Company No. | 286457 | V |

PARAGON UNION BERHAD

(Company No. 286457-V)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2012

Registered office:
Unit 07-02, Level 7
Persoft Tower
6B, Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Principal place of business:
Lot 14, Jalan Satu
Kawasan Perindustrian Cheras Jaya
Batu 11, Cheras
43200 Selangor Darul Ehsan

Company No. | 286457 | V |

PARAGON UNION BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2012

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PARAGON UNION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Net loss for the financial year attributable to:-		
Owners of the parent	(548,735)	(2,159,689)
Non-controlling interests	(15,418)	-
	(564,153)	(2,159,689)

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year under review.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year under review.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Repurchase of Shares

At the Extraordinary General Meeting held on 18 December 2000, the shareholders approved the share buy-back of up to 10% or up to 7,000,000 ordinary shares of the issued and paid-up share capital of the Company. The authority from the shareholders has been renewed consecutively for five years at the shareholders' meeting. No resolution for renewal of share buy-back was tabled at the last Annual General Meeting ("AGM") of the Company held on 29 June 2009. Accordingly, the previous shareholders' approval for share buy-back has ceased to take effect.

During the duration of share buy-back, the Company had purchased the following ordinary shares of its issued and paid-up share capital from the open market:

In the financial year	No. of ordinary shares	Average price per share RM	Total cost RM
2001	2,681,000	1.03	2,758,037
2002	46,000	0.80	37,010
2003	143,000	0.86	123,665
2005	269,700	0.64	172,687
2006	825,500	0.60	491,883
2007	579,200	0.47	274,751
2008	730,200	0.48	351,465
2009	27,100	0.42	11,210
	5,301,700		4,220,708

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. There has been no sale or cancellation of such shares to date.

At 31 December 2012, the total number of treasury shares held by the Company is 5,301,700 ordinary shares.

Directors

The Directors who served since the date of the last report are as follows:

Toh Hong Wooi
Michael Lim Hee Kiang
Fung Beng Ee
Lau Yoke Keen

Directors' Interests

None of the Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps: -

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances: -

(i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company or its subsidiary companies to meet their obligations as and when they fall due.

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability in respect of the Group or the Company or its subsidiary companies which has arisen since the end of the financial year.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Holding Company

The holding company is Asia Avenue Sdn. Bhd., a company incorporated in Malaysia.

Auditors

The auditors, Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

TOH HONG WOOI	MICHAEL LIM HEE KIANG

KUALA LUMPUR

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, TOH HONG WOOI and MICHAEL LIM HEE KIANG, being two of the Directors of PARAGON UNION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.

TOH HONG WOOI	MICHAEL LIM HEE KIANG

KUALA LUMPUR

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, CHOW SIEW YONG, being the Officer primarily responsible for the financial management of PARAGON UNION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 11 to 68 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed CHOW SIEW YONG at Kuala Lumpur in the Federal Territory this)
)
)
)

CHOW SIEW YONG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON UNION BERHAD
(Company No: 286457-V)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Paragon Union Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 68.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of the financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment required to be made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 34 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2(a) to the financial statements, Paragon Union Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

TAN POH LING
Approved Number: 2564/03/15 (J)
Partner of Firm

KUALA LUMPUR

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		<---------- Group ---------->			<---------- Company ---------->		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-Current Assets							
Property, plant and equipment	3	34,096,810	34,156,591	35,752,521	-	-	-
Investment in subsidiary companies	4	-	-	-	11,607,745	13,297,231	13,297,231
Deferred tax assets	5	56,479	-	69,048	-	-	-
		34,153,289	34,156,591	35,821,569	11,607,745	13,297,231	13,297,231
Current Assets							
Inventories	6	23,954,918	22,129,527	18,743,469	-	-	-
Trade receivables	7	8,066,728	10,073,105	14,757,808	-	-	-
Other receivables	8	18,968,437	20,234,140	19,044,664	18,005,603	18,004,465	18,004,465
Tax recoverable		496,161	671,227	712,021	22,933	85,098	85,098
Amount owing by subsidiary companies	9	-	-	-	22,462,026	22,974,961	23,275,248
Cash held under Housing Development Account	10	310,421	304,427	298,787	-	-	-
Cash and bank balances	11	1,107,566	2,523,058	2,851,953	77,765	75,520	91,399
		52,904,231	55,935,484	56,408,702	40,568,327	41,140,044	41,456,210

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

		<---------- Group ---------->			<---------- Company ---------->		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current Liabilities							
Trade payables	12	3,343,477	2,436,788	3,439,912	-	-	-
Other payables	13	3,885,519	4,670,479	4,382,379	1,414,656	1,516,170	1,445,285
Hire purchase payables	14	1,045,099	1,104,024	1,003,548	-	-	-
Bank borrowings	15	14,875,270	15,071,140	16,404,251	-	-	-
Tax payables		590,629	581,555	405,931	-	-	-
		23,739,994	23,863,986	25,636,021	1,414,656	1,516,170	1,445,285
Net current assets		29,164,237	32,071,498	30,772,681	39,153,671	39,623,874	40,010,925
		63,317,526	66,228,089	66,594,250	50,761,416	52,921,105	53,308,156
Financed by:							
Share Capital	16	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Reserves	17	(4,618,481)	(4,618,481)	(4,618,481)	-	-	-
Treasury shares	18	(4,220,708)	(4,220,708)	(4,220,708)	(4,220,708)	(4,220,708)	(4,220,708)
Accumulated losses		(3,031,816)	(2,483,081)	(2,278,826)	(15,017,876)	(12,858,187)	(12,471,136)
Equity attributable to owners of the parent		58,128,995	58,677,730	58,881,985	50,761,416	52,921,105	53,308,156
Non-controlling interests		(17,448)	(2,030)	-	-	-	-
		58,111,547	58,675,700	58,881,985	50,761,416	52,921,105	53,308,156

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

		<---------- Group ---------->			<---------- Company ---------->		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	Note	RM	RM	RM	RM	RM	RM
Non -Current Liabilities							
Hire purchase payables	14	322,552	1,242,180	2,055,974	-	-	-
Bank borrowings	15	2,815,493	3,476,722	4,093,256	-	-	-
Deferred tax liabilities	5	2,067,934	2,833,487	1,563,035	-	-	-
		5,205,979	7,552,389	7,712,265	-	-	-
		63,317,526	66,228,089	66,594,250	50,761,416	52,921,105	53,308,156

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		<---------- Group ---------->		<--------- Company ---------->	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Revenue	19	48,346,487	51,485,001	-	-
Cost of sales		(40,238,306)	(40,645,435)	-	-
Gross profit		8,108,181	10,839,566	-	-
Other operating income		96,781	952,488	266	261
Selling and distribution costs		(4,686,350)	(4,667,606)	-	-
Administrative and general expenses		(2,811,564)	(4,181,157)	(2,159,955)	(387,312)
Finance costs	20	(1,406,288)	(1,517,991)	-	-
(Loss)/Profit before taxation	21	(699,240)	1,425,300	(2,159,689)	(387,051)
Taxation	22	135,087	(1,631,585)	-	-
Net loss for the financial year		(564,153)	(206,285)	(2,159,689)	(387,051)
Loss attributable to:-					
Owners of the parent		(548,735)	(204,255)	(2,159,689)	(387,051)
Non-controlling interests		(15,418)	(2,030)	-	-
		(564,153)	(206,285)	(2,159,689)	(387,051)
Loss per share attributable to owners of the parent (sen)					
Basic	23(a)	(0.85)	(0.32)		
Diluted	23(b)	-	-		

The accompanying notes form an integral part of the financial statements.

