

PARAGON UNION BERHAD (286457-V)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2006

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2006 RM'000	Preceding Year Corresponding Quarter 30/06/2005 RM'000	Current Year To Date 30/06/2006 RM'000	Preceding Year Corresponding Period 30/06/2005 RM'000
Revenue	22,749	20,061	43,117	36,946
Operating expenses	(22,278)	(18,765)	(41,810)	(34,907)
Other operating income	18	10	46	26
Profit from operations	489	1,306	1,353	2,065
Finance costs	(480)	(305)	(945)	(563)
Profit before taxation	9	1,001	408	1,502
Taxation	(156)	(314)	(197)	(410)
Profit/(loss) for the period	(147)	687	211	1,092
Attributable to :				
Equity holders of the parent	(147)	687	211	1,092
Minority interest	-	-	-	-
	(147)	687	211	1,092
Earnings per share (sen)				
- Basic	(0.22)	1.02	0.32	1.63
- 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 30 JUNE 2006

	As at End of Current Quarter 30/06/2006 RM'000	As at Preceding Financial Year End 31/12/2005 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	32,559	33,013
Other Investments	580	4,145
Goodwill On Acquisition	2,744	2,744
Deferred Tax Asset	26	26
	35,909	39,928
Current Assets		
Property Development Costs	61,111	57,709
Inventories	13,076	13,650
Trade and Other Receivables	37,670	44,880
Tax Recoverable	215	197
Cash and Cash Equivalents	4,005	3,808
	116,077	120,244
TOTAL ASSETS	151,985	160,172
EQUITY AND LIABILITIES		
Equity Attributable To Equity Holders Of The Parent		
Share Capital	70,000	70,000
Reserves, non-distributable	814	860
Retained Profit	5,963	5,706
Treasury Shares, at cost	(3,475)	(3,091)
Total Equity	73,301	73,474
Non-Current Liabilities		
Borrowings	12,735	15,677
Deferred Tax Liabilities	7,327	7,720
Hire Purchase Liabilities	868	520
	20,930	23,917
Current Liabilities		
Trade and Other Payables	29,485	34,661
Hire Purchase Liabilities	322	206
Borrowings	26,217	26,341
Tax Payable	1,730	1,573
	57,754	62,781
Total liabilities	78,684	86,698
TOTAL EQUITY AND LIABILITIES	151,985	160,172
Net Assets Per Share (RM)	1.1064	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 30 JUNE 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	-	(46)	-	46	-	-
Net profit for the period	-	-	-	211	-	211
Total recognised income and expense for the period	-	(46)	-	257	-	211
Shares purchased during the period held as treasury shares	-	-	-	-	(384)	(384)
At 30 June 2006	70,000	5,432	(4,618)	5,963	(3,475)	73,301
At 1 January 2005	70,000	5,570	(4,618)	3,074	(2,919)	71,107
Realisation of reserve on amortisation of revalued properties	-	(46)	-	46	-	-
Net profit for the period	-	-	-	1,092	-	1,092
Total recognised income and expense for the period	-	(46)	-	1,138	-	1,092
At 30 June 2005	70,000	5,524	(4,618)	4,212	(2,919)	72,199

(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 30 JUNE 2006

	2006 6 Months Ended 30 June RM'000	2005 6 Months Ended 30 June RM'000
Operating Activities		
Net Profit Before Tax	408	1,502
Adjustments for non-cash flow :		
Interest expenses	945	563
Non-cash items	1,633	2,001
Non-operating items	(29)	(2)
Operating profit before working capital changes	2,957	4,064
Changes in working capital		
Net change in development properties	(3,069)	(8,898)
Net change in current assets	7,664	(5,892)
Net change in current liabilities	(4,975)	8,393
Cash generated from/(utilised in) operations	2,577	(2,333)
Taxation paid	(450)	(193)
Interest paid	(1,243)	(1,577)
Interest received	20	9
Net cash from/(used in) operating activities	903	(4,094)
Investing Activities		
Other investing activities	3,115	(1,348)
Net cash from/(used in) investing activities	3,115	(1,348)
Financing Activities		
Drawdown of bank borrowings	3,000	11,086
Repayment of term loans	(5,937)	(2,276)
Shares buy-back	(384)	-
Hire purchase interest	(33)	(8)
Payment of hire purchase instalments	(136)	(76)
Net cash (used in) / from financing activities	(3,490)	8,726
Net changes in cash and cash equivalents	529	3,284
Cash and cash equivalents brought forward	(6,533)	(7,315)
Cash and cash equivalents carried forward	(6,004)	(4,031)

(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 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 that have had a material impact on the current quarter results.

