

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2006

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2006 RM'000	Preceding Year Corresponding Quarter 31/03/2005 RM'000	Current Year To Date 31/03/2006 RM'000	Preceding Year Corresponding Period 31/03/2005 RM'000
Revenue	20,368	16,885	20,368	16,885
Operating expenses	(19,532)	(16,142)	(19,532)	(16,142)
Other operating income	28	16	28	16
Profit from operations	864	759	864	759
Finance costs	(465)	(258)	(465)	(258)
Profit before taxation	399	501	399	501
Taxation	(41)	(96)	(41)	(96)
Profit for the period	358	405	358	405
Attributable to :				
Equity holders of the parent	358	405	358	405
Minority interest	-	-	-	-
	358	405	358	405
Earnings per share (sen)				
- Basic	0.54	0.60	0.54	0.60
- Fully Diluted	-	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2006

	As at End of Current Quarter 31/03/2006 RM'000	As at Preceding Financial Year End 31/12/2005 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	33,035	33,013
Other Investments	580	4,145
Goodwill On Acquisition	2,744	2,744
Deferred Tax Asset	26	26
	36,385	39,928
Current Assets		
Property Development Costs	58,626	57,709
Inventories	13,497	13,650
Trade and Other Receivables	38,765	44,880
Tax Recoverable	215	197
Cash and Cash Equivalents	4,729	3,808
	115,832	120,244
TOTAL ASSETS	152,217	160,172
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	837	860
Retained Profit	6,087	5,706
Treasury Shares, at cost	(3,414)	(3,091)
Total Equity	73,510	73,474
Non-Current Liabilities		
Borrowings	14,234	15,677
Deferred Tax Liabilities	7,564	7,720
Hire Purchase Liabilities	950	520
	22,748	23,917
Current Liabilities		
Trade and Other Payables	27,133	34,661
Hire Purchase Liabilities	317	206
Borrowings	26,991	26,341
Tax Payable	1,518	1,573
	55,959	62,781
Total liabilities	78,707	86,698
TOTAL EQUITY AND LIABILITIES	152,217	160,172
Net Assets Per Share (RM)	1.1078	1.0989

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2006

	← Attributable to Equity Holders of the Parent →					
	Share Capital RM'000	Asset Valuation Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2006	70,000	5,478	(4,618)	5,706	(3,091)	73,474
Realisation of reserve on amortisation of revalued properties	-	(23)	-	23	-	-
Net profit for the period	-	-	-	358	-	358
Total recognised income and expense for the period	-	(23)	-	381	-	358
Shares purchased during the period held as treasury shares	-	-	-	-	(323)	(323)
At 31 March 2006	70,000	5,455	(4,618)	6,087	(3,414)	73,510
At 1 January 2005	70,000	5,570	(4,618)	3,074	(2,919)	71,107
Realisation of reserve on amortisation of revalued properties	-	(23)	-	23	-	-
Net profit for the period	-	-	-	405	-	405
Total recognised income and expense for the period	-	(23)	-	428	-	405
At 31 March 2005	70,000	5,547	(4,618)	3,502	(2,919)	71,512

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006

	2006 3 Months Ended 31 March RM'000	2005 3 Months Ended 31 March RM'000
Operating Activities		
Net Profit Before Tax	399	501
Adjustments for non-cash flow :		
Interest expenses	466	258
Non-cash items	806	946
Non-operating items	(19)	5
Operating profit before working capital changes	1,652	1,710
Changes in working capital		
Net change in development properties	(747)	(1,639)
Net change in current assets	6,208	(4,074)
Net change in current liabilities	(7,015)	553
Cash generated from/(utilised in) operations	98	(3,450)
Taxation paid	(270)	(110)
Interest paid	(623)	(254)
Interest received	11	2
Net cash used in operating activities	(784)	(3,812)
Investing Activities		
Other investing activities	3,405	(394)
Net cash from/(used in) investing activities	3,405	(394)
Financing Activities		
Drawdown of bank borrowings	-	7,086
Repayment of term loans	(2,887)	(907)
Shares buy-back	(322)	-
Hire purchase interest	(12)	(4)
Payment of hire purchase instalments	(59)	(64)
Net cash (used in) / from financing activities	(3,280)	6,111
Net changes in cash and cash equivalents	(659)	1,905
Cash and cash equivalents brought forward	(6,533)	(7,315)
Cash and cash equivalents carried forward	(7,192)	(5,410)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2005)

NOTES TO THE INTERIM FINANCIAL REPORT

1) Accounting Policies

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the 31 December 2005 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 2005 Annual Financial Report except for the adoption of the following new/revised FRSs effective for the financial period beginning 1 January 2006 :

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The adoption of these FRSs did not have significant financial impact on the Group except for FRS 101. The principal effects of the necessary changes in accounting policies resulting from the adoption of FRS 101 are discussed below:

FRS 101

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures in the consolidated balance sheet, income statements and statements of changes in equity. In the consolidated balance sheet, additional disclosure on the amount attributable to equity holders of the parent company is required as minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the period. In the statement of changes in equity, FRS 101 requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period’s presentation of the Group’s financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period’s presentation.