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to Owners of the Parent							
		< --- Non-Distributable --->		< ------- Distributable ------->				
	Share Capital RM	**Merger Reserve** RM	**Asset Valuation Reserve** RM	**Treasury Shares** RM	**Accumulated Losses** RM	**Total** RM	**Non-controlling Interests** RM	**Total Equity** RM
Group								
At 1 January 2012								
-As previously stated	70,000,000	(4,618,481)	5,196,124	(4,220,708)	(7,679,205)	58,677,730	(2,030)	58,675,700
-Effect of adopting MFRS 1	-	-	(5,196,124)	-	5,196,124	-	-	-
-As restated	70,000,000	(4,618,481)	-	(4,220,708)	(2,483,081)	58,677,730	(2,030)	58,675,700
Total comprehensive loss	-	-	-	-	(548,735)	(548,735)	(15,418)	(564,153)
At 31 December 2012	70,000,000	(4,618,481)	-	(4,220,708)	(3,031,816)	58,128,995	(17,448)	58,111,547

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Attributable to Owners of the Parent							
		< --- Non-Distributable ---->		< --------- Distributable -------->				
	Share Capital RM	**Merger Reserve** RM	**Asset Valuation Reserve** RM	**Treasury Shares** RM	**Accumulated Losses** RM	**Total** RM	**Non-controlling Interests** RM	**Total Equity** RM
Group								
At 1 January 2011								
-As previously stated	70,000,000	(4,618,481)	5,279,051	(4,220,708)	(7,557,877)	58,881,985	-	58,881,985
-Effect of adopting MFRS 1	-	-	(5,279,051)	-	5,279,051	-	-	-
-As restated	70,000,000	(4,618,481)	-	(4,220,708)	(2,278,826)	58,881,985	-	58,881,985
Realisation of reserve on amortisation of revalued properties								
-As previously stated	-	-	(82,927)	-	82,927	-	-	-
-Effect of adopting MFRS 1	-	-	82,927	-	(82,927)	-	-	-
-As restated	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(204,255)	(204,255)	(2,030)	(206,285)
At 31 December 2011								
-As previously stated	70,000,000	(4,618,481)	5,196,124	(4,220,708)	(7,679,205)	58,677,730	(2,030)	58,675,700
-Effect of adopting MFRS 1	-	-	(5,196,124)	-	5,196,124	-	-	-
-As restated	70,000,000	(4,618,481)	-	(4,220,708)	(2,483,081)	58,677,730	(2,030)	58,675,700

PARAGON UNION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

		< ------- Distributable ------->		
	Share Capital RM	**Treasury Shares** RM	**Accumulated Losses** RM	**Total** RM
Company				
At 1 January 2012	70,000,000	(4,220,708)	(12,858,187)	52,921,105
Total comprehensive loss	-	-	(2,159,689)	(2,159,689)
At 31 December 2012	70,000,000	(4,220,708)	(15,017,876)	50,761,416
At 1 January 2011	70,000,000	(4,220,708)	(12,471,136)	53,308,156
Total comprehensive loss	-	-	(387,051)	(387,051)
At 31 December 2011	70,000,000	(4,220,708)	(12,858,187)	52,921,105

PARAGON UNION BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		<---------- Group ---------->		<--------- Company ---------->	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Cash Flows From Operating Activities					
(Loss)/Profit before taxation		(699,240)	1,425,300	(2,159,689)	(387,051)
Adjustments for:					
Impairment loss for trade receivables		120,000	510,000	-	-
Impairment loss for trade receivables written back		(75,912)	(72,284)	-	-
Impairment loss for other receivables		352,960	20,000	-	-
Unrealised loss on foreign exchange		18,406	65,160	-	-
Depreciation of property, plant and equipment		2,690,400	2,601,382	-	-
Inventories written off		-	519,160	-	-
Impairment loss for investment in subsidiary companies		-	-	1,689,486	-
Loss/(Gain) on disposal of property, plant and equipment		10,586	(11,368)	-	-
Property, plant and equipment written off		1,838	-	-	-
Write-off for fire damages	21	-	739,343	-	-
Interest income		(6,368)	(90,376)	(266)	(261)
Interest expense		1,406,288	1,517,991	-	-
Operating profit/(loss) before working capital changes		3,818,958	7,224,308	(470,469)	(387,312)
(Increase)/Decrease in working capital					
Inventories		(1,825,391)	(3,905,218)	-	-
Trade and other receivables		2,855,286	2,972,351	(1,138)	-
Trade and other payables		123,069	(715,024)	(101,514)	70,885
Amount owing by subsidiary companies		-	-	512,935	300,287
		1,152,964	(1,647,891)	410,283	371,172
Cash generated from/(used in) operations		4,971,922	5,576,417	(60,186)	(16,140)

PARAGON UNION BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

		<---------- Group ---------->		<--------- Company --------->	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
Interest received		6,368	90,376	266	261
Interest paid		(1,406,288)	(1,517,991)	-	-
Tax (paid)/refund		(502,805)	(75,667)	62,165	-
		(1,902,725)	(1,503,282)	62,431	261
Net cash generated from/(used in) operating activities		3,069,197	4,073,135	2,245	(15,879)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3(d)	(2,529,643)	(1,416,910)	-	-
Proceeds from disposal of property, plant and equipment		21,600	28,333	-	-
Net cash used in investing activities		(2,508,043)	(1,388,577)	-	-
Cash Flows From Financing Activities					
Repayment of term loans		(621,264)	(591,027)	-	-
Net changes in bills payable		646,861	(298,000)	-	-
Repayment of hire purchase payables		(1,113,553)	(1,058,168)	-	-
Net cash used in financing activities		(1,087,956)	(1,947,195)	-	-

PARAGON UNION BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	<---------- Group ---------->		<--------- Company --------->	
	2012	2011	2012	2011
	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents	(526,802)	737,363	2,245	(15,879)
Cash and cash equivalents at beginning of the financial year	(9,233,061)	(9,970,424)	75,520	91,399
Cash and cash equivalents at end of the financial year	(9,759,863)	(9,233,061)	77,765	75,520
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	1,107,566	2,523,058	77,765	75,520
Cash held under Housing Development Account	310,421	304,427	-	-
Bank overdrafts	(11,177,850)	(12,060,546)	-	-
	(9,759,863)	(9,233,061)	77,765	75,520

PARAGON UNION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 07-02, Level 7, Persoft Tower, 6B, Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 14, Jalan Satu, Kawasan Perindustrian Cheras Jaya, Batu 11, Cheras, 43200, Selangor Darul Ehsan.

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise stated in the accounting policies below and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company have adopted MFRSs issued by the Malaysian Accounting Standards Board ("MASB") on 19 November 2011, which are mandatory for annual financial periods beginning on or after 1 January 2012. As these are the Group's and the Company's first financial statements prepared in accordance with MFRSs, the requirements of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards have been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial and disclosure impacts on the transition to MFRSs are disclosed in Note 28 to the financial statements.

On the adoption of MFRSs, the following new standards became applicable during the financial year:

	Effective date for financial periods beginning on or after
MFRS 124: Related Party Disclosures	1 January 2012
MFRS 7 *Disclosures – Transfers of Financial Assets*	1 January 2012

The Directors of the Group and of the Company are of the opinion that the abovementioned new MFRSs did not have any material financial and disclosure impacts to the financial statements during the financial year.

The Group and the Company have not applied the following accounting standards that have been issued by MASB but are not yet effective for the Group and the Company:-

<u>MFRSs effective on 1 July 2012</u>

Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income

<u>MFRSs effective on 1 January 2013</u>

MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 9 as amended by IASB in June 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to MFRS 1	Government Loans
Amendment to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

MFRSs effective on 1 January 2013 (Cont'd)

Amendment to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

MFRSs effective on 1 January 2014

MFRS 141	Agriculture
IC Int15	Agreements for the Construction of Real Estate
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities

MFRSs effective on 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7 and MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Company plans to adopt the abovementioned MFRSs, IC Interpretations and amendments to MFRSs which are relevant to the Group's and to the Company's operations when they become effective.

