ANNUAL REPORT 2008

PARAGON UNION BERHAD

A Model of Excellence in Carpets

(286457-V)

CONTENTS

NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at the Classics 2, Holiday Villa, No. 9 Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Monday, 29 June 2009 at 11.00 a.m. for the following purposes:-

A G E N D A

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon.	
2.	To approve the payment of Directors' Fees for the year ended 31 December 2008.	**RESOLUTION 1**
3.	To approve a First and Final Dividend of 1% less tax at 25% for the year ended 31 December 2008.	**RESOLUTION 2**
4.	To re-elect Dato' Zainol Abidin Bin Haji A. Hamid who is retiring as Director of the Company in accordance with Article 75 of the Company's Articles of Association.	**RESOLUTION 3**
5.	To re-elect Mr. Toh Hong Wooi who is retiring as Director of the Company in accordance with Article 81 of the Company's Articles of Association.	**RESOLUTION 4**
6.	To re-elect Mr. Goh Chee Heng who is retiring as Director of the Company in accordance with Article 81 of the Company's Articles of Association.	**RESOLUTION 5**
7.	To re-elect Mr. Chin Nam Onn who is retiring as Director of the Company in accordance with Article 81 of the Company's Articles of Association.	**RESOLUTION 6**
8.	To appoint Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	**RESOLUTION 7**

Notice of Nomination from a member pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs. Anuarul Azizan Chew & Co., for appointment as Auditors and of the intention to propose the following Ordinary Resolution:-

"**THAT** subject to their consent to act, Messrs. Anuarul Azizan Chew & Co. be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. UHY Diong and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors."

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass with or without modifications, the following Resolution:-

Ordinary Resolution **RESOLUTION 8**

- **Authority For Directors To Allot And Issue Shares**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

ANY OTHER BUSINESS

To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the First and Final Dividend of 1% less tax at 25% in respect of the year ended 31 December 2008 will be payable on 17 July 2009 to Depositors registered in the Record of Depositors at the close of business on 8 July 2009.

A Depositor shall qualify for entitlement only in respect of:-

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 8 July 2009 in respect of ordinary transfers; and
b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
PARAGON UNION BERHAD

NG YIM KONG (LS 0009297)
Company Secretary
Petaling Jaya
Date: 5 June 2009

NOTICE OF 15TH ANNUAL GENERAL MEETING

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his(her) behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officers.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Authority For Directors To Allot And Issue Shares

The proposed Resolution 8 above, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 4 (Dato' Zainol Abidin Bin Haji A. Hamid), Agenda 5 (Mr. Toh Hong Wooi), Agenda 6 (Mr. Goh Chee Heng) and Agenda 7 (Mr. Chin Nam Onn) of the Notice of the Fifteenth Annual General Meeting are laid out in pages 6 to 8 of this Annual Report.

DIRECTORS' PROFILE

CHIN NAM ONN

Aged 65, Malaysian
Independent Non-Executive Chairman / Chairman of Audit Committee, Remuneration Committee, Nomination Committee and Employees' Share Option Scheme Committee

Mr. Chin Nam Onn was appointed to the Board of Paragon Union Berhad ("Paragon") on 28 April 2009 as the Independent Non-Executive Chairman. He is a member of the Institute of Chartered Accountants in Australia since 1969 and the Malaysian Institute of Accountants since 1971. He was the Company Secretary and Unit Trust Manager of South East Asia Development Corporation Berhad (a public listed company) during the five years from 1971 to 1975, the General Manager of Kuala Lumpur Stock Exchange during the five years from 1976 to 1980, an Executive Director of Malaysian Resources Corporation Berhad (a public listed company) during the ten years from 1981 to 1990, an Executive Director of Econstates Berhad (a public listed company) during the four years from 1991 to 1994 and an Executive Director of Metro Kajang Holdings Berhad (a public listed company) during the eleven years from 1997 to 2007. He was appointed as an Independent Non-Executive Director of Major Team Holdings Berhad on 28 April 2009. He has no family relationship with any Director and/or substantial shareholders of Paragon and his directorship in Paragon does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

TAN HONG KIEN

Aged 41, Malaysian
Executive Director / Member of Remuneration Committee and Employees' Share Option Scheme Committee

Mr. Tan Hong Kien was appointed to the Board of Paragon on 12 January 1999 as a Director. Subsequently, on 8 March 1999 he was appointed as the Executive Director. He obtained his professional qualification from the Chartered Institute of Management Accountants (UK) ("CIMA") and is an Associate Member of CIMA, and also a Chartered Accountant with the Malaysian Institute of Accountants. He joined Lion Plastic Industries Sdn Bhd in 1993 before leaving in 1997 as the Senior Accountant. He subsequently joined Bumi Luas Sdn Bhd and Optad Marketing Sdn Bhd as the Financial Controller. He is currently a Director in both the companies. He has no family relationship with any Director and/or substantial shareholders of Paragon and his directorship in Paragon does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

DIRECTORS' PROFILE

DATO' ZAINOL ABIDIN BIN HAJI A. HAMID

Aged 67, Malaysian
Independent Non-Executive Director / Member of Audit Committee, Nomination Committee and Remuneration Committee

Dato' Zainol Abidin Bin Haji A. Hamid was appointed to the Board of Paragon as the Independent Non-Executive Director on 28 July 2000. He obtained his LLB (Hons.) from the University of London. He served as a state civil service officer in Kedah since 1966 and left the State Government in 1981. He was the General Manager and Director of Kedah Cement Sdn Bhd (presently known as Kedah Cement Berhad) from 1981 to 1996. Presently, he is also the President of Malay Chambers of Commerce in Kedah Branch (Dewan Perniagaan Melayu Malaysia Negeri Kedah Darul Aman). He is currently a Director of SBC Corporation Berhad. He has no family relationship with any Director and/or substantial shareholders of Paragon and his directorship in Paragon does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

TOH HONG WOOI

Aged 49, Malaysian
Independent Non-Executive Director / Member of Audit Committee and Employees' Share Option Scheme Committee

Mr. Toh Hong Wooi was appointed to the Board of Paragon on 6 April 2009 as the Independent Non-Executive Director. He obtained his Masters in Business Administration from Institute of Finance and Management Studies, England. He also obtained his BA Urban Planning Studies from the University of Westminster London, England. He has more than eighteen years of working experience in both international consulting and corporate sectors. He has been involved in strategy services, business planning and development, development planning, real estate, hospitality and tourism consulting. He has no family relationship with any Director and/or substantial shareholders of Paragon and his directorship in Paragon does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

DIRECTORS' PROFILE

GOH CHEE HENG

Aged 42, Malaysian
Independent Non-Executive Director/
Member of Audit Committee and
Nomination Committee

Mr. Goh Chee Heng was appointed to the Board of Paragon on 6 April 2009. He is a Member of Malaysian Institute of Accountants – CA(M), Fellow Member of the Association of Chartered Certified Accountants, England – FCCA, (UK). He obtained his Diploma in Commerce (Financial Accounting) from TAR College and Advance Diploma in Taxation from HELP Institute. He commenced his career in 1991 with E.S. Lim & Co. as an Audit Assistant. He has since gained experience in auditing a wide range of enterprise engaged in manufacturing, investment holding, property development, construction, education institution, plantation and trading. Beside assurance works, he is exposed to corporate restructuring exercises and special audits for proposed mergers and acquisitions. He has also gained working knowledge in taxation and secretarial matters. In 1996, he was appointed Manager-Auditing and Assurance. In 2001, he was admitted as an Assurance Partner of E.S. Lim & Co. and a Tax Director of ESL Tax Services Sdn Bhd until he left in January 2007. Presently, he is a partner of GT Associates, a public accounting firm. He has no family relationship with any Director and/or substantial shareholders of Paragon and his directorship in Paragon does not give rise to any conflict of interest situation. He has no convictions for any offences within the past ten years.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chin Nam Onn *(Independent Non-Executive Chairman)*
Tan Hong Kien *(Executive Director)*
Dato' Zainol Abidin Bin Haji A. Hamid *(Independent Non-Executive Director)*
Toh Hong Wooi *(Independent Non-Executive Director)*
Goh Chee Heng *(Independent Non-Executive Director)*

AUDIT COMMITTEE

Chin Nam Onn
(Chairman & Independent Non-Executive Chairman)
Dato' Zainol Abidin Bin Haji A. Hamid
(Independent Non-Executive Director)
Toh Hong Wooi
(Independent Non-Executive Director)
Goh Chee Heng
(Independent Non-Executive Director)

COMPANY SECRETARY

Ng Yim Kong (LS 0009297)

REGISTERED OFFICE

Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Tel: 603-7804 5929
Fax: 603-7805 2559

PRINCIPAL BANKERS

Malayan Banking Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad

REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

Tel: 603-2721 2222
Fax: 603-2721 2530

AUDITORS

UHY Diong (AF1411)
Chartered Accountants

Suite 11-05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Tel: 603-2279 3088
Fax: 603-2279 3099

SOLICITORS

Shearn Delamore & Co
Kamarudin & Partners
T S Teoh & Partners

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Second Board

PRINCIPAL PLACE OF BUSINESS

Lot 14, Jalan Satu
Kawasan Perindustrian Cheras Jaya
Batu 11, Cheras
43200 Selangor Darul Ehsan

Tel: 603-9086 1100
Fax: 603-9086 1107

DOMICILE

Malaysia

LEGAL FORM AND PLACE OF INCORPORATION

A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Group's Annual Report and Audited Financial Statements for the year ended 31 December 2008.

PERFORMANCE AND FINANCIAL REVIEWS

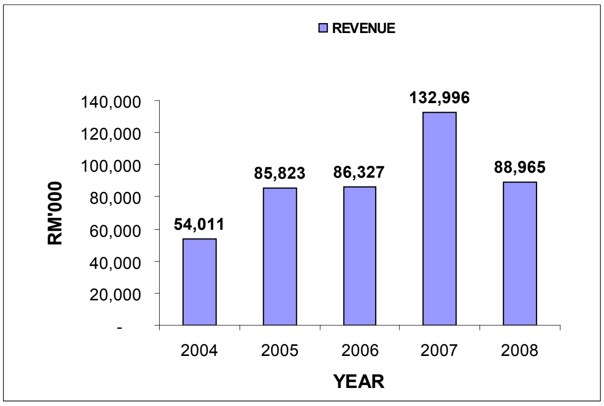
For the financial year 2008, the Group achieved a turnover of RM88.9 million compared to RM132.9 million for the preceding year. The decrease in turnover was mainly attributed to Paragon Heights development which was at its project end, whereas the carpet division achieved the highest turnover in our 25 years of history at RM61.4 million through the export sector and commercial carpets. In compliance with FRS 136, the Group has recognised an impairment loss of goodwill amounting to RM0.9 million coupled with the peak prices of rubber and petrochemical based raw materials during the year, the Group's profit before tax stood at RM0.8 million compared to RM1.6 million in the preceding year.

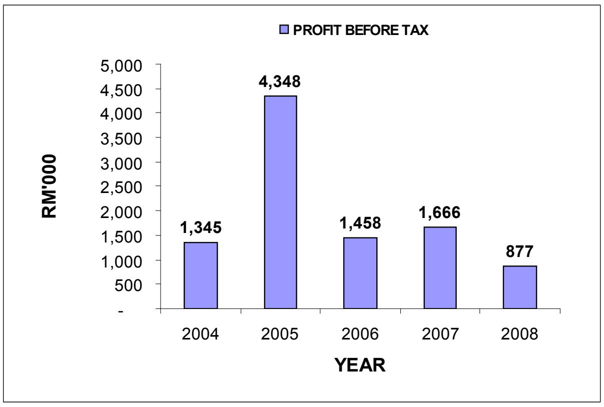
DIVIDEND

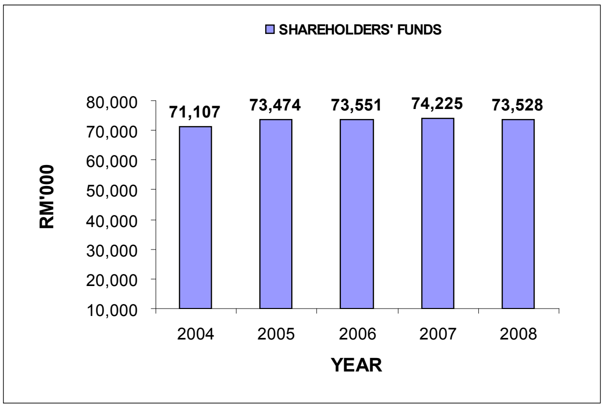
The Board is pleased to recommend a First and Final Dividend of 1% less 25% tax for the financial year ended 31 December 2008 subject to shareholders' approval at the forthcoming Fifteenth Annual General Meeting.

CARPETS DIVISION

The export of automotive carpet components to Australia, Japan, Indonesia and South Korea has resulted in a 40% increase in our automotive carpet turnover. We are glad to include General Motors, Subaru and Suzuki to our list of reputable customers such as Proton, Perodua, Mercedes Benz, Honda, Nissan, Naza Kia, Volvo, Ford, Mazda, Daihatsu and Isuzu.







CHAIRMAN'S STATEMENT

Our Commercial Carpet Division achieved a 12% increase in turnover during the year 2008. We are proud to be the reliable carpet supplier to the various hotels in 1 Borneo, Kota Kinabalu, Everly Resort Malacca, TGV Cinemas, Open University Malaysia, UEM HQ, Dewan Undangan Negeri Johor, Maybank HQ and Genting Hotel.

The Group also export commercial carpets to countries such as USA, India, China, Vietnam, Thailand, Brunei and Singapore during the year.

PROPERTY DEVELOPMENT DIVISION

171 Units in Phase I and 174 Units in Phase II of Paragon Heights, Bukit Jalil, Kuala Lumpur have been successfully completed and handed over to purchasers with a record of 100% sales in year 2006 and 2008. We are extremely pleased with this maiden property development project's great achievement.

