

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2005

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2005 RM'000	Preceding Year Corresponding Quarter 31/12/2004 RM'000	Current Year To Date 31/12/2005 RM'000	Preceding Year Corresponding Period 31/12/2004 RM'000
Revenue	27,167	14,387	85,823	54,011
Operating expenses	(24,913)	(14,021)	(80,189)	(52,554)
Other operating income	276	168	318	223
Profit from operations	2,530	534	5,952	1,680
Finance costs	(906)	(252)	(1,821)	(905)
Investment income	31	38	76	87
Gain on disposal of other investments	-	-	-	483
Reversal of impairment loss on other investments	141	-	141	-
Profit before taxation	1,796	320	4,348	1,345
Taxation	(668)	(293)	(1,325)	(289)
Profit after taxation	1,128	27	3,023	1,056
Minority interest	-	-	-	-
Net profit for the year	1,128	27	3,023	1,056
Earnings per share (sen)				
- Basic	1.69	0.04	4.52	1.57
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005

	As at End of Current Quarter 31/12/2005 RM'000	As at Preceding Financial Year End 31/12/2004 RM'000
Property, Plant and Equipment	33,013	34,200
Goodwill On Acquisition	2,744	2,744
Other Investments	4,145	4,003
Current Assets		
Property Development Costs	57,709	36,718
Inventories	13,650	10,340
Trade and Other Receivables	44,880	38,703
Tax Recoverable	197	239
Cash and Cash Equivalents	3,808	4,095
	<u>120,244</u>	<u>90,095</u>
Current Liabilities		
Trade and Other Payables	34,661	13,622
Hire purchase	205	46
Short Term Borrowings	26,341	21,697
Tax Payable	1,573	243
	<u>62,780</u>	<u>35,608</u>
Net Current Assets	57,464	54,487
	<u>97,366</u>	<u>95,434</u>
Share Capital	70,000	70,000
Reserves, non-distributable	860	952
Retained Profit	5,706	3,074
Treasury Shares, at cost	(3,091)	(2,919)
Shareholders' Equity	<u>73,474</u>	<u>71,107</u>
Long Term Borrowings	15,677	15,417
Deferred Tax Liabilities	7,694	8,735
Hire Purchase	521	175
	<u>97,366</u>	<u>95,434</u>
Net Tangible Assets Per Share (RM)	1.0579	1.0184

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	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 January 2005	70,000	-	5,570	(4,618)	2,591	483	3,074	(2,919)	71,107
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	-	-	-	-	3,023	-	3,023	-	3,023
Dividend paid - balance b/f	-	-	-	-	-	(483)	(483)	-	(483)
Proposed first and final dividend of 1% less 28% tax	-	-	-	-	(479)	479	-	-	-
Shares purchased during the year held as treasury shares	-	-	-	-	-	-	-	(172)	(172)
At 31 December 2005	70,000	-	5,478	(4,618)	5,227	479	5,706	(3,091)	73,474
At 1 January 2004	70,000	2,929	5,661	(7,547)	1,927	1,450	3,377	(2,919)	71,501
Transfer of share premium to merger reserve	-	(2,929)	-	2,929	-	-	-	-	-
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	-	5,570	(4,618)	2,591	483	3,074	(2,919)	71,107

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 RM'000	2004 RM'000
Operating Activities		
Net Profit Before Tax	4,348	1,345
Adjustments for non-cash flow :		
Interest expenses	1,821	906
Non-cash items	3,126	3,315
Non-operating items	(127)	(660)
Operating profit before working capital changes	9,168	4,906
Changes in working capital		
Net change in development properties	(19,619)	(8,306)
Net change in current assets	(9,498)	(5,739)
Net change in current liabilities	20,800	7,321
Cash generated from/(utilised in) operations	851	(1,818)
Net taxation (paid) / refunded	(973)	(200)
Interest paid	(3,157)	(898)
Interest received	59	68
Net cash used in operating activities	(3,220)	(2,848)
Investing Activities		
Other investments	55	63
Other investing activities	(1,394)	808
Net cash (used in) / from investing activities	(1,339)	871
Financing Activities		
Drawdown of bank borrowings	14,086	3,414
Repayment of term loans	(7,874)	(2,132)
Dividend paid	(483)	(1,450)
Shares buy-back	(173)	-
Hire purchase interest	(36)	(8)
Payment of hire purchase instalments	(179)	(18)
Net cash from / (used in) financing activities	5,341	(194)
Net changes in cash and cash equivalents	782	(2,171)
Cash and cash equivalents brought forward	(7,315)	(5,144)
Cash and cash equivalents carried forward	(6,533)	(7,315)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st 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 2004 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 2004 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, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year ended 31 December 2005 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 : 269,700 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.620 each.
- iii) The maximum price paid for each share purchased : RM0.670 each.
- iv) The total amount paid for the shares purchased : RM172,687.
- v) Number of shares purchased retained in treasury : 269,700 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31st December 2005 : 3,139,700 Ordinary Shares of RM1.00 each.
- 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 1% less 28% tax amounting to RM483,336 for the year ended 31 December 2004.