The Directors of the Group and of the Company anticipate that the application of the above MFRSs, IC Interpretations and amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts) adjusted to reflect those differences; or

(b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy stated in Note 2(h) to the financial statements. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 2(e)(iii) to the financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(v) Deferred tax asset

Deferred tax asset is recognised for unutilised tax losses to the extent that is probable that taxable profit will be available in future against which tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which are made up to the end of the financial year.

Subsidiary companies are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in the statements of comprehensive income.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any non-controlling interest. Any cost directly attributable to the acquisition is included in administrative expenses in profit and loss as incurred.

The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. The accounting policy on goodwill on acquisition of subsidiaries is set out in Note 2(g) to the financial statements. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:-

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's assets in the event of liquidation are measured at either the fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests should be measured at their acquisition date fair values. The choice of measurement basis is made on a transaction-by-transaction basis. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date when the Group attains control and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on acquisition date. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for the buildings of the Group which are stated at valuation carried out in 1998 less accumulated depreciation and any accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(h) to the financial statements.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company has applied the transitional provision of MFRS 116: Property, Plant and Equipment, to retain the revalued amount as if it is at the cost basis. It is not the Group's policy to carry out regular valuations of its property, plant and equipment. The revaluation carried out in 1998 was a one-off exercise, and the carrying amount of the revalued buildings has been retained on the basis of its previous revaluation as surrogate cost. Accordingly, this valuation has not been updated.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Factory buildings and building improvements	50 years
Plant and machinery	6 - 30 years
Motor vehicles	5 - 10 years
Furniture, fittings and equipment	3 - 10 years
Electrical installation and renovation	10 years

Leasehold land is amortised on a straight line method over the period of the lease.

The depreciable amount is determined after deducting the residual value.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method of depreciation are the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the statements of comprehensive income.

(f) Leases

Lease of property, plant and equipment is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to the ownership. All other leases are treated as operating lease.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

(g) Goodwill arising on consolidation

Goodwill arising on consolidation represents the difference between the costs of the acquisition over the fair value of the net identifiable assets of subsidiary companies acquired at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

Goodwill on consolidation is reviewed at each reporting date and will be written down for impairment where it is considered necessary.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies of the business combination.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is not reversed in a subsequent period.

(h) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the statement of comprehensive income immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statements of comprehensive income immediately.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in, first out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

The Group classifies its financial assets as loan and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date except for financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are unquoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statements of financial position.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in statements of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statements of comprehensive income.

(k) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in statements of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in statements of comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flow, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Financial liabilities

Borrowings, trade and other payables are classified as financial liabilities in the statement of financial position as there is a contractual obligation to make cash payments to another entity and is contractually obliged to settle the liabilities in cash.

Financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method, except when the Group designates the liabilities at fair value through profit or loss. Financial liabilities are designated at fair value through profit or loss when:

(i) they are acquired or incurred for the purpose of selling or repurchasing in the near term;
(ii) the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities or recognising gains or losses on them; or
(iii) the financial liability contain an embedded derivative that would need to be separately recorded.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(n) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the statements of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(p) Hire purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

(q) Borrowing costs

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

(r) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Translation differences on non-monetary items, such as financial assets held for trading held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange fluctuation reserve in the equity.

The closing exchange rates used for each unit of the main foreign currency in the Group is:

	2012 RM	2011 RM
United States Dollar (US$)	3.0583	3.1770
Sterling Pound (£)	4.9420	4.8962
Euro Dollar (€)	4.0412	-

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the statements of comprehensive income when significant risks and rewards of the ownership have been transferred to the customers.

(ii) Property development

When property development units/properties are sold, the attributable portion of property development costs shall be recognised as an expense in the period in which the related revenue is recognised.

Revenue derived from property development activities is recognised based on the percentage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total contract costs.

Any expected loss on a development project including costs to be incurred over the defects liability period shall be recognised as an expense immediately.

(iii) Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(iv) Dividend income

Dividend income is recognised when the shareholder’s right to receive payment is established.

(t) Employee benefits

(i) Short term employee benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing, and other staff related expenses are charged to the statements of comprehensive income as and when incurred.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

(u) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date. The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(v) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period and ordinary shares that will be issued upon the conversion of mandatorily convertible instruments from the date the contract is entered into.

(w) Operating segments

For management purposes, the Group is organised into operating segment based on their business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who will make decisions to allocate resources to the segments and assess the segment performance.

(x) Merger reserves

The merger reserve represents the differences between the nominal value of shares plus any cash paid as consideration for the merger and the nominal value of the share capital of the subsidiary company acquired.

3. Property, Plant and Equipment

Group	Leasehold land RM	Factory buildings and building improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Total RM
	<---------- At Cost ---------->						
Cost							
At 1 January 2012	10,130,000	11,417,301	34,257,618	1,748,303	9,153,530	5,022,089	71,728,841
Additions	-	21,800	-	145,540	1,848,218	649,085	2,664,643
Disposal	-	-	-	(163,609)	-	-	(163,609)
Write-off	-	-	-	-	(259,548)	-	(259,548)
At 31 December 2012	10,130,000	11,439,101	34,257,618	1,730,234	10,742,200	5,671,174	73,970,327
Accumulated depreciation							
At 1 January 2012	1,632,140	3,188,056	20,522,588	1,397,618	7,287,163	3,544,685	37,572,250
Charge for the financial year	120,283	228,380	1,213,949	88,146	889,269	150,373	2,690,400
Disposal	-	-	-	(131,423)	-	-	(131,423)
Write-off	-	-	-	-	(257,710)	-	(257,710)
At 31 December 2012	1,752,423	3,416,436	21,736,537	1,354,341	7,918,722	3,695,058	39,873,517
Carrying amount							
At 31 December 2012	8,377,577	8,022,665	12,521,081	375,893	2,823,478	1,976,116	34,096,810

3. **Property, Plant and Equipment (Cont'd)**

		<------ At Deemed Cost ------>		<---------- At Cost ---------->				
Group	Note	**Leasehold land** RM	**Factory buildings and building improvements** RM	**Plant and machinery** RM	**Motor vehicles** RM	**Furniture, fittings and equipment** RM	**Electrical installation and renovation** RM	**Total** RM
Deemed cost/Cost								
At 1 January 2011		10,130,000	12,148,756	34,205,107	1,911,412	8,923,808	3,994,051	71,313,134
Additions		-	20,000	484,000	-	229,722	1,028,038	1,761,760
Disposal		-	-	-	(163,109)	-	-	(163,109)
Write-off for fire damages	21	-	(751,455)	(431,489)	-	-	-	(1,182,944)
At 31 December 2011		10,130,000	11,417,301	34,257,618	1,748,303	9,153,530	5,022,089	71,728,841
Accumulated depreciation								
At 1 January 2011		1,511,857	3,155,979	19,532,461	1,470,068	6,535,718	3,354,530	35,560,613
Charge for the financial year		120,283	243,108	1,222,697	73,694	751,445	190,155	2,601,382
Disposal		-	-	-	(146,144)	-	-	(146,144)
Write-off for fire damages	21	-	(211,031)	(232,570)	-	-	-	(443,601)
At 31 December 2011		1,632,140	3,188,056	20,522,588	1,397,618	7,287,163	3,544,685	37,572,250
Carrying amount								
At 31 December 2011		8,497,860	8,229,245	13,735,030	350,685	1,866,367	1,477,404	34,156,591
At 1 January 2011		8,618,143	8,992,777	14,672,646	1,560,727	2,388,090	639,521	35,752,521

3. **Property, Plant and Equipment (Cont'd)**

(a) Upon transition to MFRSs, the Group has elected to apply the optional exemption to use previous revaluation of its leasehold land and factory buildings and building improvements at 1 January 2011 of RM8,618,143 and RM8,934,641 respectively as deemed cost under MFRSs as disclosed in Note 28 to the financial statements.