PROSPECTS AND OUTLOOK

The tighter financing terms coupled with the increased hire purchase rates would definitely affect the local automotive market. Malaysian Automotive Association has forecasted a drop of 12% in vehicle sales for year 2009. The global economic downturn would also put a damper in our export activities.

On our commercial carpet division, the lower forecast economic growth rate for the year 2009 will be seen as a challenge to the Group. We will increase our operational efficiency, effectiveness and cost management in order to weather these challenges. In addition to that, our new machineries have been successfully installed and commissioned for us to focus in the more profitable areas of the carpet business.

Despite the termination of the acquisition of Dominion Park Sdn Bhd (refer to notes 37 and 38 of the Financial Statements), we will continue to build on the success and reputation of the Paragon Heights project and to broaden the earnings base of the Group by scouting for land and undertake viable property projects within its resources.




ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank the management and staff for their continuous efforts and dedication to the Group. Our sincere appreciation also goes to our shareholders, valued customers, bankers, business partners and Government authorities for their support and confidence in the Group.

We would also like to express our gratitude to Mr. Tan Onn Poh who has since retired as the Executive Chairman and Group Managing Director of the Board for his invaluable advice and guidance through the years.

CHIN NAM ONN
INDEPENDENT NON-EXECUTIVE CHAIRMAN

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Paragon Union Berhad (“Paragon”) appreciates the importance of practising good corporate governance to direct the businesses of the Paragon Group (“Group”) towards enhancing business and long-term value for its shareholders. The Board is fully committed to ensure that the high standards of corporate governance are practised throughout the Group.

The Board is pleased to report on how the Group has applied the principles of corporate governance and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance (“Code”) during the financial year ended 31 December 2008.

DIRECTORS

Responsibilities

The Board of Directors acknowledges its responsibilities for setting the strategic direction of the Group and ensuring it is properly managed and continuously improving its performance so as to protect and enhance shareholders’ values. In addition, the Board also acknowledges its responsibilities for the Group’s standards of conduct, risk management, succession planning, strategic planning, investor relation programme and system of internal controls in discharging its stewardship responsibilities. These are in line with the principal responsibilities specified under Best Practice AAI of the Code.

Composition and Balance

The Board currently has five members, comprising one Executive Director and four Independent Non-Executive Directors. This composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad that at least one third of the Board of Directors are Independent Directors. The composition of such ensures that no individual or small group of individuals can dominate the Board’s decision making. The Directors abstain as and when matters affecting their own interests are discussed.

The Directors, with their different backgrounds and specialisations contribute wide range of skills, finance and operational experience and technical expertise. The Board has endorsed that such good mix of skills, experience and expertise amongst the Executive and Non-Executive Directors allows each of them to bring his independent judgement to bear on the issues of strategy, performance, resources, including key appointments and standards of conduct. This ensures that the Group is effectively led and controlled. Brief Biographies of the Directors are set out on pages 6 to 8 of this report.

The Directors are satisfied that the current Board composition fairly reflects the investment of minority shareholders.

The roles of Chairman and Executive Director are separated and clearly defined. The Chairman is primarily responsible for the orderly conduct and working of the Board while the Executive Director is responsible for the day-to-day management of the business and implementation of the Board’s decisions and policies. The presence of Independent Non-Executive Directors has provided unbiased and independent views, advice and judgements as well to safeguard the interest of other parties such as minority shareholders. The Board will continue to review this composition annually.

Board Committees

The Board delegates certain functions and responsibilities to the following committees:-

1) **Audit Committee**

Please refer to the Audit Committee Report on pages 23 to 26 of this Annual Report.

The Audit Committee reports to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

2) **Employees' Share Option Scheme ("ESOS") Committee**

The ESOS Committee is responsible for administering the Paragon ESOS in accordance with the objectives and regulations as stated in the Bye-Laws of the ESOS.

Members

Mr. Chin Nam Onn	*Independent Non-Executive Chairman (Chairman)*
Mr. Tan Hong Kien	*Executive Director*
Mr. Toh Hong Wooi	*Independent Non-Executive Director*
Ms. Tee Chien Chin	*(1 representative from the Management)*

Meetings

The Directors meet regularly and all the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board follows formal schedules for meetings and members are adequately provided with status report and Board papers to assist them in making decisions for the best interest of the Group at all times. It has been the practice of the Group to require the Board decision on matters relating to the acquisition and disposal of major capital expenditure, investment in capital projects and corporate exercise.

During the financial year ended 31 December 2008, eight Board meetings were held. Attendance at the Board meetings held during the financial year is set out below:-

EXECUTIVE DIRECTORS	TOTAL
Tan Hong Kien	8/8
Tan Onn Poh (resigned on 31-12-2008)	8/8
Yap Kiang Siang (resigned on 9-7-2008)	3/4
Quah Ban Hoo (resigned on 24-3-2009, appointed on 6-11-2008)	1/1
NON-EXECUTIVE DIRECTORS	**TOTAL**
Dato' Zainol Abidin Bin Haji A. Hamid	7/8
Michael Lim Hee Kiang (resigned on 28-11-2008)	7/8
Teoh Tek Siong (resigned on 12-12-2008)	8/8
Soong Kit Kong Julian (resigned on 24-3-2009, appointed on 6-11-2008)	1/1
Benny Soh Seow Leng (resigned on 24-3-2009, appointed on 6-11-2008)	1/1
Rohaizal Bin Idris (resigned on 25-3-2009, appointed on 2-12-2008)	N/A

In the intervals between Board meetings, for any matters requiring Board decisions, Board's approvals are obtained through circular resolutions. The resolutions passed by way of circular resolutions are noted in the next Board meeting.

Supply of Information

Prior to the Board meetings, the Directors receive agenda and Board papers containing information relevant to the business of the meeting, including information on major financial, operational and corporate matters as well as activities and performance of the Company. These documents are issued to the Directors on a timely basis to enable them to obtain further explanation, where necessary, in order to be adequately informed before the meeting.

All the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. In addition, the Directors may obtain independent professional advice at the Company's expense, where necessary, in the furtherance of their duties.

Appointments and Re-elections to the Board

The Nomination Committee has the responsibility for assessing and considering the reappointment of existing Directors as well as for identifying and selecting potential new Directors to the Board. The Board recognises the importance to have formal and transparent written procedures for the appointment of new Directors and reappointment of existing Directors. The Nomination Committee is also responsible in evaluating the experience, skills and qualities of the new and existing Directors to ensure a good balance of skills amongst the Directors.

The Nomination Committee comprises the following members:-

Nomination Committee Members

Mr. Chin Nam Onn	*Independent Non-Executive Chairman (Chairman)*
Dato' Zainol Abidin Bin Haji A.Hamid	*Independent Non-Executive Director*
Mr. Goh Chee Heng	*Independent Non-Executive Director*

In accordance with the Company's Articles of Association, every Director is required to retire by rotation at intervals of not less than three years at each Annual General Meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. The details of the retiring Directors are set out in the Statement Accompanying Notice of AGM on page 5 of the Annual Report.

Directors' Training

During the financial year under review, the Board of Directors had attended brief training conducted by the Company Secretary pertaining to the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in connection with the Revised Code on Corporate Governance.

The Directors will continue to undergo other relevant training programmes, where appropriate, to further enhance their knowledge and keep abreast with the changing business developments.

DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Directors so as to ensure that it attracts and retains the Directors required to operate the business successfully.

The Board endorses the importance to have formal and transparent procedures for developing policy on executive remuneration and fixing the remuneration packages of individual Director. The Remuneration Committee is responsible in determining the remuneration packages payable to Executive and Non-Executive Directors. The recommended Directors' fees are to be approved by shareholders at the AGM.

The remuneration of Directors reflects the level of responsibility and commitment that goes with the Board's membership. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the individual and the Group's performance. For Non-Executive Directors, the remuneration is reflective of their individual experience and level of responsibilities.

The Remuneration Committee comprises the following members:-

Remuneration Committee Members

Mr. Chin Nam Onn	*Independent Non-Executive Chairman (Chairman)*
Mr. Tan Hong Kien	*Executive Director*
Dato' Zainol Abidin Bin Haji A.Hamid	*Independent Non-Executive Director*

The remuneration of the Directors, in aggregation and analysed into bands of RM50,000 is as follows:-

	EXECUTIVE DIRECTORS RM	NON-EXECUTIVE DIRECTORS RM
Salaries	1,192,088	-
Bonuses	146,520	-
Fees	50,000	48,000
Benefits-In-Kind	56,896	-
Total	1,445,504	48,000

REMUNERATION RANGE	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Less than RM50,000	-	3
RM150,001 to RM200,000	1	-
RM400,001 to RM450,000	1	-
RM700,001 to RM750,000	1	-

SHAREHOLDERS

The Board believes in clear communication and recognises the importance to have timely and equal dissemination of relevant information to its shareholders and investors. The annual report and quarterly financial results of the Company and the Group are published on Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com. Additional information of the Company is available on the website at www.paragon.com.my.

The Company also encourages shareholders to attend its AGM as this is the principal forum for dialogue and interaction with shareholders. At each AGM, the Directors provide adequate time to attend to questions and comments of shareholders. The Board will provide a written answer to any question that cannot be answered readily at the meeting. In this regard, information is disseminated in strict adherence to the disclosure requirements of Bursa Malaysia Securities Berhad.

ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four Directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 23 to 26 of this Annual Report.

Financial Reporting

The Board aims to provide and present a balanced and understandable assessment of the Group's financial position, performance and prospects at the end of the financial year primarily through the annual financial statements and quarterly announcement of results to shareholders as well as the Chairman's Statement in the Annual Report. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Company and of the Group.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2008 the Company and the Group have used the appropriate accounting policies and applied them consistently and prudently. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls, which provides reasonable assurance on the effective and efficient running of operations and compliance with laws and regulations.

The Company's Statement on Internal Control is set out on pages 20 to 21 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Relationship with the Auditors

A transparent and appropriate relationship is maintained with the Company's external and internal auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly and independently with the auditors.

Additional Compliance Information

The following is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:-

1. **Non-audit fees**

   The amount of non-audit fees incurred for the services rendered to the Group by the external auditors or their affiliated companies during the financial year amounted to RM20,000.

2. **Material contracts**

   There were no material contracts entered into by the Company and/or its subsidiaries that involve Directors' or substantial shareholders' interests either still subsisting at the end of the financial year ended 31 December 2008 or entered into since the end of the previous financial year.

3. **Sanctions/ penalties**

   There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or Management by any relevant regulatory bodies during the financial year.

4. **Revaluation of landed properties**

   The Company and the Group did not have a policy on regular revaluation of land and buildings.

5. **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programme**

   During the financial year, the Company did not sponsor any ADR or GDR programme.

6. **Variation in results**

   There was no variance of more than 10% between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

7. **Profit guarantee**

   No profit guarantee was given by the Company in respect of the financial year.

8. **Share Buy-Back**

During the financial year, the total share bought-back by the Company amounted to RM351,465 for 730,200 ordinary shares with an average price of RM0.48 per share.

SCHEDULE OF SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Monthly Breakdown	No. Of Shares Purchased And Retained As Treasury Shares	Purchase Price Per Share (RM)		Average Cost Purchase (RM)	Total Cost (RM)
		Lowest	Highest		
January 2008	74,500	0.420	0.525	0.494	36,806.98
February 2008	29,000	0.450	0.500	0.487	14,133.68
March 2008	61,200	0.450	0.500	0.483	29,576.49
April 2008	50,000	0.470	0.500	0.491	24,556.07
May 2008	94,700	0.460	0.510	0.493	46,724.35
June 2008	128,200	0.445	0.500	0.481	61,724.36
July 2008	155,800	0.425	0.500	0.451	70,310.00
August 2008	44,600	0.460	0.500	0.486	21,691.45
September 2008	30,200	0.480	0.530	0.521	15,738.99
October 2008	45,000	0.440	0.520	0.481	21,654.11
November 2008	15,000	0.430	0.500	0.504	7,566.18
December 2008	2,000	0.450	0.450	0.491	982.28
Total	730,200	0.420	0.530	0.481	351,464.94

9. **Options, warrants or convertible securities**

There were no options, warrants or convertible securities being exercised during the financial year.

STATEMENT ON INTERNAL CONTROL

1. Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board is pleased to outline the state of internal control of the Group for the financial year ended 31 December 2008 pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

2. Board's Responsibility

The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing its effectiveness, adequacy and integrity. However, in view of the limitations that are inherent in any system of internal controls, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement, fraud or loss.

3. Key Elements of Internal Controls

(a) Risk Management Framework

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review. This process is regularly reviewed by the Board and accords with the Statement on Internal Control: Guidance For Directors of Public Listed Companies.

The Management is responsible for the identification and evaluation of key risks applicable to their areas of business activities on a continuous basis. Risks identified are reported on a timely manner during the periodic management meetings to enable corrective actions to be taken.

(b) Internal Audit

The Group's system of internal controls is regularly reviewed for its effectiveness in managing key risks. The internal audit function focuses on areas of priority as determined by the risk assessment of the auditable areas. Where significant weaknesses have been identified, improvement measures are recommended to strengthen controls.

The internal audit reports are tabled at Audit Committee meetings for members' review.

(c) Other Key Elements of Internal Controls

Other key elements of the Group's system of internal controls are as follows:

- The Group has an appropriate organisational structure, which enables adequate monitoring of the activities and ensures effective flow of information across the Group. In addition, lines of responsibility and delegations of authority are clearly defined.

- The Executive Director is actively participating in day-to-day running of the Group's operations. This enables material issues to be effectively resolved on a timely basis.

- Operational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

- Key processes of the Group are governed by written policies and procedures.

- The Group's operations are accredited with ISO9001 international quality system standards and such quality management systems provide the Group with improved control of key processes and a foundation for improving quality and customer satisfaction. The quality management system of the Group is further enhanced with its accreditation of ISO14001 for the environment and OHSAS18001 for the health and safety of the employees. The Group has also attained accreditation of TS16949 standard, an advanced quality system standard for the automotive industry.