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 30 June 2006 except for shares buy-back.

The particulars of shares buy-back in the financial year-to-date are as follows:

- i) The total number of shares purchased during the financial period : 606,900 Ordinary Shares of RM1.00 each.
- ii) The minimum price paid for each share purchased : RM0.50 each.
- iii) The maximum price paid for each share purchased : RM0.71 each.
- iv) The total amount paid for the shares purchased : RM383,644.
- v) Number of shares purchased retained in treasury : 606,900 Ordinary Shares of RM1.00 each.
- vi) Total number of shares retained in treasury as at 30 June 2006 : 3,746,600 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

	6 months ended	
	30 June 2006	30 June 2005
	RM'000	RM'000
Segment Revenue		
Manufacturing carpets	29,215	29,896
Property development	13,902	7,050
	-----	-----
	43,117	36,946
Elimination of inter-segment sales	-	-
	-----	-----
Total revenue	43,117	36,946
	=====	=====
Segment Results		
Manufacturing carpets	390	718
Property development	1,017	1,416
	-----	-----
	1,407	2,134
Eliminations	-	-
	-----	-----
	1,407	2,134
Unallocated expenses	(54)	(69)
	-----	-----
Profit from operations	1,353	2,065
	=====	=====

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 RM43,117,000 in the current financial period compared to the corresponding period in the preceding year of RM36,946,000 and the Group's profit before taxation stood at RM408,000 compared to RM1,502,000 in the corresponding period in the preceding year.

The increased in gross revenue in the current financial period was mainly due to increase sales in the property segment and commercial carpet division. However, the reduction in automotive carpet division revenue, together with 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 RM22,749,000 in the current quarter compared to the immediate preceding quarter of RM20,368,000 and the Group's profit before taxation stood at RM9,000 compared to RM399,000 in the immediate preceding quarter.

The decreased in profit before taxation is consistent with the explanation in note 13.

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 have not seen an immediate positive impact in the short term as the market is still adjusting to the equilibrium of a lower locally manufactured car prices and a corresponding reduction on secondhand cars trade-in values.

With tighter financing terms and higher hire purchase interest rates, MAA which have earlier forecast a 2.5% growth in 2006 car sales has revised its forecast downwards to a 6% contraction, in line with the downward trend in the regional automotive industries in Indonesia and Thailand. This revised forecast will adversely affect our automotive carpet division revenue. The reduction in the production throughput by one of our major customers has also affected our automotive carpet performance.

However, 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 will be positive for our commercial carpet division.

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 expected to be on schedule. Phase 1 of Paragon Heights, situated in Bukit Jalil, Kuala Lumpur will be completed in the third quarter of 2006.

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	393	590
Deferred tax expense - current period	(237)	(393)
	-----	-----
	156	197
	=====	=====

The effective tax rate of the Group for the current quarter and the financial year-to-date 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-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 is as follows.

	Current Quarter	Current Year-To-Date
	RM'000	RM'000
Total purchases	Nil	Nil
Total disposals	Nil	3,573
Total profit on disposals	Nil	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 30 June 2006	844

20) Status of Corporate Proposals

There are no other corporate proposals, which have been announced by the Company but pending completion as at 23 August 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:

	30 June 2006 RM'000
<u>Short Term Bank Borrowings</u>	
Secured:	
Bills payable	3,341
Bank overdrafts	6,067
Current portion of bank loans	11,823

Sub-total	21,231

Unsecured:	
Bills payable	1,043
Bank overdrafts	3,943

Sub-total	4,986

Total	26,217
	=====
<u>Long Term Bank Borrowings</u>	
Secured:	
Term loans	12,735
	=====

22) Off-Balance Sheet Financial Instruments

There were no off-balance sheet financial instruments as at 23 August 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 March 2006, other than suit is fixed for continued trial on 5 October 2006 and 8 December 2006.

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 March 2006.

24) Dividend

No dividend has been declared for the financial quarter ended 30 June 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 Date 30.06.2006	Preceding Year Date 30.06.2005	Current Year to 30.06.2006	Preceding Year to 30.06.2005
i) Earnings					
Net profit/(loss) for the period (RM'000)		(147)	687	211	1,092

Quarter	Quarter	Current Year Date 30.06.2006	Preceding Year Date 30.06.2005	Current Year to 30.06.2006	Preceding Year to 30.06.2005
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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)	66,358	67,130	66,860	67,130
Effect of shares buyback during the period ('000)	(105)	-	(607)	-
Weighted average number of ordinary shares at end of the period ('000)	66,253	67,130	66,253	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.