The remaining period of the leasehold land and factory buildings is 77 (31.12.2011 and 1.1.2011: 78 and 79) years.

(b) The carrying amount of property, plant and equipment of the Group have been pledged to licensed banks as securities for credit facilities granted to subsidiary companies as disclosed in Note 15 to the financial statements are as follows:

	<---------- Group ---------->		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Leasehold land	8,377,577	8,497,860	8,618,143
Factory buildings	8,022,665	8,229,245	8,992,777
Plant and machinery	8,481,563	9,224,087	9,983,293
Motor vehicles	-	-	3,129
	24,881,805	25,951,192	27,597,342

(c) The carrying amount of property, plant and equipment acquired under hire purchase are as follows:

	<---------- Group ---------->		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Plant and machinery	4,513,560	4,940,407	4,922,539
Motor vehicles	350,806	293,413	360,357
Furniture, fittings and equipment	75,900	177,100	278,300
	4,940,266	5,410,920	5,561,196

(d) The aggregate additional cost for the property, plant and equipment of the Group during the financial year under hire purchase and cash payment are as follows:

	<---------- Group ---------->		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Aggregate costs	2,664,643	1,761,760	338,975
Hire purchase financing	(135,000)	(344,850)	-
Cash payments	2,529,643	1,416,910	338,975

4. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
In Malaysia			
Unquoted shares, at cost	14,511,655	14,511,655	14,511,655
Accumulated impairment losses	(2,903,910)	(1,214,424)	(1,214,424)
	11,607,745	13,297,231	13,297,231

(b) The subsidiary companies and shareholdings therein are as follows:

Name of company	**Country of incorporation**	**Effective interest**			**Principal activities**
		31.12.2012 %	**31.12.2011** %	**1.1.2011** %	
Direct holding:					
Paragon Car Carpets & Components Sdn. Bhd.	Malaysia	100	100	100	Manufacturing and distribution of car carpets and automotive components
Paragon Expression Sdn. Bhd. (“PE”)	Malaysia	100	100	100	Investment holding and property development related activities
Paragon Precision Industries Sdn. Bhd. (“PPI”)	Malaysia	78	78	78	Inactive
Paragon Metal Components Sdn. Bhd. (“PMC”)	Malaysia	77	77	77	Inactive
Indirect holding:					
Subsidiary company of Paragon Car Carpets & Components Sdn. Bhd. :					
Paragon Carpetmaker Sdn. Bhd.	Malaysia	100	100	100	Manufacturing and trading in car carpets and commercial carpets

Subsidiary company of Paragon Carpetmaker Sdn. Bhd. :					
Paragon Carpet Distributor Sdn. Bhd.	Malaysia	100	100	100	Distribution and trading in commercial carpets
Subsidiary company of Paragon Carpetmaker Sdn. Bhd. :					
Paragon Carpet Distributor Sdn. Bhd.	Malaysia	100	100	100	Distribution and trading in commercial carpets
Subsidiary company of Paragon Expression Sdn. Bhd. :					
Paragon Property Development Sdn. Bhd.	Malaysia	100	100	100	Dealing in land, properties and other property development related activities

(a) During financial year, the Company has recognised impairment losses amounting to RM1,689,486 in respect of its investment in PE as the subsidiary company recorded a deficit in its shareholders' equity. As the subsidiary company has since remained inactive, the Company does not expect to derive any future economic benefits from its activity or from its disposal.

(b) In the previous financial years, the Company had recognised impairment losses amounting to RM1,214,424 in respect of its entire investments in PPI and PMC as both of the subsidiary companies had ceased operations and had deficits in their shareholders' equity. As these two subsidiary companies have since remained inactive, the Company does not expect to derive any future economic benefits from their activities or from their disposal.

5. Deferred Taxation

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At 1 January	2,833,487	1,493,987	3,185,443
Recognised in statements of comprehensive income	(109,559)	841,420	623,303
(Over)/Under provision in prior year	(712,473)	498,080	(2,314,759)
At 31 December	2,011,455	2,833,487	1,493,987

Represented after appropriate offsetting as follows:

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deferred Tax Liabilities	2,067,934	2,833,487	1,563,035
Deferred Tax Assets	(56,479)	-	(69,048)
	2,011,455	2,833,487	1,493,987

This is represented by the components and movements of deferred tax liabilities and assets of the Group and of the Company prior to its offsetting during the financial year as follows:-

Deferred tax liabilities of the Group:-

	Accelerated capital allowances RM	Revaluation of leasehold properties RM	Total RM
At 1 January 2012	2,539,942	1,417,961	3,957,903
Recognised in statement of comprehensive income	166,931	(20,732)	146,199
Over provision in prior year	(745,335)	-	(745,335)
	1,961,538	1,397,229	3,358,767
Offsetting			(1,290,833)
At 31 December 2012			2,067,934
As at 1 January 2011	2,155,461	1,759,683	3,915,144
Recognised in statements of comprehensive income	116,560	(27,642)	88,918
Under/(Over) provision in prior year	267,921	(314,080)	(46,159)
	2,539,942	1,417,961	3,957,903
Offsetting			(1,124,416)
At 31 December 2011			2,833,487
As at 1 January 2010	2,798,750	1,787,325	4,586,075
Recognised in statements of comprehensive income	(45,709)	(27,642)	(73,351)
Over provision in prior year	(597,580)	-	(597,580)
	2,155,461	1,759,683	3,915,144
Offsetting			(2,352,109)
As at 1 December 2010			1,563,035

Deferred tax assets of the Group:-

	Unabsorbed tax losses and tax credits RM	Unabsorbed capital allowances RM	Impairment for trade receivables RM	Reinvestment allowances RM	Total RM
At 1 January 2012	39,097	-	-	1,085,319	1,124,416
Recognised in statements of comprehensive income	-	225,758	30,000	-	255,758
Under/(Over) provision in prior year	173,564	105,574	-	(312,000)	(32,862)
	212,661	331,332	30,000	773,319	1,347,312
Offsetting					(1,290,833)
At 31 December 2012					56,479
At 1 January 2011	560,315	404,727	-	1,456,115	2,421,157
Recognised in statements of comprehensive income	(242,703)	(362,991)	-	(146,808)	(752,502)
Over provision in prior year	(278,515)	(41,736)		(223,988)	(544,239)
	39,097	-	-	1,085,319	1,124,416
Offsetting					(1,124,416)
At 31 December 2011					-
At 1 January 2010	387,270	977,362	36,000	-	1,400,632
Recognised in statements of comprehensive income	(56,306)	(632,167)	-	(8,181)	(696,654)
Under/(Over) Provision in prior year	229,351	59,532	(36,000)	1,464,296	1,717,179
	560,315	404,727	-	1,456,115	2,421,157
Offsetting					(2,352,109)
At 31 December 2010					69,048

6. Inventories

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost:			
Raw materials	8,031,723	7,196,815	6,051,878
Work-in-progress	1,896,244	2,117,672	1,630,895
Finished goods	14,026,951	12,815,040	11,060,696
	23,954,918	22,129,527	18,743,469

7. Trade Receivables

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables	8,831,540	10,793,829	15,229,105
Impairment for trade receivables	(764,812)	(720,724)	(471,297)
Trade receivables, net	8,066,728	10,073,105	14,757,808

The Group's normal trade credit term range from 60 to 90 days (31.12.2011: 60 to 90 days and 1.1.2011: 60 to 90 days). Other credit terms are assessed and approved on a case to case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by 5 major customers amounting to RM3,658,719 (31.12.2011: RM6,501,274 and 1.1.2011: RM12,926,341) which accounts for 45% (31.12.2011: 65% and 1.1.2011: 88%) of the total trade receivables of the Group.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due or impaired	3,618,272	3,779,946	7,374,121
1 - 90 days past due but not impaired	2,716,690	3,247,816	4,074,226
91 - 180 days past due but not impaired	2,496,578	3,766,067	3,730,754
More than 1 year past due but not impaired	-	-	50,004
	5,213,268	7,013,883	7,854,984
Fully impaired	(764,812)	(720,724)	(471,297)
	8,066,728	10,073,105	14,757,808

The trade receivables that are impaired

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Individually	(764,812)	(720,724)	(471,297)
Allowance for impairment			
At 1 January	720,724	471,297	230,846
Allowance written off	-	(188,289)	(155,512)
Allowance written back	(75,912)	(72,284)	(5,599)
Allowance made	120,000	510,000	401,562
At 31 December	764,812	720,724	471,297

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments.