- The Management monitors the Group's performance through key performance indicators and prepares monthly and quarterly management reports.

- The Audit Committee and the Board monitor and review the Group performance and financial results at their quarterly meetings.

- The Board receives and reviews information on the Company's financial status and performance.

- The Audit Committee meets at least four times a year and reviews the effectiveness of the Group's system of internal controls. The Committee receives periodic management reports.

4. Control Weaknesses

The Management continues to take measures to strengthen the controls environment. During the financial year, there were no major internal control weaknesses which resulted in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate social responsibility is concerned with the integration of economic, environmental and social imperatives while considering the interests of shareholders and stakeholders.

At Paragon Union Berhad 'Paragon', we strived to achieve the best industrial practice to ensure we integrate our business values with environmental and social responsibilities.

EMPLOYEE WELFARE

We recognised employees are important assets to the Group. In line with our commitment to protect and safeguard the health and safety of our employees, we have achieved OHSAS 18001, a health and safety management system since 2002. To ensure a safe and zero accident workplace, we have provided trainings to our workers on safety procedures and upgraded our facilities to comply with the latest safety requirements. Among the trainings conducted for the year include:-

- Fire Fighting & Fire Drill Training
- Forklift Operators' & Safety Training
- First Aid Training
- Chemical Drill
- Awareness Training

Our continued success relies on our employees therefore we provide trainings to employees to enhance their skills and competencies. It would not only enable employees to properly discharge their duties but also provide progression opportunities for employees. Trainings conducted such as essential management skills, basic bearing maintenance, production planning and control and some other in-house trainings.

Recognising the need to also 'unwind', not just on hard work, we encouraged recreational activities and funded the establishment of a sport club whereby the employees can enjoy sports activities and social gatherings like the Company's Family Day.

ENVIRONMENTAL

We take responsibility for the environment that we operate in. As such, we complied strictly to all existing environment laws and regulations. We are ISO 14001 certified, an environmental management system since 2002 and have established and maintain a system of environmental planning, taking into consideration the legal and other requirements, the environmental aspect-impact and health and safety hazard-risk analysis. Stringent management programs are in place to ensure these objectives are met which include minimising the generation of schedule waste, waste water-treatment plant and recycle of materials such as paper, metal and plastic.

COMMUNITY WELFARE

At PUB, we support practical training for students whereby we welcome aspiring students who need to meet their practical training requirements. Besides that we also support community activities by making cash contributions to non-profitable organizations and community service projects such as Montfort Boys Town and Yayasan Salam Malaysia.

Corporate social responsibility to PUB is more than a statement. We strongly believe that the Group's activities should always take into consideration, its impact on society, our customers, suppliers, employees, shareholders, communities, environment and other stakeholders.

AUDIT COMMITTEE REPORT

1. COMPOSITION

Members of the Committee	Designation
Mr. Chin Nam Onn	Independent Non-Executive Chairman (Chairman)
Dato' Zainol Abidin Bin Haji A. Hamid	Independent Non-Executive Director
Mr. Toh Hong Wooi	Independent Non-Executive Director
Mr. Goh Chee Heng	Independent Non-Executive Director

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

2.1 Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three members of whom all must be Non-Executive Director, with a majority of them being Independent Directors. No Alternate Director shall be appointed as a member of the Audit Committee.

At least one member of the Audit Committee:-

i) must be a member of the Malaysian Institute of Accountants;
ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience and:-
   (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The members of the Committee shall select a Chairman from among their members who shall be an Independent Director.

If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board of Directors shall, within three months of the events, appoint such number of new members as may be required to make up the minimum number of three members.

The term of office and performance of Committee members should be reviewed by the Board in every three years.

2.2 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Company;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) be able to obtain independent professional or other advice; and
(f) be able to convene meetings with the external auditors, internal auditors or both excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

2.3 Functions

The functions of the Committee shall be:-

a) to review:-

(i) with the external auditors, the audit plan;
(ii) with the external auditors, his evaluation of the system of internal accounting controls;
(iii) with the external auditors, his audit report;
(iv) the assistance given by the employees of the Company to the external auditors;
(v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
(vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
(vii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
(aa) changes in or implementation of major accounting policy changes;
(bb) significant and unusual events; and
(cc) compliance with accounting standards and other legal requirements;
(viii) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
(ix) any letter of resignation from the external auditors of the Company; and
(x) whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment; and

b) to recommend the nomination of a person or persons as external auditors,

together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

2.4 Meetings

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and the external auditors. Any other Directors and employees intending to attend any particular Audit Committee meeting may do so only at the Committee's invitation, specific to the relevant meeting.

The external auditors shall have the right to appear and be heard at any meeting.

The quorum for a meeting shall be two of which the majority of members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.

The Company Secretary shall be the Secretary of the Committee.

2.5 Reporting Procedures

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

2.6 Audit Committee Report

The Committee shall prepare an Audit Committee report at the end of each financial year.

2.7 Reporting of Breaches to Bursa Malaysia Securities Berhad

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

3. MEETINGS

There were five Meetings of the Audit Committee held during the financial year ended 31 December 2008 to which all the Committee Members attended. The record of attendance of each Committee Member is as follows:-

Committee Member	Attendance
Mr. Tan Hong Kien (resigned on 6-11-2008)	4/4
Mr. Michael Lim Hee Kiang (resigned on 28-11-2008)	4/5
Mr. Teoh Tek Siong (resigned on 12-12-2008)	5/5
Mr. Soong Kit Kong Julian (resigned on 24-3-2009, appointed on 6-11-2008)	1/1
Mr. Benny Soh Seow Leng (resigned on 24-3-2009, appointed on 6-11-2008)	1/1
Encik Rohaizal Bin Idris (resigned on 25-3-2009, appointed on 12-12-2008)	N/A

4. SUMMARY OF ACTIVITIES

During the year ended 31 December 2008, the activities of the Audit Committee included:-

- Reviewed the unaudited quarterly financial results of the Group prior to the Board of Directors' approval and subsequent announcements.
- Reviewed with the External Auditors the audited financial statements of the Company and the Group, the results of the audit and audit report prior to the Board of Directors' approval and subsequent announcements.
- Discussed and reviewed updates of new development on accounting standards issued by the Malaysian Accounting Standard Board.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group.
- Reviewed the Internal Audit Report and discussed the audit findings, recommendations and Management's response arising from the internal audit visits for the purpose of improving internal controls and operational efficiencies.

5. INTERNAL AUDIT FUNCTION

The responsibilities of the Internal Audit Function include the following:

- To assist in reviewing the adequacy, integrity and effectiveness of the Group's system of internal controls;
- To support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements for internal control system and co-develop a prioritised action plan;
- To perform a risk assessment of the Group to identify the business processes within the Group that internal audit function should focus on; and
- To allocate audit resources to areas within the Group to provide the Management and the Audit Committee with an efficient and effective level of audit coverage.

During the financial year, the internal audit function has carried out various risk-based audit reviews of the key processes of Production Department and Quality Assurance Department. These include the production planning, scheduling and reporting, in-process inspection, calibration and final product quality inspection. The audit steps involved are as follows:

- Defined the audit objectives and audit scope based on the risk factors as identified in the Internal Audit Plan;
- Determined the resources required;
- Prepared an Audit Work Programme ("AWP");
- Discussed the proposed AWP with the Management;
- Conducted the entrance conference with Management in charge of the auditable unit;
- Performed the necessary tests based on the approved AWP;
- Conducted the exit conference and briefed Management in charge of the findings; and
- Reported the findings and proposed a set of 'best practices' for improvement to Management and Audit Committee.

SUBSIDIARY COMPANIES

EQUITY INTEREST

	NAME OF COMPANY	2008	2007	PRINCIPAL ACTIVITIES
	Paragon Car Carpets & Components Sdn Bhd (108988-M)	100%	100%	Manufacturing and distribution of car carpets and automotive components
*	Paragon Carpetmaker Sdn Bhd (246013-P)	100%	100%	Manufacturing and trading in car carpets and commercial carpets
**	Paragon Carpet Distributor Sdn Bhd (162824-P)	100%	100%	Distribution and trading of commercial carpets
	Paragon Expression Sdn Bhd (437303-P)	100%	100%	Investment holding and property development related activities
***	Paragon Property Development Sdn Bhd (503011-P)	100%	100%	Dealing in land, properties and other property development related activities
	Paragon Precision Industries Sdn Bhd (277004-P)	78%	78%	Inactive
	Paragon Metal Components Sdn Bhd (267454-U)	77%	77%	Inactive

* *Held through Paragon Car Carpets & Components Sdn Bhd (108988-M)*
** *Held through Paragon Carpetmaker Sdn Bhd (246013-P)*
*** *Held through Paragon Expression Sdn Bhd (437303-P)*

LIST OF PROPERTIES HELD BY THE GROUP

As At 31st December 2008

Location	Age of Building	Tenure	Description	Land Area (sq. m.)	Build-Up Area (sq. m.)	Cost / Revaluation (RM)	Net Book Value as at 31.12.2008 (RM)	Last Date of Revaluation
Lot No. PT 7637 14, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	18 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	8,094	3,190 (factory) 3,929 (office)	8,090,000	6,605,194	12.03.1998
Lot No. PT 7667 21, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	17 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	6,833	4,177 (factory) 873 (office)	5,725,820	4,711,698	13.02.1998
Lot No. PT 7641 11A, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	13 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	12,128	7,919 (factory)	8,441,936	7,020,514	12.03.1998

ANALYSIS OF SHAREHOLDINGS

Class of Shares : **Ordinary Shares of RM1.00 Each**
Voting Rights : **One (1) Vote per Ordinary Share Held**

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 7 MAY 2009

Size Of Holdings	No. Of Shareholders	No. Of Shares	Percentage (%)
1 - 99	21	423	0.00
100 - 1,000	787	753,142	1.16
1,001 - 10,000	1,707	7,716,701	11.93
10,001 – 100,000	396	10,935,500	16.90
100,001 – 3,234,914*	31	9,923,440	15.34
3,234,915 and above **	2	35,369,094	54.67
Total	2,944	64,698,300***	100.00

Notes :
* Less than 5% of the issued and paid-up share capital.
** 5% and above of the issued and paid-up share capital.
*** The number of 64,698,300 ordinary shares was arrived at after deducting 5,301,700 treasury shares retained by the Company from the issued and paid-up share capital of 70,000,000 ordinary shares as per the Record of Depositors.

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 7 MAY 2009

Names	Direct No. of Shares	Percentage (%)	Indirect No. of Shares	Percentage (%)
Chin Nam Onn	-	-	-	-
Tan Hong Kien	-	-	-	-
Dato' Zainol Abidin Bin Haji A. Hamid	-	-	-	-
Toh Hong Wooi	-	-	-	-
Goh Chee Heng	-	-	-	-

ANALYSIS OF SHAREHOLDINGS

OPTIONS ALLOCATED TO THE DIRECTORS PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME AS AT 7 MAY 2009

Names	Granted	Percentage (%)	Exercise as at 7 May 2009	Percentage (%)
Tan Hong Kien	500,000	6.94	-	-
Dato' Zainol Abidin Bin Haji A. Hamid	250,000	3.47	-	-

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 7 MAY 2009

Substantial Shareholders	Direct No. Of Shares	Percentage (%)	Indirect No. Of Shares	Percentage (%)
Asia Avenue Sdn. Bhd.	31,941,094	49.37	-	-
Kong See Kuan	-	-	31,941,094*	49.37
Chaw Choi Kew @ Chow Choi Kew	-	-	31,941,094*	49.37
Tan Choon Hock	3,428,000	5.30	-	-

Notes: * Deemed interest by virtue of her substantial shareholdings in Asia Avenue Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

THIRTY (30) LARGEST SHAREHOLDERS AS AT 7 MAY 2009

No.	Names	No. Of Shares Of RM1.00 Each	Percentage (%)
1.	Asia Avenue Sdn. Bhd.	31,941,094	49.37
2.	Tan Choon Hock	3,428,000	5.30
3.	Tan Onn Poh	1,500,000	2.32
4.	Low Joon Yong	1,085,600	1.68
5.	Su Ming Keat	996,040	1.54
6.	Lee Poh Yee	843,800	1.30
7.	Low Joon Yong	660,600	1.02
8.	CIMSEC Nominees (Asing) Sdn. Bhd. Exempt An for CIMB-GK Securities Pte. Ltd.	486,500	0.75
9.	Lim Lai Chun @ Lim Lai Chan	358,400	0.55
10.	Low Wan Chin	275,000	0.43
11.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Pah Sang	257,100	0.40
12.	Ang Seo Hoon	254,800	0.39
13.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Chow Tee	240,900	0.37
14.	Gan Lam Seong	236,000	0.36
15.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Ah Kim	214,500	0.33
16.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Keat	200,000	0.31
17.	Lim Chir Ching	200,000	0.31
18.	Cheong Chun Ming	164,000	0.25
19.	Chin Tung Leong	154,800	0.24
20.	Phong Chiew Khim	147,800	0.23
21.	Yee Kwek Keong	140,000	0.22
22.	Yeow Teck Chai	138,000	0.21
23.	Chong Tong Siew	134,000	0.21
24.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Teck Khoon	133,200	0.21
25.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Tien Tow	131,000	0.20
26.	Chantika Holdings Sdn. Bhd.	130,000	0.20
27.	Ho Wah Genting Kintron Sdn. Bhd.	130,000	0.20
28.	Lim Chin Huat	128,000	0.20
29.	See Kee Hoot	126,700	0.20
30.	Mustapha Bin Ab. Wahid	120,000	0.19
	Total	**44,955,834**	**69.49**

DIRECTORS' REPORT

The Directors have pleasure in present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 5 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 profit for the financial year		
- Attributable to equity holders of the parent	134,971	363,699

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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 current financial year.

DIVIDEND

A first and final dividend of 1% less income tax at 26% on 65,050,000 ordinary shares of RM1.00 each, amounting to a total net dividend of RM481,370 in respect of the financial year ended 31 December 2007 was paid on 11 July 2008.