2) Qualified Audit Report

The auditors’ report on the financial statements for the year ended 31 December 2005 was not qualified.

3) Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors for the financial period 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 prior financial year that have a material impact on the results for the three months ended 31 March 2006.

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 period ended 31 March 2006 except for shares buy-back.

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

- i) The total number of shares purchased during the financial period : 502,100 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.540 each.
- iii) The maximum price paid for each share purchased : RM0.710 each.
- iv) The total amount paid for the shares purchased : RM322,351.
- v) Number of shares purchased retained in treasury : 502,100 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 31st March 2006 : 3,641,800 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

The Company did not pay any dividend for the current quarter under review.

8) Segmental Analysis

	3 months ended	
	31 March 2006	31 March 2005
	RM'000	RM'000
Segment Revenue		
Manufacturing carpets	14,853	14,390
Property development	5,515	2,495
	-----	-----
	20,368	16,885
Elimination of inter-segment sales	-	-
	-----	-----
Total revenue	20,368	16,885
	=====	=====
Segment Results		
Manufacturing carpets	461	314
Property development	415	458
	-----	-----
	876	772
Eliminations	-	-
	-----	-----
	876	772
Unallocated expenses	(12)	(13)
	-----	-----
Profit from operations	864	759
	=====	=====

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 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 2005 up to the date of issue of this quarterly report.

13) Performance Review

The Group recorded a gross revenue of RM20,368,000 in the current financial period compared to the corresponding period in the preceding year of RM16,885,000 and the Group's profit before taxation stood at RM399,000 compared to RM501,000 in the corresponding period in the preceding year.

The increase in gross revenue in the current financial period was mainly due to increase sales in the property segment. However, higher finance costs from increased interest rates and rising material costs have resulted in lower profit before taxation.

14) Quarterly Profit Before Taxation Comparison

The Group recorded a gross revenue of RM20,368,000 in the current quarter compared to the immediate preceding quarter of RM27,167,000 and the Group's profit before taxation stood at RM399,000 compared to RM1,796,000 in the immediate preceding quarter.

The decreased in profit before taxation was due to lower gross revenue in the current quarter.

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 and the expected private sector upgrading and refurbishment of hotels in anticipation of Visit Malaysia Year 2007 augers well for the Group.

However, escalating cost brought about by the increased interest rates and higher fuel prices have affected the cost of manufacturing and construction. The Group has to increase its operational efficiency and effectiveness and cost management in order to weather these challenges.

Activities at the property development segment are showing promising results. Phase 1 of Paragon Heights, situated in Bukit Jalil, Kuala Lumpur is scheduled for completion in third quarter 2006. The marketing and promotional activities are

being planned with the view of launching Phase II in the coming months and this project will contribute significantly to the Group's earnings in the near future.

16) Profit Forecast or Profit Guarantee

This note is not applicable.

17) Taxation

The breakdown of tax charge for the current quarter is as follows :

	Current Quarter RM'000
Current tax expense	
- current period	197
Deferred tax expense	
- current period	(156)

	41
	=====

The effective tax rate of the Group for the current quarter 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 under review.

19) Purchase and Disposal of Quoted Securities

a) Summary of dealings in quoted securities for the current quarter under review.

	RM
	'000
Total purchases	Nil
Total disposals	3,573
Total profit on disposals	9

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	1,565
Total investments at book value	580
Total investments at market value as at 31 March 2006	741

20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 17th May 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 March 2006 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,759
Bank overdrafts	5,971
Current portion of bank loans	10,374

Sub-total	20,104

Unsecured:	
Bills payable	938
Bank overdrafts	5,949

Sub-total	6,887

Total	26,991
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	14,234
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 17th May 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 31 December 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 31 December 2005.

24) Dividend

No dividend has been declared for the financial quarter ended 31 March 2006.

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 to date 31.03.2006	Preceding Year to date 31.03.2005	Current Year 31.03.2006	Preceding Year 31.03.2005
i) Earnings					
Net profit for the period (RM'000)		358	405	358	405

Quarter	Quarter	Current Year to date 31.03.2006	Preceding Year to date 31.03.2005	Current Year 31.03.2006	Preceding Year 31.03.2005
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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)	66,860	67,130	66,860	67,130
Effect of shares buyback during the period ('000)	(502)	-	(502)	-
Weighted average number of ordinary shares at end of the period ('000)	66,358	67,130	66,358	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.