The Group's trade receivables of RM5,213,268 (31.12.2011: RM7,013,883 and 1.1.2011: RM7,854,984) that are past due at the reporting date but not impaired relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. None of the trade receivables that are past due but not impaired have been renegotiated during the financial year.

The currency exposure profiles of trade receivables are as follows:

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	7,426,984	9,409,804	13,367,034
United States Dollar	556,584	663,301	1,390,774
Euro Dollar	83,160	-	-
	8,066,728	10,073,105	14,757,808

8. Other Receivables

	<---------- Group ---------->			<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other receivables	18,443,932	19,166,812	18,767,873	18,005,603	18,004,465	18,004,465
Deposits	16,808,345	16,769,081	16,771,149	16,540,000	16,540,000	16,540,000
Prepayments	315,806	838,247	309,626	-	-	-
	35,568,083	36,774,140	35,848,648	34,545,603	34,544,465	34,544,465
Less:						
Impairment loss	(16,599,646)	(16,540,000)	(16,803,984)	(16,540,000)	(16,540,000)	(16,540,000)
	18,968,437	20,234,140	19,044,664	18,005,603	18,004,465	18,004,465

The other receivables that are impaired

	<---------- Group ---------->			<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Allowance for impairment						
At 1 January	16,540,000	16,803,984	16,803,984	16,540,000	16,540,000	16,540,000
Allowance written off	-	(263,984)	-	-	-	-
Allowance made	59,646	-	-	-	-	-
At 31 December	16,599,646	16,540,000	16,803,984	16,540,000	16,540,000	16,540,000

Included in deposits of the Group and the Company is an amount of RM16,540,000 (31.12.2011: RM16,540,000 and 1.1.2011: RM16,540,000) representing deposits and advances paid pursuant to separate conditional agreements entered into by the Company in the financial year 1997 for the acquisition of the entire equity interest comprising 9,985,735 ordinary shares of RM1.00 each in an unquoted company, namely, KINMA Holdings Sdn Bhd (“KINMA”).

In the financial year 1999, the Company terminated the conditional agreements for the above acquisition and instructed its solicitors to commence legal proceedings against the vendors for the recovery of deposits and advances paid totaling RM17,770,000. The Company obtained Court judgement on 12 December 2007 for the refund of RM1,230,000, representing deposit paid to a vendor and the said amount was received by the Company. The High Court struck out the Company’s claim summarily on 24 November 2010 and subsequently an appeal against the decision has been lodged. The outcome of the legal proceedings in respect of the balance of RM16,540,000 from the other vendors is still pending.

9. Amount Owing by Subsidiary Companies

	<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Advances	24,317,370	24,830,305	25,130,592
Impairment for amount owing by subsidiary companies	(1,855,344)	(1,855,344)	(1,855,344)
	22,462,026	22,974,961	23,275,248

These represent unsecured interest free advances which are repayable on demand.

10. Cash Held Under Housing Development Account

Cash held under the Housing Development Account represents monies received from purchasers of residential properties less payments or withdrawals in accordance with Regulation 4 of the Housing Developers (Housing Development Account) Regulations.

11. Cash and Bank Balances

The currency exposure profiles of cash and bank balances are as follows:

	<---------- Group ---------->			<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	781,405	1,750,539	908,943	77,765	75,520	91,399
United States Dollar	326,161	772,519	1,943,010	-	-	-
	1,107,566	2,523,058	2,851,953	77,765	75,520	91,399

12. Trade Payables

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade payables	3,343,477	2,436,788	3,439,912

The currency exposure profiles of trade payables are as follows:

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	2,656,752	1,679,053	2,813,990
United States Dollar	421,464	489,798	321,738
Sterling Pound	265,261	267,937	304,184
	3,343,477	2,436,788	3,439,912

The normal trade credit terms granted to the Group range from 60 to 120 days (31.12.2011: 60 to 120 days and 1.1.2011: 60 to 120 days).

13. Other Payables

	<---------- Group ---------->			<---------- Company ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	2,726,533	3,005,806	2,897,831	1,277,506	1,429,320	1,350,135
Accruals	1,158,986	1,664,673	1,484,548	137,150	86,850	95,150
	3,885,519	4,670,479	4,382,379	1,414,656	1,516,170	1,445,285

14. Hire Purchase Payables

		<---------- Group ---------->		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
(a)	Minimum hire purchase payments			
	Within one year	1,095,480	1,217,001	1,165,095
	Between one and five years	323,164	1,305,845	2,180,441
	More than five years	31,909	-	-
		1,450,553	2,522,846	3,345,536
	Future finance charges	(82,902)	(176,642)	(286,014)
	Present value of hire purchase liabilities	1,367,651	2,346,204	3,059,522
(b)	Present value of hire purchase liabilities			
	Within one year	1,045,099	1,104,024	1,003,548
	Between one and five years	291,623	1,242,180	2,055,974
	More than five years	30,929	-	-
		1,367,651	2,346,204	3,059,522
	Analysed as:			
	Repayable within twelve months	1,045,099	1,104,024	1,003,548
	Repayable after twelve months	322,552	1,242,180	2,055,974
		1,367,651	2,346,204	3,059,522

The effective interest rates of the Group are between 2.42% and 4.05% (31.12.2011: 2.65% and 5.04% and 1.1.2011: 2.40% and 5.80%) per annum.

15. Bank Borrowings

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Secured			
Bank overdrafts	5,977,388	6,789,459	7,578,491
Bills payable	2,789,861	766,000	2,297,000
Term loans	3,474,052	4,095,316	4,686,343
	12,241,301	11,650,775	14,561,834
Unsecured			
Bank overdrafts	5,200,462	5,271,087	5,542,673
Bills payable	249,000	1,626,000	393,000
	5,449,462	6,897,087	5,935,673
Total bank borrowings	17,690,763	18,547,862	20,497,507

Analysed as follows:

Repayable within twelve months			
Secured			
Bank overdrafts	5,977,388	6,789,459	7,578,491
Bills payable	2,789,861	766,000	2,297,000
Term loans	658,559	618,594	593,087
	9,425,808	8,174,053	10,468,578
Unsecured			
Bank overdrafts	5,200,462	5,271,087	5,542,673
Bills payable	249,000	1,626,000	393,000
	5,449,462	6,897,087	5,935,673
	14,875,270	15,071,140	16,404,251
Repayable after twelve months			
Secured			
Term loans	2,815,493	3,476,722	4,093,256
	17,690,763	18,547,862	20,497,507

(a) The secured bank overdrafts, bills payable and term loans are secured on the following:

(i) charge over the leasehold land and buildings of the Group as disclosed in Note 3 to the financial statements; and

(ii) corporate guarantee by the Company.

(b) The unsecured bills payable and bank overdrafts are guaranteed by the Company.

The term loans are repayable by monthly installments over 5 to 8 years.