There was a decrease in dividend paid amounting to RM3,001 over the amount of RM484,371 as disclosed in the Directors' report of the previous financial year. The reduction in dividend paid was due to the share buy-back of 405,600 ordinary shares from the open market prior to the date the dividend paid.

The Directors now recommend the payment of a first and final dividend of 1% less income tax at 25% on 64,725,400 ordinary shares of RM1.00 each, amounting to a total net dividend of RM485,441, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The proposed first and final dividend is payable in respect of all ordinary shares in issue at the date of the financial statements, excluding those ordinary shares held as treasury shares under share buy-back. The financial statements for the current financial year do not reflect this proposed dividend which will be accrued as a liability in the financial year ending 31 December 2009 when approved by shareholders.

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. The renewal of share buy back was last approved at the Annual General Meeting ("AGM") of the Company held on 23 June 2008 and will expire at the conclusion of the forthcoming AGM of the Company.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

To date, 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
	5,274,600		4,209,498

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 2008, the total number of treasury shares held by the Company is 5,274,600 ordinary shares.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In the financial year 2005, the Company obtained approval from the shareholders of the Company and the relevant authorities for the establishment of an ESOS known as Paragon Union Berhad Employees' Share Option Scheme ("ESOS" or "the Scheme"). The Scheme enables the Company to establish an ESOS adopting the current flexibilities under the Listing Requirements on ESOS, for the benefits of the eligible employees as well as both executive and non-executive Directors of the Group to subscribe up to 15% of the issued and paid-up share capital of the Company under the Scheme.

The eligible Directors are as follows:

Full time Directors

- Mr. Tan Hong Kien	
- Mr. Tan Onn Poh	(resigned on 31.12.2008)
- Mr. Yap Kiang Siang	(resigned on 9.7.2008)

Independent non-executive Directors

- Dato' Zainol Abidin Bin Haji A. Hamid	
- Mr. Teoh Tek Siong	(resigned on 12.12.2008)
- Mr. Michael Lim Hee Kiang	(resigned on 28.11.2008)

The Scheme became operative on 1 September 2005 for all eligible employees and on 22 September 2005 for all eligible independent Directors for a period of five years and the options may be exercised from 1 September 2005 for all eligible employees and 22 September 2005 for all eligible independent Directors and the Scheme expire on 20 July 2010.

The option price for each share shall be at a discount of not more than ten percent (10%) from the weighted average market price of the shares of the five (5) market days immediately preceding the date of offer or the par value of the shares, whichever is higher.

The consideration is payable in full on application and the options granted do not confer any rights to participate in any share issue of any other companies of the Group.

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

The movements in the options during the financial year to take up unissued new ordinary shares of RM1.00 each and the exercise price are as follows:

Date option granted	Exercise price RM	----- Number of options over ordinary shares ----- At 1.1.2008	Exercised	Forfeited	At 31.12.2008
1 September 2005	1.00	5,360,000	-	1,680,000	3,680,000
22 September 2005	1.00	1,000,000	-	750,000	250,000
		6,360,000	-	2,430,000	3,930,000

The salient features and other terms of the ESOS are disclosed in Note 31 to the financial statements.

The Company obtained exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of option holders, other than Directors, who have been granted options to subscribe for less than 250,000 options each and details of their option holdings during the financial year.

The names of option holders who have been granted options to subscribe for 250,000 and more options during the financial year are as follows:

	Option Price RM	----- Number of options over ordinary shares ----- At 1.1.2008	Granted	Exercised	At 31.12.2008
Ngau Poo	1.00	250,000	-	-	250,000
Poh Tzu Seng	1.00	250,000	-	-	250,000

Details of the options granted to Directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS

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

Tan Hong Kien	
Dato' Zainol Abidin Bin Haji A. Hamid	
Toh Hong Wooi	*(appointed on 6.4.2009)*
Goh Chee Heng	*(appointed on 6.4.2009)*
Chin Nam Onn	*(appointed on 28.4.2009)*
Tan Onn Poh	*(resigned on 31.12.2008)*
Teoh Tek Siong	*(resigned on 12.12.2008)*
Michael Lim Hee Kiang	*(resigned on 28.11.2008)*
Yap Kiang Siang	*(resigned on 9.7.2008)*
Soong Kit Kong Julian	*(resigned on 24.3.2009, appointed on 6.11.2008)*
Benny Soh Seow Leng	*(resigned on 24.3.2009, appointed on 6.11.2008)*
Quah Ban Hoo	*(resigned on 24.3.2009, appointed on 6.11.2008)*
Rohaizal Bin Idris	*(resigned on 25.3.2009, appointed on 2.12.2008)*

DIRECTORS' INTERESTS

Details of holdings and deemed interests in the share capital and options over the shares of the Company or its related corporations by the Directors holding office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	Number of options over ordinary shares of RM1.00 each ("ESOS")			
	At 1.1.2008	Granted	Exercised	At 31.12.2008
Paragon Union Berhad				
Tan Hong Kien	500,000	-	-	500,000
Dato' Zainol Abidin Bin Haji A. Hamid	250,000	-	-	250,000

None of the other 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 than those arising from the share options granted under the Paragon Union Berhad ESOS.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that 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 value 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 which would render:

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

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

  (iii) any amount stated in the financial statements of the Group and of the Company misleading;

  (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities 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 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 Company or its subsidiary companies 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 Company or its subsidiary companies which has arisen since the end of the financial year.

SIGNIFICANT EVENT

The significant event is disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 38 to the financial statements.

ULTIMATE HOLDING COMPANY

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

AUDITORS

The auditors, UHY Diong, retire and do not seek re-appointment.

Signed in accordance with a resolution of the Directors.

TAN HONG KIEN Director	DATO' ZAINOL ABIDIN BIN HAJI A. HAMID Director

KUALA LUMPUR
28 APRIL 2009

STATEMENT BY DIRECTORS

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

We, TAN HONG KIEN and DATO' ZAINOL ABIDIN BIN HAJI A. HAMID, 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 43 to 101 are drawn up in accordance with 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 2008 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.

TAN HONG KIEN Director	DATO' ZAINOL ABIDIN BIN HAJI A. HAMID Director

KUALA LUMPUR
28 APRIL 2009

STATUTORY DECLARATION

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

I, TAN HONG KIEN, being the Director primarily responsible for the financial management of PARAGON UNION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 43 to 101 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 above named TAN HONG KIEN	)	
at Kuala Lumpur in the Federal Territory	)	
	)	
this 28 APRIL 2009	)	
	)	
	)	**TAN HONG KIEN**
Before me:	)	

ARSHAD ABDULLAH (W 550)
Commissioner For Oaths

FINANCIAL STATEMENTS - 31 DECEMBER 2008

We have audited the financial statements of Paragon Union Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 43 to 101.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with 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 2008 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON UNION BERHAD

Report on Other Legal and Regulatory Requirements

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

(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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts 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) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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.

UHY DIONG
Firm Number: AF 1411
Chartered Accountants

KOAY THEAM HOCK
Approved Number: 2141/04/11 (J)
Chartered Accountant

Kuala Lumpur
28 APRIL 2009

BALANCE SHEETS

BALANCE SHEETS - 31 DECEMBER 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	24,141,764	23,181,833	-	-
Prepaid lease payments	4	8,858,708	8,978,991	-	-
Investment in subsidiary companies	5	-	-	13,297,231	13,297,231
Intangible asset	6	-	980,621	-	-
Deferred tax asset	7	-	1,915	-	-
		33,000,472	33,143,360	13,297,231	13,297,231
CURRENT ASSETS					
Land and property development costs	8	-	10,689,485	-	-
Inventories	9	15,927,526	11,985,815	-	-
Trade receivables	10	27,172,870	39,920,959	-	-
Other receivables	11	37,584,561	18,663,289	34,648,723	17,773,965
Tax recoverable		483,905	552,663	111,818	97,373
Amount owing by subsidiary companies	12	-	-	32,229,730	39,118,979
Cash held under housing development account	13	22,353	4,012,581	-	-
Cash and bank balances	14	1,063,735	1,818,326	702,757	1,205,591
		82,254,950	87,643,118	67,693,028	58,195,908
TOTAL ASSETS		115,255,422	120,786,478	80,990,259	71,493,139
EQUITY					
Share capital	15	70,000,000	70,000,000	70,000,000	70,000,000
Reserves	16	826,424	909,351	-	-
Retained profits		6,910,665	7,174,137	4,920,874	5,038,545
Treasury shares	17	(4,209,498)	(3,858,033)	(4,209,498)	(3,858,033)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		73,527,591	74,225,455	70,711,376	71,180,512

BALANCE SHEETS

BALANCE SHEETS - 31 DECEMBER 2008 (CONT'D)

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
NON-CURRENT LIABILITIES					
Hire purchase payables	18	645,375	358,788	-	-
Bank borrowings	19	5,307,343	-	-	-
Deferred tax liabilities	20	3,055,755	3,747,164	-	-
		9,008,473	4,105,952	-	-
CURRENT LIABILITIES					
Trade payables	21	4,471,393	31,290,070	-	-
Other payables	22	5,370,355	4,849,737	1,536,883	312,627
Amount owing to a subsidiary company	12	-	-	8,742,000	-
Hire purchase payables	18	342,750	338,673	-	-
Bank borrowings	19	21,018,882	3,380,077	-	-
Tax payables		1,515,978	2,596,514	-	-
		32,719,358	42,455,071	10,278,883	312,627
TOTAL LIABILITIES		41,727,831	46,561,023	10,278,883	312,627
TOTAL EQUITY AND LIABILITIES		115,255,422	120,786,478	80,990,259	71,493,139

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
Revenue	23	88,964,877	132,995,929	800,000	1,500,000
Cost of sales		(77,771,452)	(123,050,555)	-	-
Gross profit		11,193,425	9,945,374	800,000	1,500,000
Other operating income		597,357	329,196	69,180	-
Selling and distribution costs		(4,495,732)	(3,595,762)	-	-
Administrative and general expenses		(5,886,233)	(4,138,749)	(311,926)	(442,478)
Gain on disposal of other investments		-	7,991	-	-
Finance costs	24	(531,529)	(882,284)	-	-
Profit before taxation	25	877,288	1,665,766	557,254	1,057,522
Taxation	26	(742,317)	(460,635)	(193,555)	(368,686)
Net profit for the financial year attributable to equity holders of the parent		134,971	1,205,131	363,699	688,836
Earnings per share attributable to equity holders of the parent (sen): Basic	27	0.21	1.84		
Net dividend per ordinary share (sen)	28	0.74	0.73	0.74	0.73

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

		Attributable to Equity Holders of the Parent					
			<- Non-Distributable ->		< --- Distributable --->		
	Note	Share Capital RM	Merger Reserve RM	Asset Valuation Reserve RM	Treasury Shares RM	Retained Profits RM	Total RM
GROUP							
At 1 January 2007		70,000,000	(4,618,481)	5,386,328	(3,583,282)	6,366,470	73,551,035
Realisation of reserve on amortisation of revalued properties		-	-	(82,927)	-	82,927	-
Effect of reduction in future statutory tax rate	20	-	-	224,431	-	-	224,431
Shares purchased during the financial year held as treasury shares	17	-	-	-	(274,751)	-	(274,751)
Net profit for the financial year		-	-	-	-	1,205,131	1,205,131
Dividend	28	-	-	-	-	(480,391)	(480,391)
At 31 December 2007		70,000,000	(4,618,481)	5,527,832	(3,858,033)	7,174,137	74,225,455

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONT'D)

		Attributable to Equity Holders of the Parent					
			<- Non-Distributable ->		< --- Distributable --->		
	Note	Share Capital RM	Merger Reserve RM	Asset Valuation Reserve RM	Treasury Shares RM	Retained Profits RM	Total RM
GROUP							
At 1 January 2008		70,000,000	(4,618,481)	5,527,832	(3,858,033)	7,174,137	74,225,455
Realisation of reserve on amortisation of revalued properties		-	-	(82,927)	-	82,927	-
Shares purchased during the financial year held as treasury shares	17	-	-	-	(351,465)	-	(351,465)
Net profit for the financial year		-	-	-	-	134,971	134,971
Dividend	28	-	-	-	-	(481,370)	(481,370)
At 31 December 2008		70,000,000	(4,618,481)	5,444,905	(4,209,498)	6,910,665	73,527,591

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONT'D)

	Note	Share Capital RM	< ----- Distributable -----> Treasury Shares RM	Retained Profits RM	Total RM
COMPANY					
At 1 January 2007		70,000,000	(3,583,282)	4,830,100	71,246,818
Shares purchased during the financial year held as treasury shares	17	-	(274,751)	-	(274,751)
Net profit for the financial year		-	-	688,836	688,836
Dividend	28	-	-	(480,391)	(480,391)
At 31 December 2007		70,000,000	(3,858,033)	5,038,545	71,180,512
At 1 January 2008		70,000,000	(3,858,033)	5,038,545	71,180,512
Shares purchased during the financial year held as treasury shares	17	-	(351,465)	-	(351,465)
Net profit for the financial year		-	-	363,699	363,699
Dividend	28	-	-	(481,370)	(481,370)
At 31 December 2008		70,000,000	(4,209,498)	4,920,874	70,711,376