8) Segmental Analysis

12 months ended
31 December 2005
RM'000

Segment Revenue

Manufacturing carpets	60,373
Property development	25,450

	85,823
Elimination of inter-segment sales	-

Total revenue	85,823
	=====

Segment Results

Manufacturing carpets	2,179
Property development	4,138

	6,317
Eliminations	-

	6,317
Unallocated expenses	(365)

Profit from operations	5,952
	=====

There was no comparative for the segmental analysis. In the previous financial year, the Group is principally involved in a single industry segment relating to the manufacturing of carpets as the property development segment was at its preliminary stage with no contributions in both revenue and results.

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 2004 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM85,823,000 in the current financial year compared to the preceding year of RM54,011,000 and the Group's profit before taxation stood at RM4,348,000 compared to RM1,345,000 in the preceding year .

The increase in gross revenue and profit before taxation in the current financial year was mainly due to increase sales in the carpet segment and the recognition of units sold in the property segment, which had commenced development and construction activities.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM27,167,000 in the current quarter compared to the immediate preceding quarter of RM21,710,000 and the Group's profit before taxation stood at RM1,796,000 compared to RM1,050,000 in the immediate preceding quarter.

The increased in profit before taxation is in line with the increased in gross revenue in both the carpets and property segments.

15) Current Year Prospects

The Government's moves to promote a dynamic local automotive industry that is globally competitive through incentives and support, within the framework of the National Automotive Policy and the forecast of economic growth rate of 5.5% for the year 2006 augers well for the Group.

However, the impact of high oil prices is still being felt as our major raw materials are petrochemical based. Profit margins were substantially eroded as a result of the high raw materials cost and it will take time for the Group to recover its manufacturing gross profit margins.

The management believes that the Technical Collaboration & License Agreement ("TCLA") between Paragon Car Carpets & Components Sdn Bhd ("PCCC"), a wholly-owned subsidiary of Paragon Union Berhad and Toabo Material Co. Ltd., Japan will be beneficial to the Group. The technical collaboration will enable PCCC to be abreast with the latest technical know-how in manufacturing process and superior technical materials from a leading Japanese car carpets and components supplier with a view to tap into the regional and global automotive carpets market.

Activities at the property development segment are showing promising results. The response is quite encouraging thus far and the marketing and promotional activities will be further enhanced and this project 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	1,606	2,263
- underestimated in prior year	103	103
	-----	-----
	1,709	2,366
	-----	-----
	Current Quarter RM'000	Current Year RM'000
Deferred tax expense		
- current period	(1,036)	(1,036)
- overestimated in prior year	(5)	(5)
	-----	-----
	(1,041)	(1,041)
	-----	-----
	668	1,325
	=====	=====

The effective tax rate of the Group for the current quarter and the 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

- There were no purchases or disposals of quoted securities for the current quarter and financial year.
- Summary details of all investments in quoted securities at the end of the reporting year are as follows:

	RM
	'000
Total investments at cost	5,130
Total investments at book value	4,145
Total investments at market value as at 31 December 2005	4,145

20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 15th February 2006 (being the latest practicable date which is not earlier than 7 days from the issue date of this quarterly report).

21) Group Borrowings

The total group borrowings are as follows:

	31 December 2005 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,520
Bank overdrafts	5,277
Current portion of bank loans	11,817

Sub-total	20,614

Unsecured:	
Bills payable	663
Bank overdrafts	5,064

Sub-total	5,727

Total	26,341
	=====
 <u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	15,567
Bridging loan	110

Total	15,677
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 15th February 2006, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

23) Material Litigation

i) Paragon Union Berhad v Transpac Capital Pte Ltd and Transpac Industrial Holdings Ltd

There were no changes in the status of the above material litigation since the previous quarter ended 30th September 2005.

ii) Paragon Union Berhad v Wong Chee Kong and Poh Hock Leng

There were no changes in the status of the above material litigation since the previous quarter ended 30th September 2005, other than the Court has fixed the matter for trial on 24th and 27th November 2006.

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 31st December 2005 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 : 1 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
		31.12.2005	31.12.2004	31.12.2005	31.12.2004
i) Earnings					
Net profit for the period (RM'000)		1,128	27	3,023	1,056
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Quarter	Quarter	Current Year	Preceding Year	Current Year	Preceding Year
		31.12.2005	31.12.2004	31.12.2005	31.12.2004

ii) Weighted average number of ordinary shares

Basic and diluted

Weighted average number of ordinary shares at beginning of the period ('000)	67,130	67,130	67,130	67,130
Effect of shares buyback during the period ('000)	(270)	-	(270)	-
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Weighted average number of ordinary shares at end of the period ('000)	66,860	67,130	66,860	67,130

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.