Maturity of borrowings is as follows:

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Within one year	14,875,270	15,071,140	16,404,251
Between one and two years	694,622	649,410	620,672
Between two and five years	1,796,908	1,863,102	1,985,781
More than five years	323,963	964,210	1,486,803
	17,690,763	18,547,862	20,497,507

The weighted average effective interest rate is as follows:

	<---------- Group ---------->		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Bank overdrafts	7.05	7.05	7.05
Banker acceptance	3.47	3.47	3.47
Term loans	5.20	5.20	5.20

16. Share Capital

	Number of ordinary shares of RM1 each			Amount		
	31.12.2012 (‘000)	31.12.2011 (‘000)	1.1.2011 (‘000)	31.12.2012 RM’000	31.12.2011 RM’000	1.1.2011 RM’000
Authorised share capital						
At 1 January/ 31 December	100,000	100,000	100,000	100,000	100,000	100,000
Issued and fully paid						
At 1 January/ 31 December	70,000	70,000	70,000	70,000	70,000	70,000

Included in the issued and fully paid ordinary shares of the Company are 5,301,700 (31.12.2011 and 1.1.2011: 5,301,700 and 5,301,700) number of ordinary shares of RM1.00 each held as treasury shares by the Company.

17. Reserves

	<---------- Group ---------->		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Non-distributable:			
Asset valuation reserve			
- As previously reported	-	5,196,124	5,279,051
- Effect of adopting the amendments to MFRS 1	-	(5,196,124)	(5,279,051)
- As restated	-	-	-
Merger reserve	(4,618,481)	(4,618,481)	(4,618,481)
	(4,618,481)	(4,618,481)	660,570

The movements in the reserves are reflected in the statements of changes in equity.

18. Treasury Shares

	<---------- Group/Company ---------->		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At 1 January/31 December	4,220,708	4,220,708	4,220,708
No. of ordinary shares at RM1.00 each	5,301,700	5,301,700	5,301,700

19. Revenue

	<---------- Group ---------->		<-------- Company -------->	
	2012	2011	2012	2011
	RM	RM	RM	RM
Sales of carpets	48,346,487	50,815,001	-	-
Property development revenue	-	670,000	-	-
	48,346,487	51,485,001	-	-

20. Finance Costs

	<---------- Group ---------->	
	2012	2011
	RM	RM
Interest expense on:		
Bank overdrafts	932,143	955,896
Banker acceptance	119,440	134,477
Hire purchase	116,609	167,131
Letter of credit	13,592	11,384
Term loans	215,976	247,431
Others	8,528	1,672
	1,406,288	1,517,991

21. (Loss)/Profit Before Taxation

(Loss)/Profit before taxation is derived after charging/(crediting):

	<--------- Group ---------->		<------ Company ------>	
	2012	2011	2012	2011
	RM	RM	RM	RM
Auditors' remuneration				
- current year	57,000	57,000	14,000	14,000
- (over)/under provision in prior year	-	(4,992)	-	2,000
Impairment loss for trade receivables	120,000	510,000	-	-
Impairment loss for other receivables	352,960	20,000	-	-
Impairment loss for investment in subsidiary companies	-	-	1,689,486	-
Depreciation of property, plant and equipment	2,690,400	2,601,382	-	-
Directors remuneration				
- fees	162,500	112,500	162,500	112,500
- salaries and other emoluments	734,395	628,529	74,000	-
- EPF	64,190	49,260	-	-
- benefit-in-kind	17,400	18,283	-	-
Rental of warehouse	345,600	345,600	-	-
Property, plant equipment written off	1,838	-	-	-
Impairment loss for trade receivables written back	(75,912)	(72,284)	-	-
Unrealised loss on foreign exchange	18,406	65,160	-	-
Loss/(Gain) on disposal of property, plant and equipment	10,586	(11,368)	-	-

21. **(Loss)/Profit Before Taxation (Cont'd)**

	<--------- Group ---------->		<-------- Company -------->	
	2012 RM	2011 RM	2012 RM	2011 RM
Inventories written-off	-	519,160	-	-
Realised loss/(gain) on foreign exchange	10,258	(22,304)	-	-
Interest expense	1,406,288	1,517,991	-	-
Interest income				
- investment quoted in Malaysia	(266)	(261)	(266)	(261)
- others	(6,102)	(90,115)	-	-

In the previous financial year, the Group submitted an insurance claim under a fire insurance policy in respect of fire damage to one of its factory building on 28 December 2010. The Group has recognised an interim insurance claim received and initial estimate of fire loss sustained in the statements of comprehensive income during the previous financial year as follows:-

	<---------- Group ---------->	
	2012 RM	2011 RM
Damages from fire	-	739,343
Fire insurance claim	-	(750,000)

The insurance adjusters are still in the process of reconciling the claims and the full settlement amount is anticipated to be finalised in the subsequent financial year.

22. **Taxation**

	<--------- Group ---------->		<-------- Company -------->	
	2012 RM	2011 RM	2012 RM	2011 RM
Current income tax				
- Current financial year	358,182	290,725	-	-
- Under provision in prior year	328,763	1,360	-	-
	686,945	292,085	-	-
Deferred tax				
- Relating to origination and reversal of temporary differences	(109,559)	841,420	-	-
- (Over)/Under provision in prior year	(712,473)	498,080	-	-
	(822,032)	1,339,500	-	-
Tax (saving)/expense for the financial year	(135,087)	1,631,585	-	-

Income tax is calculated at the Malaysia statutory tax rate of 25% (2011: 25%) of the estimated assessable loss for the financial year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	<-------- Group ---------->		<--------- Company --------->	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss)/Profit before taxation	(699,240)	1,425,300	(2,159,689)	(387,051)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(174,810)	356,325	(539,922)	(96,763)
Expenses not deductible for tax purposes	471,807	824,194	539,922	96,763
Income not subject to tax	(20,732)	(20,732)	-	-
Crystalisation of deferred tax liabilities on amortisation on revalued properties	(27,642)	(27,642)	-	-
Under provision of current taxation in prior year	328,763	1,360	-	-
(Over)/Under provision of deferred tax in prior year	(712,473)	498,080	-	-
Tax (saving)/expense for the financial year	(135,087)	1,631,585	-	-

23. Loss Per Share

(a) Basic loss per share

The basic loss per share has been calculated based on the consolidated loss after taxation for the financial year attributable to owners of the parent of RM548,735 (2011: RM204,255) for the Group and the weighted average number of ordinary shares in issue during the financial year of 64,698,300 (2011: 64,698,300) are as follows:

	<---------- Group ---------->	
	2012 RM	2011 RM
Net loss for the financial year attributable to owners of the parent	(548,735)	(204,255)
Weighted average number of ordinary shares in issue	70,000,000	70,000,000
Adjusted for treasury shares	(5,301,700)	(5,301,700)
	64,698,300	64,698,300

(b) Fully diluted loss per share

There is no fully diluted loss per share as the Company did not have any dilutive potential ordinary shares during the financial year.

24. Staff Costs

	<---------- Group ---------->	
	2012	2011
	RM	RM
Staff costs (excluding Directors)	8,369,417	8,209,874

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM612,714 (2011: RM543,558).

25. Holding Company

The holding company is Asia Avenue Sdn. Bhd., a company incorporated in Malaysia.

26. Key Management Personnel Compensation

	<--------- Group ---------->		<------ Company ----->	
	2012	2011	2012	2011
	RM	RM	RM	RM
Short-term employee benefits				
- Fees	162,500	112,500	162,500	112,500
- Salaries and other emoluments	1,756,072	1,914,754	74,000	1,450
- Estimated monetary value of benefits-in-kinds	9,775	5,525	-	-
	1,928,347	2,032,779	236,500	113,950
Post employment benefits				
- Defined contribution plan	212,799	229,929	-	-
	2,141,146	2,262,708	236,500	113,950

Key management personnel comprise Directors and Executives of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

27. Contingent Liabilities

	<---------- Company ---------->	
	2012	2011
	RM	RM
Unsecured corporate guarantees in respect of banking facilities granted to subsidiary companies	17,690,763	18,547,862

28. Effects on Transition MFRSs

In preparing the opening consolidated statement of financial position as at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation on how the transition from previous FRSs to MFRSs has affected the Group's financial statements are as follows:-

Reconciliation of Financial Position – Group

	1.1.2011		
	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Financed by:			
Reserves	660,570	(5,279,051)	(4,618,481)
Accumulated losses	(7,557,877)	5,279,051	(2,278,826)

	31.12.2011		
	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Financed by:			
Reserves	577,643	(5,196,124)	(4,618,481)
Accumulated losses	(7,679,205)	5,196,124	(2,483,081)

Notes to reconciliation

Property, plant and equipment – Deemed cost exemption based on last valuation under FRSs.