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Profit before taxation	877,288	1,665,766	557,254	1,057,522
Adjustments for:				
Allowance for doubtful debts	146,393	240,000	-	-
Allowance for doubtful debts written back	(76,399)	(55,956)	-	-
Amortisation of prepaid lease payments	120,283	120,282	-	-
Bad debts written off	240,000	-	-	-
Depreciation of property, plant and equipment	1,884,746	1,729,863	-	-
Dividend income	-	-	(800,000)	(1,500,000)
Gain on disposal of property, plant and equipment	(46,978)	(18,000)	-	-
Gain on disposal of other investments	-	(7,991)	-	-
Impairment loss on goodwill on consolidation	980,621	789,695	-	-
Interest income	(173,172)	(122,578)	(69,180)	-
Interest expense	531,529	882,284	-	-
Operating profit/(loss) before working capital changes	4,484,311	5,223,365	(311,926)	(442,478)
(Increase) / Decrease in working capital				
Inventories	(3,941,711)	(789,141)	-	-
Land and property development costs	10,690,689	49,560,949	-	-
Trade and other receivables	(6,483,177)	(20,584,355)	(16,874,758)	4,261
Trade and other payables	(26,298,059)	(203,485)	1,224,256	61,642
Amount owing by/to subsidiary companies	-	-	15,631,249	(134,130)
	(26,032,258)	27,983,968	(19,253)	(68,227)
Cash (used in)/generated from operations	(21,547,947)	33,207,333	(331,179)	(510,705)
Dividend received from subsidiary company	-	-	592,000	1,095,000
Interest received	173,172	122,578	69,180	-
Interest paid	(532,733)	(1,645,220)	-	-
Tax refunded	184,179	171,941	-	25,290
Tax paid	(2,627,768)	(1,895,052)	-	-
	(2,803,150)	(3,245,753)	661,180	1,120,290
Net cash (used in)/from operating activities	(24,351,097)	29,961,580	330,001	609,585

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (CONT'D)

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3(d)	(2,284,699)	(1,194,404)	-	-
Proceeds from disposal of property, plant and equipment		153,000	18,000	-	-
Proceeds from disposal of other investment		-	25,441	-	-
Net cash used in investing activities		(2,131,699)	(1,150,963)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Repurchase of shares		(351,465)	(274,751)	(351,465)	(274,751)
Drawdown of term loans		6,000,000	10,500,000	-	-
Repayment of term loans		(394,261)	(28,160,203)	-	-
Net changes in bills payable		5,562,830	(2,745,238)	-	-
Repayment of hire purchase payables		(375,336)	(333,316)	-	-
Dividend paid	28	(481,370)	(480,391)	(481,370)	(480,391)
Net cash from/(used in) financing activities		9,960,398	(21,493,899)	(832,835)	(755,142)
Net (decrease)/increase in cash and cash equivalents		(16,522,398)	7,316,718	(502,834)	(145,557)
Cash and cash equivalents at beginning of the financial year		4,356,110	(2,960,608)	1,205,591	1,351,148
Cash and cash equivalents at end of the financial year		(12,166,288)	4,356,110	702,757	1,205,591
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		1,063,735	1,818,326	702,757	1,205,591
Cash held under Housing Development Account		22,353	4,012,581	-	-
Bank overdrafts		(13,252,376)	(1,474,797)	-	-
		(12,166,288)	4,356,110	702,757	1,205,591

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 5 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 Second Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 07-02, Level 7, Menara Luxor, 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 of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in compliance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

During the financial year, the Group and the Company has adopted the following applicable Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are mandatory for current financial year:

Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The revised FRSs and amendment to FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Group and the Company and did not have significant impact on the Group and on the Company.

The Group and the Company have not adopted the following new FRSs which have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
FRS 8	Operating Segments	1 July 2009
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010

(i) FRS 8 Operating Segments

This new standard replaces FRS 114 2004 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

(ii) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(iii) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

FRS 4 is not relevant to the Group's and to the Company's operations. The possible impacts of applying FRS 7, FRS 8 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

(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) 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). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could have impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's property, plant and equipment at 31 December 2008 are disclosed in Note 3 to the financial statements.

(ii) Amortisation of prepaid lease payments

The costs of prepaid lease payments of the Group are amortised on a straight-line basis over the useful lives of the assets. These are common life expectancies applied in the industry. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised. The carrying amounts of the Group's prepaid lease payments at 31 December 2008 are disclosed in Note 4 to the financial statements.

(iii) 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, 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.

(iv) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis, in accordance with the accounting policy disclosed in Note 2(i). 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. The carrying amounts of the Group's intangible assets at 31 December 2008 are disclosed in Note 6 to the financial statements.

(v) Property development costs

The Group recognised property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of the Group's property development costs at 31 December 2008 are disclosed in Note 8 to the financial statements.

(vi) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. 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.

(vii) Employee Share Option Scheme

The fair value of share options granted during the financial year was estimated by the management using the Binomial model, taking into accounts the terms and conditions upon which the options were granted. The fair value of share options was measured at Grant Date. The principal assumption used in the fair value estimation is disclosed in Note 31 to the financial statements.

(d) Basis of consolidation

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

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses in accordance with Note 2(i). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Acquisitions of subsidiary companies are accounted for using the purchase method of accounting except for Paragon Car Carpets & Components Sdn Bhd and its subsidiaries which are consolidated on the merger method of accounting in accordance with the provisions of Malaysian Accounting Standards ("MAS") No. 2 – Accounting for Acquisitions and Mergers. The Group has applied the transitional provisions of FRS 3: Business Combinations prospectively, for which the agreement date is on or after 1 January 2006. Accordingly, the effects of the merger method of accounting under MAS No. 2 have been retained.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the acquisition. The excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of a business combination is recognised immediately in the consolidated income statement after reassessment.

Under the merger method of accounting, the results of the subsidiary companies acquired during the financial year are accounted for on a full year basis irrespective of the date of merger. The difference between the nominal value of shares issued plus any cash paid as consideration for the merger and the nominal value of the share capital of the subsidiary companies acquired is reflected as merger reserve within equity.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only. Unrealised profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated in full. The temporary differences arising from the elimination of unrealised profits and losses are recognised in accordance with Note 2(v).

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated income statement.

Minority interests, if any, represent the portion of profit or loss and net assets of subsidiary companies, attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. Minority interests are presented separately in the consolidated balance sheet within equity while minority interests in the profit or loss of the Group are separately disclosed in the consolidated income statement.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority shareholders for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

(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(i).

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 FRS 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 update.

(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 income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement 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 equipments	3 - 10 years
Electrical installation and renovation	10 years

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.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the income statement. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

(f) Prepaid lease payments

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term. The aggregate benefits or incentives provided by the lessors, if any, are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Land which normally has an indefinite economic life and held under a leasehold title to which the title is not expected to pass to the Group at the end of the lease term is treated as an operating lease. The minimum lease payments or payments made up-front on entering into or acquiring a leasehold land that is treated as an operating lease are accounted for as prepaid lease payments and where necessary, such payments are allocated between land and building elements in proportion to their relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

The prepaid lease payments are amortised on a straight line basis over the lease period in accordance with the pattern of benefits provided. Any gains or losses on surrender or disposal of the leasehold interest in land are recognised in the income statement in the financial year in which they arise.

(g) Other investments

Other investments which represent quoted equity shares, are stated at cost less any diminution in value of the investments. An allowance for diminution in value is made if the Directors are of the opinion that there is a decline in the value of such investments which is other than temporary. The diminution in value is charged to the income statement. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is included in the income statement.

(h) Intangible assets

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 income statement.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(i).

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(i) Impairment of assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(j) Land held for property development

Land held for property development consists of land held for future development activities where no significant development has been undertaken or where development activities are not expected to be completed within normal operating cycle. Such land is classified as non-current assets and is stated at cost less any accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(i).

Land held for property development is reclassified as current assets when the development activities have been commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(k) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense are recognised as an asset, which measured at the lower of cost and net realisable value.

Property development costs shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Property development costs shall be reclassified to current assets when the development activities have been commenced and expected to be completed within the normal operating cycle.

When the financial outcome of development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on units sold are recognised as an expense in the period in which they are incurred.

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

(l) 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.

(m) Trade and other receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts. Doubtful debts are provided based on specific review of the receivables. Bad debts are written off when identified.

(n) 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 cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(o) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

Dividends on ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

(p) Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

(q) Lease and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Company'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 hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase 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.

Lease rental under operating lease is charged to the income statement on a straight-line basis over the term of the relevant lease.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted of the borrowing costs applicable to the Group's and the Company's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

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

(s) Foreign currencies

Transactions in currencies other than the Group's functional currency, which is the currency of the primary economic environment in which the Company operates, are recorded in the functional currency using the exchange rates prevailing at the date of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the year.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in income statement for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

	2008 RM	2007 RM
United States Dollar (US$)	3.8327	2.9534
Euro (EUR)	4.8759	4.8756
Japanese Yen (JPY100)	3.8300	2.9500
Sterling Pound (£)	4.9989	6.6070

(t) 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 income statement when significant risks and rewards of the ownership have been transferred to the customers.

(ii) Property development

Revenue derived from property development activities is recognised based on the percentage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development 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.

(u) 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 compensation 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 income statement 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 balance sheet 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 income statement as incurred.

(iii) Employees' Share Option Scheme ("ESOS")

The Paragon Union Berhad ESOS, an equity-settled, share-based compensation plan, allows the Company's and its subsidiary companies' employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognised the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to unappropriated profit.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(iv) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

(v) 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 balance sheet date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at the balance sheet 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 balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet 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 income statement, 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.

(w) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Financial instruments recognised in the balance sheets

Financial instruments carried on the balance sheet include cash and bank balances, deposits, other investments, receivables, payables and borrowings. Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company has a legally enforceable right to offset and intends to settle either on a net basis or to recognised the asset and settle the liability simultaneously.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

(ii) Financial instruments not recognised in the balance sheets

Unsecured guarantees

The Company has provided unsecured guarantees in respect of banking facilities granted to subsidiaries which represent present obligations existed at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

3. PROPERTY, PLANT AND EQUIPMENT

	< At Valuation >	< ----------	----------	---------- At Cost	----------	----------	---------- >
Group	**Factory buildings and building improvements**	**Factory buildings and building improvements**	**Plant and machinery**	**Motor vehicles**	**Furniture, fittings and equipments**	**Electrical installation and renovation**	**Total**
2008	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Cost / Valuation							
At 1 January	12,080,000	47,756	27,041,662	3,241,833	5,745,962	3,556,116	51,713,329
Additions	-	21,000	1,083,204	-	1,799,136	47,359	2,950,699
Disposals	-	-	-	(723,500)	-	-	(723,500)
At 31 December	12,080,000	68,756	28,124,866	2,518,333	7,545,098	3,603,475	53,940,528
Accumulated depreciation							
At 1 January	2,420,559	6,630	16,257,247	2,444,608	4,834,455	2,567,997	28,531,496
Charge for the financial year	241,600	1,269	929,870	100,220	354,363	257,424	1,884,746
Disposals	-	-	-	(617,478)	-	-	(617,478)
At 31 December	2,662,159	7,899	17,187,117	1,927,350	5,188,818	2,825,421	29,798,764
Carrying amount							
At 31 December	9,417,841	60,857	10,937,749	590,983	2,356,280	778,054	24,141,764

3. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group	< At Valuation ><	--------------------------------	At Cost	------------------------------ >			
	Factory buildings and building improvements	Factory buildings and building improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipments	Electrical installation and renovation	Total
2007	RM	RM	RM	RM	RM	RM	RM
Cost/Valuation							
At 1 January	12,080,000	47,756	26,293,713	3,241,833	5,381,802	3,546,316	50,591,420
Additions	-	-	820,444	-	364,160	9,800	1,194,404
Disposals	-	-	(72,495)	-	-	-	(72,495)
At 31 December	12,080,000	47,756	27,041,662	3,241,833	5,745,962	3,556,116	51,713,329
Accumulated depreciation							
At 1 January	2,178,959	5,675	15,496,480	2,323,750	4,554,221	2,315,043	26,874,128
Charge for the financial year	241,600	955	833,262	120,858	280,234	252,954	1,729,863
Disposals	-	-	(72,495)	-	-	-	(72,495)
At 31 December	2,420,559	6,630	16,257,247	2,444,608	4,834,455	2,567,997	28,531,496
Carrying amount							
At 31 December	9,659,441	41,126	10,784,415	797,225	911,507	988,119	23,181,833

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The factory buildings together with the leasehold land classified as prepaid lease payments of the Group as disclosed in Note 4 to the financial statements were revalued by the Directors based on a valuation carried out by an independent firm of professional valuers in 1998 on the open market value basis.

Had the revalued factory buildings been included in the financial statements at historical cost, the carrying amount of the revalued factory buildings would have been RM7,066,229 (2007: RM7,271,435) respectively.

The remaining period of the factory buildings is 81 (2007: 82) 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 19 to the financial statements are as follows:

	Group	
	2008	2007
	RM	RM
Factory buildings	5,687,318	5,811,989
Plant and machinery	5,342,991	5,134,487
Motor vehicle	16,896	23,780
	11,047,205	10,970,256

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

	Group	
	2008	2007
	RM	RM
Plant and machinery	941,188	906,992
Motor vehicles	541,833	628,219
Furniture, fittings and equipment	480,700	-
	1,963,721	1,535,211

(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	
	2008	2007
	RM	RM
Aggregate costs	2,950,699	1,194,404
Less: Hire purchase financing	(666,000)	-
Cash payment	2,284,699	1,194,404

4. PREPAID LEASE PAYMENTS

	Group	
	2008	2007
	RM	RM
At valuation		
At 1 January/31 December	10,130,000	10,130,000
Accumulated amortisation		
At 1 January	1,151,009	1,030,727
Amortisation for the financial year	120,283	120,282
At 31 December	1,271,292	1,151,009
Carrying amount		
At 31 December	8,858,708	8,978,991

(a) The leasehold land of the Group was revalued by the Directors based on a valuation carried out by an independent firm of professional valuers in 1998 on the open market value basis.

Had the revalued leasehold land of the Group been included in the financial statements at historical cost, the carrying amount of the revalued leasehold land would have been RM3,623,786 (2007: RM3,670,151).

The remaining period of the leasehold land is 81 (2007: 82) years.

(b) The carrying amount of leasehold land of the Group amounting to RM6,044,893 (2007: RM6,124,954) have been pledged to licensed bank as securities for credit facilities granted to its subsidiary companies as disclosed in Note 19 to the financial statements.

