bank overdrafts	5,973

Sub-total ----- 6,994 -----

Total ----- 21,697 =====

Long Term Bank Borrowings

Secured:

Term loans	12,003
Bridging loan	1,914
Non revolving credit	1,500

15,417
=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 15 February 2005, 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 mention on 4 April 2005.

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.

Paragon's application for the production of bank records under the Banker's Books Evidence Act has been allowed and the Court has fixed the suit for case management on 23 September 2005 to enable the parties to comply with the standard case management directions.

24) Dividend

- (a)(i) The Board of Directors proposed a first & final dividend of 1% less tax at 28% in respect of the financial year ended 31 December 2004 subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.
- (ii) Gross amount per share : 1 sen
- (iii) Previous corresponding period : 3 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 : 1 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.

	Quarter	Quarter	Current Year	Preceding Year	Current Year	Preceding Year
			31.12.2004	31.12.2003	31.12.2004	31.12.2003
i) Earnings						
Net profit/(loss) for the period (RM'000)			27	333	1,056	2,355
			<hr/>			
ii) Weighted average number of ordinary shares						
Basic and diluted						
Weighted average number of ordinary shares at beginning of the period ('000)			67,130	67,131	67,130	67,273
Effect of shares buyback during the period ('000)			-	(1)	-	(143)
			<hr/>			
Weighted average number of ordinary shares at end of the period ('000)			67,130	67,130	67,130	67,130
			<hr/>			

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.