Upon transition to MFRSs, the Group has elected to apply the optional exemption to use previous revaluation of its leasehold land and factory buildings and building improvements at 1 January 2011 of RM8,618,143 and RM8,934,641 respectively as deemed cost under MFRSs. The revaluation reserve of RM5,279,051 and RM5,196,124 at 1 January 2011 and 31 December 2011 was reclassified to accumulated losses.

The impact arising from the application of optional exemption under MFRS 1 for property, plant and equipment is as follows:-

	1.1.2011 RM	31.12.2011 RM
Consolidated statement of financial position		
Revaluation reserve/ Adjustment to accumulated losses	5,279,051	5,196,124

29. **Segment Information – Group**

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:-

Manufacturing and Trading : Manufacture and sale of carpets

Property : Property development activities

Investment : Investment holding

Other non-reportable segments comprise operations to subsidiary company which are dormant.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment total assets are used to measure the return of assets of each segment.

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.

The accounting policies of the segments are consistent with the accounting policies of the Group.

Segment Information – Group

2012	Manufacturing and trading RM	Property RM	Investment RM	Others RM	Inter –segment Eliminations RM	Total RM
Revenue						
Total Revenue	48,346,487	-	-	-	-	48,346,487
Results						
Segment profit/(loss)	175,192	(337,016)	(470,203)	(67,213)	-	(699,240)
Included in the segment profit/(loss) are:-						
Depreciation of property, plant and equipment	2,690,400	-	-	-	-	2,690,400
Finance costs	1,406,288	-	-	-	-	1,406,288
Loss on disposal of property, plant and equipment	10,586	-	-	-	-	10,586
Assets						
Segment assets	86,174,303	13,704,376	52,176,072	3,809	(65,001,040)	87,057,520
Segment liabilities	57,359,671	6,723,972	1,414,656	2,716,979	(39,269,305)	28,945,973

Segment Information – Group (Cont'd)

2011	Manufacturing and trading RM	Property RM	Investment RM	Others RM	Inter –segment Eliminations RM	Total RM
Revenue						
Total Revenue	50,815,001	670,000	-	-	-	51,485,001
Results						
Segment profit/(loss)	1,066,174	744,536	(387,051)	(9,016)	-	1,414,643
Included in the segment profit/(loss) are:-						
Depreciation of property, plant and equipment	2,601,382	-	-	-	-	2,601,382
Finance costs	1,517,991	-	-	-	-	1,517,991
Gain on disposal of property, plant and equipment	(11,368)	-	-	-	-	(11,368)
Assets						
Segment assets	90,297,719	14,443,543	54,437,275	63,455	(69,149,917)	90,092,075
Segment liabilities	61,793,527	7,125,962	1,516,170	2,709,412	(41,728,696)	31,416,375

Reconciliation of reportable segment revenue, profit and loss, assets and liabilities and other material items are as follows:-

	2012 RM	2011 RM
Total (loss)/profit for reportable segments	(699,240)	1,414,643
Damages from fire	-	(739,343)
Fire insurance claim	-	750,000
(Loss)/Profit before taxation	(699,240)	1,425,300
Adjustment for taxation	135,087	(1,631,585)
Consolidated (loss)/profit after taxation	(564,153)	(206,285)

All the inter-segment transactions were carried out on normal commercial basis and in the ordinary course of business.

Geographical segments

No geographical segments information such as segment revenue, segment assets and segment capital expenditure is presented as the Group business is entirely carried out in Malaysia.

30. **Material Litigation**

(i) Paragon Union Berhad vs Prestamewah Development Sdn Bhd & Datuk Liw Jun Wai

On 10 March 2009, the Company terminated the Sales and Shares Agreement ("SSA") which was entered into with Prestamewah Development Sdn Bhd ("PDSB") and Datuk Liw Jun Wai ("Datuk Liw") on 19 August 2008 to acquire 1,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Dominion Park Sdn Bhd ("DPSB") for a cash consideration of RM18,000,000.

The termination was due to PDSB and Datuk Liw failing to provide the Completion Documents as stipulated in Clauses 6 & 7 of the said SSA. Besides, PDSB and Datuk Liw also failed to remedy the same within the stipulated fourteen (14) days from the date of receipt by them of the Company's notice requiring such remedy.

On 1 April 2009, the Company's lawyer served a Notice pursuant to Section 218 of the Companies Act, 1965 on PDSB, one of the vendors of DPSB (holding 75% of the issued and paid-up share capital of DPSB) to demand for repayment of the sum of RM14,915,095, being the amount due and owing by PDSB to the Company as at 31 March 2009 pursuant to the termination of the SSA as stated above.

The details of which are as follows:

	RM
Monies paid by the Company to PDSB	13,500,000
Agreed liquidated damages	1,350,000
	14,850,000
Interest calculated at the rate of 8.00% per year upon RM14,850,000 from 11 March 2009 to 31 March 2009	65,095
	14,915,095

On 3 April 2009, the Company's lawyer issued a Letter of Demand to Datuk Liw, one of the vendors of DPSB (holding 25% of the issued and paid-up share capital of DPSB) to demand for repayment of the sum of RM4,950,000, being the amount due and owing by Datuk Liw to the Company comprising of RM4,500,000 as the monies paid to Datuk Liw by the Company under the SSA as stated above and RM450,000 as the liquidated and ascertained damages payable to the Company by Datuk pursuant to the termination of the said SSA.

In addition to the above, the Company also demanded for interest payment at the rate of 8% per annum calculated on a daily basis on the outstanding amount of RM4,950,000 due to the Company from 11 March 2009 up to the date of full settlement.

On 27 April 2009, the Company obtained an injunction order from the High Court of Malaya to compel the Defendants (PDSB and Datuk Liw) to pay to the Court the total sum of RM13,500,000 and RM4,500,000 respectively within seven days from the service of the Order on the Defendants and that this application was heard on 12 May 2009. The sealed copy of the Order was served on PDSB on 30 April 2009 and both of its two directors, Wong Hean Keat Simon and Abdul Rashid Bin Omar on 4 May 2009 and Datuk Liw on 1 May 2009.

The Company's application for injunction as well as the Defendants' application to set aside the ex-parte injunction order dated 27 April 2009 and for transfer of these proceedings to the Shah Alam High Court was concluded on 26 October 2009. The decision with regard to these applications was fixed on 16 November 2009 and the learned Judge after considering the submissions from all parties made the following Orders:-

(i) The Plaintiff's application for injunction was allowed with costs. The Defendants are to pay the Plaintiff RM18,000,000 on or before 15 January 2010.

(ii) The Defendants' application to set aside the ex-parte injunction order dated 27 April 2009 was dismissed with costs.

(iii) The Defendants' application to transfer the proceedings to the Shah Alam High Court was dismissed with costs. However, the Court allowed a stay of these proceedings pending the Defendants' appeal to the Court of Appeal with respect to this application.

On 8 February 2010, the appeal by the Defendants against the decision of the High Court which inter-alia, granted the Company the interlocutory mandatory injunction compelling the Defendants to refund RM13,500,000 and RM4,500,000 respectively to the Company was allowed by the Court of Appeal. The Order of the Court of Appeal essentially set aside the interlocutory mandatory Order granted by the High Court Judge on 16 November 2009. The Company has since filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal and the hearing on the said application has been fixed on 1 June 2010.