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company	
	2008	2007
	RM	RM
In Malaysia		
Unquoted shares, at cost	14,511,655	14,511,655
Less: Accumulated impairment losses	(1,214,424)	(1,214,424)
	13,297,231	13,297,231

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

Name of company	Country of incorporation	Effective interest 2008 %	Effective interest 2007 %	Principal activities
Direct holding:				
Paragon Car Carpets & Components Sdn Bhd	Malaysia	100	100	Manufacturing and distribution of car carpets and automotive components
Paragon Expression Sdn Bhd	Malaysia	100	100	Investment holding and property development related activities
Paragon Precision Industries Sdn Bhd ("PPI")	Malaysia	78	78	Inactive
Paragon Metal Components Sdn Bhd ("PMC")	Malaysia	77	77	Inactive
Indirect holding:				
Subsidiary company of Paragon Car Carpets & Components Sdn Bhd :				
Paragon Carpetmaker Sdn Bhd	Malaysia	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	Distribution and trading in commercial carpets
Subsidiary company of Paragon Expression Sdn Bhd :				
Paragon Property Development Sdn Bhd	Malaysia	100	100	Dealing in land, properties and other property development related activities

(c) In the previous financial years, the Company had recognised impairment losses amounting to RM1,214,424 (2007 : 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.

6. INTANGIBLE ASSET

Goodwill arising on consolidation

	Group	
	2008	**2007**
	RM	**RM**
Cost		
At 1 January	2,743,926	2,743,926
Written off	(2,743,926)	-
At 31 December	-	2,743,926
Accumulated impairment losses		
At 1 January	1,763,305	973,610
Impairment loss recognised in income statement	980,621	789,695
Written off	(2,743,926)	-
At 31 December	-	1,763,305
Carrying amount		
At 31 December	-	980,621

(a) Impairment test for intangible assets

Goodwill arising on consolidation has been allocated to the Group's cash-generating unit (CGU) which is the Group's development project.

(b) Key assumptions used to determine recoverable amount

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period. The key assumptions used for value-in-use calculations are:

	2008	**2007**
	%	**%**
Gross margin	15.28	15.28
Growth rate	N/A	N/A
Pre-tax discount rate	4.76	6.74

The key assumptions on which the Directors have based the cash flow projections to undertake impairment testing are as follows:

(i) Gross margin - Budgeted value based on the average margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and market development.

(ii) Growth rate - Not applicable as the cash flow projections made is for a period of 5 years, in accordance with the expected lifecycle of the CGU.

(iii) Pre-tax discount rate - Rate that reflect specific risks relating to the relevant CGU.

(c) Impairment loss recognised during the financial year

During the financial year, the Group recognised an impairment loss of RM980,621 (2007: RM789,695) in respect of the goodwill arising on consolidation as this goodwill is directly related to the development project undertaken by the subsidiary companies. The recoverable amount was based on value-in-use and was determined at the CGU which is the Group's development project. In determining value-in-use for the CGU, the cash flows were discounted at a rate of 4.76% (2007: 6.74%) on a pre-tax basis. The impairment loss is included in "Administrative Expenses" as disclosed in the income statements.

7. DEFERRED TAX ASSET

	Group	
	2008	**2007**
	RM	**RM**
At 1 January	1,915	94,721
Recognised in income statement	(1,915)	(24,000)
Over provision in prior year	-	(68,806)
At 31 December	-	1,915
Presented after appropriate offsetting as follows:		
Deferred tax liability	-	(58,085)
Deferred tax asset	-	60,000
	-	1,915

The components and movements of deferred tax asset of the Group prior to offsetting are as follows:

Deferred tax liability of the Group:

	Accelerated capital allowances	**Total**
	RM	**RM**
At 1 January 2008	58,085	58,085
Recognised in income statement	(58,085)	(58,085)
At 31 December 2008	-	-
At 1 January 2007	28,783	28,783
Recognised in income statement	(39,504)	(39,504)
Under provision in prior year	68,806	68,806
At 31 December 2007	58,085	58,085

Deferred tax asset of the Group:

	Allowance for doubtful debts RM	Total RM
At 1 January 2008	60,000	60,000
Recognised in income statement	(60,000)	(60,000)
At 31 December 2008	-	-
At 1 January 2007	123,504	123,504
Recognised in income statement	(63,504)	(63,504)
At 31 December 2007	60,000	60,000

8. LAND AND PROPERTY DEVELOPMENT COSTS

	Group	
	2008	2007
CURRENT	RM	RM
Long term leasehold land, at cost		
At 1 January	11,704,159	11,704,159
Transferred to income statement	(11,704,159)	-
At 31 December	-	11,704,159
Development costs		
At 1 January	130,646,102	98,639,299
Additions during the financial year	24,675,512	32,006,803
Transferred to income statement	(155,321,614)	-
At 31 December	-	130,646,102
Less: Costs recognised in the income statement		
At 1 January	131,660,776	50,855,960
Recognised during the financial year	35,364,997	80,804,816
	167,025,773	131,660,776
Less: Completed projects	(167,025,773)	-
At 31 December	-	131,660,776
Total property development costs	-	10,689,485

Included in the property development costs for the financial year are the following:

		Group	
		2008	2007
	Note	RM	RM
Finance costs	24	1,204	762,936
Director's remuneration			
- salaries and bonus		576,348	740,150
- EPF and socso		62,469	88,824

The long term leasehold land of the Group amounting to Nil (2007: RM11,704,159) is pledged as security for credit facilities granted to its subsidiary companies as disclosed in Note 19 to the financial statements.

9. INVENTORIES

	Group	
	2008	2007
	RM	RM
Raw materials	6,992,192	3,962,053
Work-in-progress	3,247,066	2,161,462
Finished goods	5,688,268	5,862,300
	15,927,526	11,985,815

10. TRADE RECEIVABLES

	Group	
	2008	2007
	RM	RM
Trade receivables	23,243,927	24,971,946
Accrued billings in respect of property development costs	-	13,726,181
Stakeholders' fund	4,327,746	1,551,641
	27,571,673	40,249,768
Less: Allowance for doubtful debts	(398,803)	(328,809)
	27,172,870	39,920,959

Movements in allowance for doubtful debts are as follows:

	Group	
	2008	2007
	RM	RM
At 1 January	328,809	1,070,520
Allowance made/(written back)	69,994	(741,711)
At 31 December	398,803	328,809

The currency exposure profiles of trade receivables are as follows:

	Group	
	2008	2007
	RM	RM
Ringgit Malaysia	21,674,331	39,440,230
United States Dollar	5,498,539	480,729
	27,172,870	39,920,959

The Group's normal trade credit terms range from 21 to 90 days (2007: 21 to 90 days). Other credit terms are assessed and approved on a case by case basis.

The collectability of trade receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debts is made based on a review of all outstanding accounts at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

11. OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Other receivables	19,137,691	745,331	18,107,223	3,965
Deposits	18,527,519	17,950,360	16,541,500	17,770,000
Prepayments	183,335	231,582	-	-
	37,848,545	18,927,273	34,648,723	17,773,965
Less: Allowance for doubtful debts	(263,984)	(263,984)	-	-
	37,584,561	18,663,289	34,648,723	17,773,965

Included in deposits of the Group and the Company is an amount of RM16,540,000 (2007: RM17,770,000) 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"). The original total purchase consideration for the acquisition was RM57,000,000, but this was reduced to RM48,735,000 pursuant to new conditional agreements entered into with the vendors in the financial year 1998.

Under the new conditional agreements, the purchase consideration is to be satisfied by the issuance of 21,678,500 new ordinary shares of RM1.00 each by the Company to the vendors at an issue price of RM1.00 per share, with the balance of RM27,056,500 to be paid in cash.

In the financial year 1998, pursuant to one of the new conditional agreements, the vendor concerned transferred 5,492,154 KINMA shares, (out of a total of 7,000,000 KINMA shares which are the subject of that new conditional agreement) to the Company as security for the refund of deposits and advances paid to that vendor totaling RM16,540,000.

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 has 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 during the financial year. The outcome of the legal proceedings in respect of the balance of RM16,540,000 from the other vendors is still pending. These matters were fixed for trial on 15 December 2009 and 16 December 2009.

Significant judgement is required in determining the recoverability of the above amounts in the financial statements of the Company. In making the judgement, the Directors have placed reliance on the advice of its solicitors since the recovery of these amounts are currently under legal proceeding. Based on legal advice from the Company's solicitors, the Directors are of the opinion that it is reasonably probable that the above amounts would be recovered, and accordingly, allowance for doubtful recovery of the deposits is not required.

The collectability of other receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debts is made based on a review of all outstanding accounts at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

12. Amount Owing by/(to) Subsidiary Companies

	Company	
	2008	**2007**
	RM	**RM**
Amount Owing by Subsidiary Companies		
Advances	34,085,074	40,974,323
Less: Allowance for doubtful debts	(1,855,344)	(1,855,344)
	32,229,730	39,118,979
Amount Owing to a Subsidiary Company	(8,742,000)	-

These represent unsecured interest free advances with no fixed term of repayment.

13. 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.

14. CASH AND BANK BALANCES

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Ringgit Malaysia	997,279	1,810,232	702,757	1,205,591
United States Dollar	66,456	8,094	-	-
	1,063,735	1,818,326	702,757	1,205,591

15. SHARE CAPITAL

	Group / Company	
	2008	2007
	RM	RM
Ordinary shares of RM1.00 each:		
Authorised	100,000,000	100,000,000
Issued and fully paid	70,000,000	70,000,000

Of the total 70,000,000 issued and fully paid ordinary shares, 5,274,600 (2007: 4,544,400) ordinary shares are held as treasury shares by the Company. At 31 December 2008, the number of ordinary shares in issue after deducting treasury shares held is 64,725,400 (2007: 65,455,600) ordinary shares of RM1.00 each.

16. RESERVES

	Group	
	2008	2007
	RM	RM
Non-distributable:		
Asset valuation reserve	5,444,905	5,527,832
Merger reserve	(4,618,481)	(4,618,481)
	826,424	909,351

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

17. TREASURY SHARES

	Group / Company	
	2008	2007
	RM	RM
At 1 January	3,858,033	3,583,282
Share purchased during the financial year	351,465	274,751
At 31 December	4,209,498	3,858,033

During the financial year, the Company purchased a total of 730,200 (2007: 579,200) ordinary shares of its issued share capital from the open market at a total cost of RM351,465 (2007: RM274,751). The average price paid for the shares purchased was RM0.480 (2007: RM0.474) per share. The repurchase transactions were financed by internally generated funds. The repurchased shares were being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act, 1965. Treasury shares had no rights to voting, dividends and participation in other distribution.

At 31 December 2008, the number of treasury shares held is 5,274,600 (2007: 4,544,400) ordinary shares of which a total of Nil (2007: 2,870,000) treasury shares are charged to a licensed bank for banking facilities granted to a subsidiary company, Paragon Expression Sdn Bhd.

18. HIRE PURCHASE PAYABLES

	Group	
	2008	2007
	RM	RM
(a) Minimum hire purchase payments		
Within one year	397,387	367,700
Between one and five years	713,292	375,217
	1,110,679	742,917
Less: Future finance charges	(122,554)	(45,456)
Present value of hire purchase liabilities	988,125	697,461
(b) Present value of hire purchase liabilities		
Within one year	342,750	338,673
Between one and five years	645,375	358,788
	988,125	697,461
Analysed as:		
Repayable within twelve months	342,750	338,673
Repayable after twelve months	645,375	358,788
	988,125	697,461

The hire purchase liabilities bore interest at rates between 2.65% and 4.10% (2007: 2.65% and 4.10%) per annum.

19. BANK BORROWINGS

	Group 2008 RM	Group 2007 RM
Secured		
Bank overdrafts	8,762,990	596,946
Bills payable	2,683,487	1,592,662
Term loans	5,885,412	-
Bridging loan	-	279,673
	17,331,889	2,469,281
Unsecured		
Bank overdrafts	4,489,386	877,851
Bills payable	4,504,950	32,945
	8,994,336	910,796
Total bank borrowings	26,326,225	3,380,077

Analysed as follows:

	Group 2008 RM	Group 2007 RM
Repayable within twelve months		
Secured		
Bank overdrafts	8,762,990	596,946
Bills payable	2,683,487	1,592,662
Term loans	578,069	-
Bridging loan	-	279,673
	12,024,546	2,469,281
Unsecured		
Bank overdrafts	4,489,386	877,851
Bills payable	4,504,950	32,945
	8,994,336	910,796
	21,018,882	3,380,077
Repayable after twelve months		
Secured		
Term loans	5,307,343	-
	5,307,343	-
	26,326,225	3,380,077

The above credit facilities obtained from licensed banks are secured by the followings:

(a) The bridging loan which have been discharged during the financial year is secured over a second legal charge over the long term leasehold land held under development as disclosed in Note 8 to the financial statements and a debenture incorporating a fixed and floating charge over all the assets of a subsidiary company;

(b) The secured bills payable and bank overdrafts are secured on the following:

  (i) fixed and floating charges over the leasehold properties and all other assets of the subsidiary companies; and

  (ii) corporate guaranteed by the Company.

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

The term loans are repayable by monthly instalment over 7 to 10 years.

Maturity of borrowings is as follows:

	Group	
	2008	**2007**
	RM	**RM**
Within one year	21,018,882	3,380,077
Between one and two years	559,885	-
Between two and three years	586,794	-
Between three and four years	621,355	-
Between four and five years	658,084	-
More than five years	2,881,225	-
	26,326,225	3,380,077

The weighted average effective interest rate is as follows:

	Group	
	2008	**2007**
	%	**%**
Bank overdrafts	8.00	8.75
Banker acceptance	3.47	3.76
Term loans	5.15	-
Bridging loan	-	8.75

20. DEFERRED TAX LIABILITIES

	GROUP	
	2008	2007
	RM	RM
At 1 January	3,747,164	6,405,355
Recognised in income statement	(820,598)	(2,278,841)
Under/(Over) provision in prior year	129,189	(2,425)
Relating to change in tax rate	-	(152,494)
Transfer to asset valuation	-	(224,431)
At 31 December	3,055,755	3,747,164

Presented after appropriate offsetting as follows:		
Deferred tax liabilities	4,493,886	5,032,867
Deferred tax assets	(1,438,131)	(1,285,703)
	3,055,755	3,747,164

The components and movements of deferred tax liabilities of the Group prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Revaluation of leasehold properties RM	Revaluation surplus of property development RM	Total RM
At 1 January 2008	2,545,443	1,842,610	644,814	5,032,867
Recognised in income statement	18,069	(27,642)	(644,814)	(654,387)
Under provision in prior year	115,406	-	-	115,406
At 31 December 2008	2,678,918	1,814,968	-	4,493,886

	Accelerated capital allowances RM	Revaluation of leasehold properties RM	Revaluation surplus of property development RM	Total RM
At 1 January 2007	2,815,245	2,094,683	2,810,287	7,720,215
Transfer to asset valuation	-	(224,431)	-	(224,431)
Recognised in income statement	(266,835)	(27,642)	(2,013,521)	(2,307,998)
Over provision in prior year	(2,425)	-	-	(2,425)
Relating to change in tax rate	(542)	-	(151,952)	(152,494)
At 31 December 2007	2,545,443	1,842,610	644,814	5,032,867

Deferred tax assets of the Group:

	Unused tax losses RM	Unutilised capital allowances RM	Total RM
At 1 January 2008	238,080	1,047,623	1,285,703
Recognised in income statement	(4,904)	171,115	166,211
(Over)/Under provision in prior year	(52,877)	39,094	(13,783)
At 31 December 2008	180,299	1,257,832	1,438,131
At 1 January 2007	381,043	933,817	1,314,860
Recognised in income statement	(142,963)	113,806	(29,157)
At 31 December 2007	238,080	1,047,623	1,285,703

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group 2008 RM	Group 2007 RM
Unused tax losses	252,634	252,634
Unutilised capital allowances	322,088	322,088
	574,722	574,722

The unused tax losses and unutilised capital allowances are available indefinitely for offset against future taxable profits of the companies in which those items arose.

21. TRADE PAYABLES

	Group 2008 RM	Group 2007 RM
Trade payables	4,471,393	23,317,780
Retention sum on contracts	-	7,972,290
	4,471,393	31,290,070

The currency exposure profiles of trade payables are as follows:

	Group 2008 RM	Group 2007 RM
Ringgit Malaysia	3,028,546	30,397,794
United States Dollar	470,910	885,533
Sterling Pound	971,198	-
Japanese Yen	739	-
Euro	-	6,743
	4,471,393	31,290,070

The normal trade credit terms granted to the Group range from 60 to 120 days (2007: 60 to 120 days).

22. OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	2,913,015	1,649,692	1,427,883	132,227
Accruals	2,447,340	3,190,045	109,000	180,400
Deposits	10,000	10,000	-	-
	5,370,355	4,849,737	1,536,883	312,627

23. REVENUE

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Sales of carpets	61,430,468	50,514,635	-	-
Property development revenue from sales of development units	27,534,409	82,481,294	-	-
Dividend income received / receivable from subsidiary company	-	-	800,000	1,500,000
	88,964,877	132,995,929	800,000	1,500,000

24. FINANCE COSTS

	Note	Group 2008 RM	Group 2007 RM
Interest expense on:			
Bank overdrafts		203,869	133,373
Banker acceptance		174,858	-
Bridging loan		1,204	414,061
Hire purchase		42,463	50,107
Letter of credit		40,027	-
Term loans		70,312	1,047,679
		532,733	1,645,220
Less: Finance costs recognised in qualifying assets			
Property development costs	8	(1,204)	(762,936)
		531,529	882,284

25. PROFIT BEFORE TAXATION

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Auditors' remuneration				
- current year	70,000	65,000	11,000	10,000
- under provision in prior year	7,000	3,000	4,000	1,000
Allowance for doubtful debts	146,393	240,000	-	-
Amortisation of prepaid lease payments	120,283	120,282	-	-
Bad debts written off	240,000	-	-	-
Depreciation of property, plant and equipment	1,884,746	1,729,863	-	-
Directors remuneration				
- fees	98,000	168,000	98,000	168,000
- salaries and other emoluments	680,625	724,350	-	-
- EPF	81,684	86,922	-	-
Impairment loss on goodwill on consolidation	980,621	789,695	-	-
Legal fees paid to legal firms in which certain directors of the Company is partner	-	314,200	-	103,700
Rental of warehouse	172,800	-	-	-
Realised loss on foreign exchange	69,590	-	-	-
Allowance for doubtful debts written back	(76,399)	(55,956)	-	-
Gain on disposal of property, plant and equipment	(46,978)	(18,000)	-	-
Gain on disposal of other investments	-	(7,991)	-	-
Dividend income from subsidiary company	-	-	(800,000)	(1,500,000)
Interest income from investment quoted in Malaysia	(69,180)	-	(69,180)	-
Interest income	(103,992)	(122,578)	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounting to RM56,896 and Nil (2007: RM81,125 and RM22,700) respectively.

The Directors' remuneration other than fees of the Group incurred during the financial year is as follows:

	Note	Group 2008 RM	Group 2007 RM
Directors' remuneration other than fees		1,401,126	1,553,324
Less: Director's remuneration other than fees recognised under property development costs	8	(638,817)	(828,974)
		762,309	724,350

26. TAXATION

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Current income tax				
- Current year	1,555,000	2,847,000	195,000	357,000
- (Over)/Under provision in prior year	(123,189)	(45,411)	(1,445)	11,686
	1,431,811	2,801,589	193,555	368,686
Deferred tax				
- Relating to origination and reversal of temporary differences	(818,683)	(2,254,841)	-	-
- Relating to the change in tax rate	-	(152,494)	-	-
- Under provision in prior year	129,189	66,381	-	-
	(689,494)	(2,340,954)	-	-
Tax expense for the financial year	742,317	460,635	193,555	368,686

Income tax is calculated at the Malaysia statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The statutory tax rate will be reduced to 25% from the current year's rate of 26% effective year of assessment 2009.

A reconciliation of income tax expense applicable to 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	
	2008	2007	2008	2007
	RM	RM	RM	RM
Profit before taxation	877,288	1,665,766	557,254	1,057,522
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	228,095	449,757	144,886	285,531
Tax incentive for small and medium scale companies at 20% tax rate	(90,000)	(107,351)	-	-
Expenses not deductible for tax purposes	641,984	381,500	50,114	71,469
Income not subject to tax	(16,120)	-	-	-
Tax effect on reinvestment allowances	-	(104,105)	-	-
Crystalisation of deferred tax liabilities on amortisation on revalued properties	(27,642)	(27,642)	-	-
Relating to change in tax rate	-	(152,494)	-	-
(Over)/Under provision of current taxation in prior year	(123,189)	(45,411)	(1,445)	11,686
Under provision of deferred tax in prior year	129,189	66,381	-	-
Tax expense for the financial year	742,317	460,635	193,555	368,686

27. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share has been calculated based on the consolidated net profit for the financial year attributable to equity holders of the parent of RM134,971 (2007: RM1,205,131) for the Group and the weighted average number of ordinary shares in issue during the financial year of 65,055,483 (2007: 65,455,600) are as follows:

	Group	
	2008	2007
	RM	RM
Net profit for the financial year attributable to the equity holders of the parent	134,971	1,205,131
Weighted number of ordinary shares issue	70,000,000	70,000,000
Adjusted for :		
Treasury shares	(4,944,517)	(4,544,400)
	65,055,483	65,455,600

(b) Fully diluted earnings per share

The fully diluted earnings per share has been calculated based on the consolidated net profit for the financial year attributable to equity holders of the parent of RM134,971 (2007: RM1,205,131) for the Group and the weighted average number of ordinary shares in issue during the financial year of 65,055,483 (2007: 65,455,600) are as follows:

	Group	
	2008	2007
	RM	RM
Net profit for the financial year attributable to the equity holders of the parent	134,971	1,205,131
Weighted number of ordinary shares issue	70,000,000	70,000,000
Adjusted for :		
Treasury shares	(4,944,517)	(4,544,400)
Assumed exercise of ESOS at no consideration	*	*
	65,055,483	65,455,600

* The number of shares exercised under ESOS was not taken into account in the computation of diluted earnings per share because the effect on the basic earnings per share is antidilutive.

28. DIVIDEND

	Group / Company	
	2008	2007
	RM	RM
First and final dividend of 1% (2007: 1%) less income tax at 26% (2007: 27%) on 65,050,000 (2007: 65,807,000) ordinary shares of RM1.00 each in respect of financial year ended 31 December 2007 (2007: 31 December 2006)	481,370	480,391
Net dividend per ordinary shares (sen)	0.74	0.73

At the forthcoming Annual General Meeting, a first and final dividend of 1% less 25% tax on 64,725,400 ordinary shares, amounting to RM485,441 in respect of the financial year ended 31 December 2008 will be proposed for approval by the shareholders of the Company. The proposed first and final dividend is payable in respect of all ordinary shares in issue at the date of the financial statements, excluding those ordinary shares held as treasury shares under share buy-back. These financial statements do not reflect this dividend which will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividend is paid.

29. SECTION 108 TAX CREDIT

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier system, the tax on a company's profit is a final tax and the dividends distributed to its shareholders would be exempted from tax. Unutilised Section 108 balances as at 31 December 2007 will be available until such time the tax credit is fully recognised or upon expiry of the 6 years transitional period on 31 December 2013, whichever is earlier.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 as at 31 December 2008 to pay cash dividend out of its entire retained profits as no election has been made to disregard the Section 108 as at todate by the Company.

30. STAFF COSTS

	Group	
	2008	**2007**
	RM	**RM**
Staff costs (excluding Directors)	8,924,580	8,106,709

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM840,777 (2007: RM750,004).

Based on estimation made by the Directors of the Company using the binomial model as disclosed in Note 31 to the financial statements, there are no adjustments for share-based compensation cost to be recognised under the above employee benefits expense during the financial year.

31. EMPLOYEES' SHARE OPTION SCHEME

During the financial year 2005, the Company implemented a Paragon Union Berhad Employee's Share Option Scheme ("ESOS" or "the Scheme") for eligible employees as well as both executive and non-executive Directors of the Group. The Scheme is governed by the Bye-Laws of the ESOS and was approved by the shareholders of the Company and the relevant authorities.

The salient features of the new Scheme are as follows:

(a) The maximum number of new ordinary shares that may be made available under the Scheme, shall not exceed in aggregate fifteen percent (15%), or any such amount or percentage as may be permitted by the relevant authorities, of the total issued and paid-up share capital of the Company at any one time during the existence of the Scheme.

(b) The ESOS shall be administered by a committee ("Option Committee") in such manner as it shall at its discretion deem fit and with such powers and duties as conferred upon it by the board of Directors of the Company.

(c) The ESOS shall be opened for participation to the eligible employees of the Group. Subject to certain provisions set by the Bye-Laws, an eligible employee must be a confirmed employee with at least 12 months of continuous service as at the date of offer. Eligible executive who have accepted the offer shall not be eligible to participate in another employees' share option scheme implemented or to be implemented by any other company within the Group. The Option Committee at its discretion at any time and from time to time within the duration of the ESOS, makes one or more offer to any eligible employee whom the Option Committee may at its discretion select in accordance with the terms of the ESOS, provided always that an offer shall not be less than one hundred (100) ordinary shares or the minimum board lot for shares as may be prescribed by Bursa Securities from time to time.

(d) No option shall be granted to any eligible Director of the Group unless specific grant of options to that eligible Director shall have previously been approved by the shareholders of the Company in a general meeting. In determining the criteria for allocation, the seniority, length of service and such other factors that may deem relevant, subject always to the following:

   (i) the aggregate allocation to the eligible Directors and senior management of the Group, save for the companies which are dormant, shall not exceed fifty percent (50%) of the new ordinary shares under the Scheme; and

   (ii) the allocation to any eligible employee who, either singly or collectively, through persons connected to him, hold twenty percent (20%) or more of the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the new ordinary shares under the Scheme.

(e) The option price shall be determined by the Option Committee based on the five (5) day weighted average market price of the Company's shares immediately preceding the date of offer of the option, with a discount of not more than ten percent (10%), or at the par value of the Company's shares, whichever is higher.

(f) An offer shall be valid for a period of 30 days from the date of offer and shall be accepted within the prescribed period by the eligible employee to whom the offer is made by written notice of such acceptance accompanied by the payment of RM1.00 as non-refundable consideration for the option to the Company. If the offer is not accepted in the manner aforesaid, such offer shall upon the expiry of the prescribed period automatically lapse and shall be null and void and be of no further force and effect.

(g) The option may be exercised by the Grantee by notice in writing to the Company in the prescribed form during the option period, provided that where an option is exercised in respect of a part of the new ordinary shares comprised therein, the number of new ordinary shares of which such option may be exercised shall be in multiples of and not less than one hundred (100) new shares or such board lot as may be prescribed by Bursa Securities from time to time.

(h) The ESOS shall continue to be in force for a duration of five (5) year (or such further extension as approved by authorities) commencing from the date of receipt of the last of the requisite approvals.

(i) The new ordinary shares to be issued and allotted to a Grantee pursuant to the exercise of any options will not be subject to any retention period, unless the Grantee is a non-executive Director, in which case, he must not sell, transfer or assign the new ordinary shares obtained through the exercise of the options offered to him pursuant to the Scheme within one (1) year from the offer date.

(j) The number of shares under option or the exercise price both, so far as the option remains unexercised, may be adjusted following any variation in the issued share capital of the Company by way of capitalisation of profits or reserves, rights issues, consolidation of shares and sub-division or reduction of the Company's share capital.

(k) The new ordinary shares to be allotted and issued upon any exercise of the option under the ESOS shall, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares. However, the ordinary shares so issued shall not be entitled to any dividends or other distributions declared, made or paid prior to the date of allotment of such shares.