On 17 May 2010, the Federal Court dismissed the Company's application for leave to appeal with costs.

The Company's application for summary judgment was fixed for hearing on 9 December 2010.

On 14 March 2011, the Court heard the Company's application for summary judgment for the refund of RM18,000,000 together with liquidated damages, interest and costs. The application was dismissed as the learned Judicial Commissioner was of the opinion there were triable issues such as alleged misinterpretations prior to the contract, despite their contention that the Share Sale Agreement is a stand alone agreement and no extrinsic evidence was permissible.

The Company had instructed the solicitors to proceed with an appeal to the Court of Appeal and also to apply for the sum of RM18,000,000 to be paid into court by the Defendants.

The Record of Appeal was lodged with the Court of Appeal on 12 August 2011.

The Company's appeal was fixed for hearing at the Court of Appeal on 1 March 2012. The Court dismissed the Company's appeal and directed the matter to be fixed for full trial.

The Court fixed the suit for trial on 3 September 2012 and was heard together with Kuala Lumpur High Court Suit No. 22NCC-2053-2010 between the Plaintiff and the Defendants.

The Court further fixed the suit for continued trial on 27 March 2013 and subsequently on 10 April 2013 and 23 April 2013.

As the ultimate outcome of these claims cannot presently be determined, no impairment on the aforesaid amounts has been made in the current financial year.

The solicitors of the Company are of the opinion that the Company has a reasonable prospect of success to recover the aforesaid amount.

(ii) Paragon Union Berhad vs Wong Chee Kong & Poh Hock Leng

In the financial year 1997, the Company terminated the conditional agreements for the acquisition of the entire equity interest comprising 9,985,735 ordinary shares of RM1.00 each in an unquoted company, namely, KINMA Holdings Sdn Bhd ("KINMA").

The Company instructed its solicitors to commence legal proceedings against the vendors for the recovery of deposits and advances paid totaling RM17,770,000. The Company obtained Court judgement on 12 December 2007 for the refund of RM1,230,000, representing deposit paid to a vendor and the said amount was received by the Company.

The High Court struck out the Company's claim summarily on 24 November 2010 and subsequently an appeal against the decision has been lodged.

The outcome of the legal proceedings in respect of the balance of RM16,540,000 from the other vendors is still pending. However, the Company has provided full impairment loss for the aforesaid amount as disclosed in Note 8 to the financial statements.

31. Operating Lease Arrangement

The Group leases an insignificant portion of its factory building to a subsidiary company for use as a warehouse to earn rental income under a cancellable operating lease agreement. The subsidiary company is required to give 2 months notice for the termination of the agreement. The lease does not include any contingent rentals and there are no specific restrictions placed by the Group by entering into this lease.

32. Financial Instruments

(a) Financial risk management objectives and policies

The Group and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group and of the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk.

(b) Foreign currency exchange risk

The Group and the Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar and Sterling Pound. The Group and the Company maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

Functional Currency	United States Dollar RM	Sterling Pound RM	Euro Dollar RM	Total RM
Group				
2012				
Trade receivables	556,584	-	83,160	639,744
Cash and bank balances	326,161	-	-	326,161
Trade payables	(421,464)	(265,261)	-	(686,725)
	461,281	(265,261)	83,160	279,180
2011				
Trade receivables	663,301	-	-	663,301
Cash and bank balances	772,519	-	-	772,519
Trade payables	(489,798)	(267,937)	-	(757,735)
	946,022	(267,937)	-	678,085

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's equity and profit/(loss) net of tax to a reasonably possible change in the USD, GBP and EURO exchange rates against the functional currency of the affected Group of Companies ("RM"), with all other variables remain constant.

Group

	(Loss)/Profit net of tax RM
USD/RM – strengthening/weakening 5%	23,064
GBP/RM – strengthening/weakening 5%	(13,263)
EURO/RM – strengthening/weakening 5%	4,158
	13,959

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings and deposits. The Group does not hedge the interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	<---------- Group ---------->	
	2012	2011
	RM	RM
Floating rate instruments		
Term Loans	3,474,052	4,095,316
Bills payables	3,038,861	2,392,000

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increase/decrease equity and loss net of tax by the amounts shown below, assuming all other variables remain constant.

Group	**Loss net of tax 100bp Increase**
Floating rate instruments:-	
Term Loans	33,483
Bills payables	30,389
	63,872

(d) Credit risk

Exposure to credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via management reporting procedure and action is taken to recover debts when due.

Credit risk concentration profile

At reporting date, there were no significant concentrations of credit risk other than disclosed in Note 7 to the financial statements. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

(e) Liquidity and cash flow risk

The Group seeks to achieve a flexible and cost effective borrowing structure to ensure that the projected net borrowing needs are covered by available committed facilities. Debt maturities are structured in such a way to ensure that the amount of debt maturing in any one year is within the Group's ability to repay and/or refinance.

The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	On demand or within one year RM	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities:-				
Trade and other payables	7,228,996	-	-	7,228,996
Bank borrowings	14,875,270	2,491,530	323,963	17,690,763
Hire purchase payables	1,045,099	291,623	30,929	1,367,651
	23,149,365	2,783,153	354,892	26,287,410

(f) Fair values

The aggregate fair values of the financial liabilities as at 31 December 2012 are as follows:

	2012		**2011**	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair Value RM**
Group				
Financial liabilities				
Hire purchase payables	322,552	308,299	1,242,180	713,424

(i) The carrying amounts of cash and cash equivalents, current portion of trade and other receivables, inter-company loans and advances, current portion of trade and other payables, short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

(ii) The carrying amount of long term bank borrowing carried on the statement of financial position is reasonable approximate of fair value due to that it is a floating rate instruments that are re-priced to market interest rate on or near the reporting date.

(iii) The aggregate fair value of the other financial assets and liabilities carried on the statement of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

Fair value hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of long term hire purchase payables carried on the statement of financial position are estimated using valuation technique under the hierarchy level 2 mentioned above whereby the expected future cash flows are discounted at the market interest rate for similar types of borrowings.

Interest rates used to determined fair value:-

	2012 % p.a.	2011 % p.a.
Hire purchase payables	2.45	3.72

33. Capital Management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the parent. The Group's policy is to keep lower gearing ratio.

	<---------- Group ---------->	
	2012	2011
	RM	RM
Borrowings	17,690,763	18,547,862
Less: Cash and bank balances	(1,107,566)	(2,523,058)
Less: Cash held under Housing Development Account	(310,421)	(304,427)
	(1,417,987)	(2,827,485)
Net borrowings	16,272,776	15,720,377
Equity attributable to owners of the parent	58,128,995	58,677,730
Gearing ratio	28%	27%

There were no changes to the Group's approach to capital management during the financial year.

34. **Realised and Unrealised Profits/Losses (Supplementary Information)**

The breakdown of the retained earnings of the Group and of the Company as of 31 December into realised and unrealised amounts is as follows:

	<---------- Group ---------->	
	2012	2011
	RM	RM
Total accumulated losses of the Company and its subsidiary companies:-		
Realised profits	16,460,930	11,160,081
Unrealised losses	(19,492,746)	(18,839,286)
	(3,031,816)	(7,679,205)

	<---------- Company ---------->	
	2012	2011
	RM	RM
Total accumulated losses of the Company:-		
Realised profits	1,642,124	6,821,581
Unrealised losses	(16,660,000)	(19,679,768)
	(15,017,876)	(12,858,187)

The above disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

35. **Date of Authorisation for Issue**

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2013.

Company No. | 286457 | V |

PARAGON UNION BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2012

Registered office:
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Selangor Darul Ehsan

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