(l) These options may be exercised at any date during the option period not later than 20 July 2010 in accordance with the following table:

---------- Number of shares exercisable ----------				
Year 1	Year 2	Year 3	Year 4	Year 5
20%	20%	20%	20%	20%

Options which are exercisable in a particular year but not exercised may be carried forward to subsequent years but not later than 20 July 2010. All unexercised options shall be exercisable in the last year of the option period. Any options which remain unexercised at the expiry of the option period shall be automatically terminated.

The movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	Number of share options					
	< ---------- Movement during the financial year ---------- >					
	Outstanding at 1 January	**Granted**	**Expired/ Forfeited**	**Exercised**	**Outstanding at 31 December**	**Exercisable at 31 December**
2008						
First Grant	5,360,000	-	1,680,000	-	3,680,000	3,680,000
Second Grant	1,000,000	-	750,000	-	250,000	250,000
	6,360,000	-	2,430,000	-	3,930,000	3,930,000
WAEP	1.00	-	1.00	-	1.00	1.00
2007						
First Grant	5,510,000	-	(150,000)	-	5,360,000	5,360,000
Second Grant	1,000,000	-	-	-	1,000,000	1,000,000
	6,510,000	-	(150,000)	-	6,360,000	6,360,000
WAEP	1.00	-	1.00	-	1.00	1.00

Details of share options outstanding at end of the financial year are as follows:

Share Options	Exercise price RM	Exercise Period
2008		
First Grant	1.00	01.09.2005 to 20.07.2010
Second Grant	1.00	22.09.2005 to 20.07.2010
2007		
First Grant	1.00	01.09.2005 to 20.07.2010
Second Grant	1.00	22.09.2005 to 20.07.2010

There were no share options exercised during the financial year under review.

The fair value of share options granted in the previous financial year were estimated by the Directors of the Company using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2008	**2007**
Fair value of share options at the following grant dates (RM):		
1 September 2005	0.00028	0.0444
22 September 2005	0.00026	0.0437
Weighted average share price (RM)	0.58	0.58
Weighted average exercise price (RM)	1.00	1.00
Expected volatility (%)	10.00	26.53
Expected life (years)	5.00	5.00
Risk free rate (%)	3.34	3.76
Expected dividend yield (%)	2.00	2.33

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility is based on the historical volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

Executive Directors of the Group and of the Company and other members of key management have been granted the following number of options under the ESOS:

	Group / Company	
	2008	**2007**
At 1 January	3,130,000	3,130,000
Expired/Forfeited	(1,500,000)	-
At 31 December	1,630,000	3,130,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

32. ULTIMATE HOLDING COMPANY

The ultimate holding company is Asia Avenue Sdn Bhd, a company incorporated in Malaysia, which holds 49.35% (2007: 48.80%) of the issued and paid-up share capital of the Company.

33. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2008 RM	2007 RM
GROUP		
* Legal fee paid to legal firms in which certain Directors of the Company is a partner	-	314,200
COMPANY		
* Legal fee paid to legal firms in which certain Directors of the Company is a partner	-	103,700
* Dividend received from subsidiary companies	800,000	1,500,000

* The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Information regarding outstanding balances arising from related party transactions is disclosed in Note 12 to the financial statements.

(c) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term employee benefits				
- fees	98,000	168,000	98,000	168,000
- salaries, allowances and bonuses	2,030,853	2,089,170	-	-
- estimated monetary value of benefits-in-kind	63,896	90,225	-	22,700
	2,192,749	2,347,395	98,000	190,700
Post employment benefits				
- defined contribution plan	243,702	250,701	-	-
	2,436,451	2,598,096	98,000	190,700

34. CONTINGENT LIABILITIES

	Company	
	2008	2007
	RM	RM
Unsecured corporate guarantees in respect of banking facilities granted to subsidiary companies	64,059,000	88,977,000

35. CAPITAL COMMITMENTS

	Group	
	2008	2007
	RM	RM
Authorised and contracted for:		
Acquisition of property, plant and equipment	3,610,136	162,000

36. 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.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

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

(a) Business segments

The main business segments of the Group comprise the following:

Carpets - Manufacturing and sale of carpets

Property Development - Development of properties

Segment Information – Group (Cont'd)

2008	Carpets RM	Property Development RM	Total RM
Revenue			
External sales	61,430,468	27,534,409	88,964,877
Results			
Segment results	1,901,615	(492,798)	1,408,817
Finance costs			(531,529)
Profit before taxation			877,288
Taxation			(742,317)
Net profit for the financial year			134,971
Assets			
Segment assets	109,271,048	5,500,469	114,771,517
Unallocated assets			483,905
Consolidated total assets			115,255,422
Liabilities			
Segment liabilities	8,890,364	951,384	9,841,748
Unallocated liabilities			31,886,083
Consolidated total liabilities			41,727,831
Other information			
Amortisation of prepaid lease payments	120,283	-	120,283
Capital expenditure	2,950,699	-	2,950,699
Depreciation of property, plant and equipment	1,883,823	923	1,884,746
(Gain)/loss on disposal of property, plant and equipment	(59,250)	12,272	(46,978)
Impairment loss on goodwill on consolidation	-	980,621	980,621

Segment Information – Group (Cont'd)

2007	Carpets RM	Property Development RM	Total RM
Revenue			
External sales	50,514,635	82,481,294	132,995,929
Results			
Segment results	1,526,176	1,013,883	2,540,059
Finance costs			(882,284)
Gain on disposal of other investment			7,991
Profit before tax			1,665,766
Taxation			(460,635)
Net profit for the financial year			1,205,131
Assets			
Segment assets	79,446,357	40,785,543	120,231,900
Unallocated assets			554,578
Consolidated total assets			120,786,478
Liabilities			
Segment liabilities	2,808,830	33,330,977	36,139,807
Unallocated liabilities			10,421,216
Consolidated total liabilities			46,561,023
Other information			
Amortisation of prepaid lease payments	120,282	-	120,282
Capital expenditure	1,194,404	-	1,194,404
Depreciation of property, plant and equipment	1,722,655	7,208	1,729,863
Gain on disposal of property, plant and equipment	(18,000)	-	(18,000)
Impairment loss on goodwill on consolidation	-	789,695	789,695

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

(b) 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.

37. SIGNIFICANT EVENT

During the financial year, the following significant event took place for the Company:

On 19 August 2008, the Company has entered into a shares sale agreement with Prestamewah Development Sdn Bhd and Datuk Liw Jun Wai 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.

DPSB has obtained the development rights through the joint venture agreement and Power of Attorney signed on 8 September 2005 between Gabungan Koperasi Perumahan Malaysia Berhad and Ciptaan Laksana Sdn Bhd to develop a piece of leasehold land held under Pajakan Negeri No.16052 for Lot 21690 Seksyen 2, Bandar Ulu Kelang, District of Gombak comprising 86,018 square metres for a cash consideration of RM16,500,000.

The market value of the development rights belonging to DPSB in the development land valued at RM28,000,000, as appraised by Raine & Horne International Zaki & Partners Sdn Bhd, using the residual method of valuation and the unaudited net tangible assets of DPSB as at 31 December 2007 of RM210,281.

38. SUBSEQUENT EVENTS

Subsequent to the financial year end, the following events took place for the Company:

(a) On 10 March 2009, the Company has been forced to terminate the Sales and Shares Agreement ("SSA") dated 19 August 2008 with Prestamewah Development Sdn Bhd ("PDSB") and Datuk Liw Jun Wai ("Datuk") 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 Company's solicitors failed to receive the Completion Documents as stipulated in Clauses 6 & 7 of the SSA dated 19 August 2008 from PDSB's and Datuk's solicitors.

PDSB and Datuk have therefore failed to complete the SSA and comply with the terms of the SSA and has further 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. The Company has thus no alternative but to terminate the SSA.

(b) On 1 April 2009, the Company's lawyer had 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 dated 19 August 2008.

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

(c) On 3 April 2009, the Company's lawyer had issued a Letter of Demand to Datuk, 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 to the Company comprising of RM4,500,000 as the monies paid to Datuk by the Company under the SSA dated 19 August 2008 and RM450,000 as the liquidated and ascertained damages payable to the Company by Datuk pursuant to the termination of the SSA dated 19 August 2008.

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.

The ultimate outcome of the abovementioned claims cannot presently be determined, therefore, no provision for any liability that may result has been made in the financial statements.

39. 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. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Foreign currency exchange risk

The Group 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, Euro Dollar, Japanese Yen and Sterling Pound. The Group maintains a natural hedge that recognised the foreign exchange exposure by matching foreign currency income with foreign currency costs.

(c) Interest rate risk

The Group and the Company finance its operation through operating cash flows and borrowings. Interest rate exposure arises from the Group's and the Company's borrowings and deposits. The Group and the Company seek to achieve the desired interest rate profile by maintaining a prudent mix of fixed and floating rate borrowings.

(d) Credit risk

The Group and the Company's exposure to credit risk arise mainly from receivables. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

(e) Liquidity and cash flow risk

The Group and the Company actively manage its debt maturity profile, operating cash flows and maintain a flexible and cost effective borrowing structure to ensure that all refinancing, repayment and funding needs are met. The Group and the Company also maintain a certain level of cash and cash convertible investments to meet its working capital requirements.

(f) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximated their fair values at the balance sheet date due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet are as follows:

	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liabilities				
Hire purchase payables	645,375	580,402	358,788	330,236
Bank borrowings	5,307,343	5,199,690	-	-
Company				
Financial liabilities				
Contingent liabilities	64,059,000	@	88,977,000	@

@ It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, cost and eventual outcome.

It is not practical to estimate the fair values of non-trade intercompany balances as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Company does not anticipate the carrying amounts recorded in the balance sheet to be significantly different from the values that would eventually be received or settled.

The long term borrowings are estimated by discounting the expected future cash flows using the current interest rates for the liabilities with similar risk profiles. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Group and the Company, the carrying values of the long term borrowings approximate their fair values.

40. COMPARATIVE FIGURES

The financial statements of the previous financial year which are presented for comparative purposes were examined and reported on by another firm of auditors.

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated RM	Reclassified RM	As restated RM
Group			
Balance Sheets			
Trade and other receivables	58,584,248	(58,584,248)	-
Trade receivables	-	39,920,959	39,920,959
Other receivables	-	18,663,289	18,663,289
Cash and bank balances	5,830,907	(4,012,581)	1,818,326
Cash held under Housing Development Account	-	4,012,581	4,012,581
Trade and other payables	36,139,807	(36,139,807)	-
Trade payables	-	31,290,070	31,290,070
Other payables	-	4,849,737	4,849,737
Cash Flow Statements			
Cash Flows From Operating Activities			
Adjustment for:			
Interest expense	832,177	50,107	882,284
Hire purchase term charge	50,107	(50,107)	-
Interest paid	(133,373)	(1,511,847)	(1,645,220)
Trade and other payables	(2,948,723)	2,745,238	(203,485)
Cash Flows From Financing Activities			
Hire purchase term charges paid	(50,107)	50,107	-
Term loan interest paid	(1,461,740)	1,461,740	-
Net changes in bills payable	-	(2,745,238)	(2,745,238)

	As previously stated RM	Reclassified RM	As restated RM
Company			
Cash Flows From Operating Activities			
Amount owing by/to subsidiary companies	-	(134,130)	(134,130)
Cash Flows From Investing Activities			
(Advances to)/Repayment from subsidiary companies	(134,130)	134,130	-

41. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2009.

ANNEXURE A

ASIA AVENUE SDN BHD (462503-K)

2nd Floor Regal House, No. 1 Jalan U-Thant, 55000 Kuala Lumpur, Malaysia.
Tel: 03-2148 2811 Fax: 03-2148 6822

NOTICE OF NOMINATION OF NEW AUDITORS

Date: 27 May 2009

The Board of Directors
PARAGON UNION BERHAD
Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

RE: NOTICE OF NOMINATION OF NEW AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, being a member of Paragon Union Berhad ("the Company"), hereby give notice of our intention to nominate Messrs. Anuarul Azizan Chew & Co. for appointment as auditors of the Company and to replace the retiring auditors, Messrs. UHY Diong and to propose that the following ordinary resolution be tabled at the forth coming Annual General Meeting of the Company:-

"**THAT** subject to their consent to act, Messrs. Anuarul Azizan Chew & Co. be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. UHY Diong and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors."

Yours faithfully,
For and on behalf of
ASIA AVENUE SDN. BHD.

KONG SEE KUAN
(Director)

KONG SAY THOR
(Director)

PARAGON UNION BERHAD

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

FORM OF PROXY

I/We ____
of ____
being a Member of **PARAGON UNION BERHAD** hereby appoint * the Chairman of the meeting or
____
of ____
or failing whom ____
of ____
as my/our proxy/proxies to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Classics 2, Holiday Villa, No. 9 Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Monday, 29 June 2009 at 11.00 a.m. and at any adjournment thereof.

*My/*Our proxy/proxies is/are to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	Approval of Directors' Fees for the year ended 31 December 2008.		
2.	Approval of the First and Final Dividend of 1% less tax at 25% for the year ended 31 December 2008.		
3.	Re-election of Dato' Zainol Abidin Bin Haji A. Hamid as Director of the Company.		
4.	Re-election of Mr. Toh Hong Wooi as Director of the Company.		
5.	Re-election of Mr. Goh Chee Heng as Director of the Company.		
6.	Re-election of Mr. Chin Nam Onn as Director of the Company.		
7.	To appoint Auditors.		
8.	Authority for the Directors to Allot and Issue Shares.		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his (her) discretion.]

Dated this day of , 2009

Number of shares held:	

....
[Signature/Common Seal of Member]
[*Delete if not applicable]

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his(her) behalf.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member may appoint more than one (1) proxy to attend the same meeting. Where a member appoints two (2) or more proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officers.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

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Stamp

THE COMPANY SECRETARY
PARAGON UNION BERHAD
(COMPANY NO. 286457-V)
UNIT 07-02, LEVEL 7, MENARA LUXOR
6B PERSIARAN TROPICANA
47410 PETALING JAYA
SELANGOR DARUL EHSAN

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