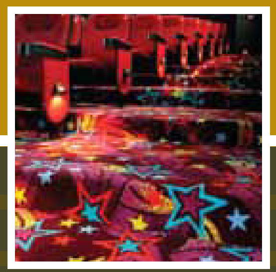
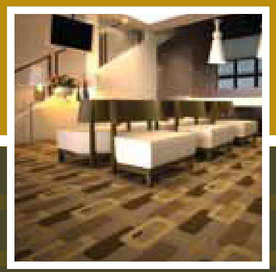
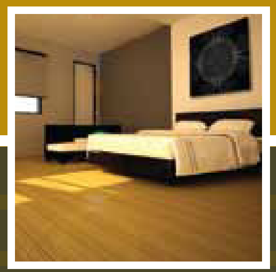
PARAGON UNION BERHAD
A Model of Excellence in Carpets
(286457-V)

www.paragon.com.my

ANNUAL REPORT 2010







PARAGON UNION BERHAD
A Model of Excellence in Carpets
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CONTENTS

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth 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 Tuesday, 28 June 2011 at 3.00 p.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 2010 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' Fees for the year ended 31 December 2010. **Resolution 1**

3. To re-elect Mr. Fung Beng Ee who is retiring as Director of the Company in accordance with Article 81 of the Company's Articles of Association. **Resolution 2**

4. To re-elect Mr. Michael Lim Hee Kiang who is retiring as Director of the Company in accordance with Article 81 of the Company's Articles of Association. **Resolution 3**

5. To re-appoint Messrs. Anuarul Azizan Chew & Co., the retiring Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

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

   ORDINARY RESOLUTION **Resolution 5**
   - **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.

BY ORDER OF THE BOARD
PARAGON UNION BERHAD

NG YIM KONG (LS 0009297)
Company Secretary
Petaling Jaya

Date: 3 June 2011

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, it 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, Persoft Tower, 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

a) Authority For Directors To Allot And Issue Shares

The proposed Resolution 5 under item 6 of the Agenda, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING (cont'd)

The general mandate sought to grant authority to Directors to allot and issue of shares is a renewal of the mandate that was approved by the shareholders at the Sixteenth Annual General Meeting held on 28 June 2010. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Sixteenth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

STATEMENT ACCOMPANYING NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 3 (Mr. Fung Beng Ee) and Agenda 4 (Mr. Michael Lim Hee Kiang) of the Notice of the Seventeenth Annual General Meeting are laid out in page 6 and 7 of this Annual Report.

DIRECTORS' PROFILE

TOH HONG WOOI
Aged 51, Malaysian
Executive Director
Member of Remuneration Committee
Member of Employees' Share Option ("ESOS") Scheme Committee

Mr. Toh Hong Wooi was appointed to the Board of Paragon Union Berhad ("Paragon") on 6 April 2009 as the Independent Non-Executive Director and subsequently re-designated as Executive Director on 21 July 2009. He obtained his Masters in Business Administration in addition of BA Urban Planning Studies from the University of Westminster. He has more than twenty 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.

FUNG BENG EE
Aged 48, Malaysian
Independent Non-Executive Director
Member of Audit Committee
Chairman of Remuneration Committee
Member of Nomination Committee

Mr. Fung Beng Ee was appointed to the Board of Paragon on 22 July 2010. Mr. Fung graduated from the University of Oxford with a Master of Arts degree in Jurisprudence in 1986. Mr. Fung was call to the Bar of England and Wales at Lincoln's Inn in 1987, the High Court of Malaya in 1988 and the Supreme Court of Singapore in 1992. He is the Managing Partner of Messrs. Kamarudin & Partners. He is also currently a Director of Northern Utility Resources Sdn Bhd, Celedon Capital Sdn Bhd and Climate Systems Sdn Bhd. 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.

MICHAEL LIM HEE KIANG
Aged 63, Malaysian
Independent Non-Executive Director
Member of Audit Committee
Chairman of Nomination Committee

Mr. Michael Lim Hee Kiang was re-appointed to the Board of Paragon on 26 November 2010. He is an Advocate and Solicitor, and holds an LLB degree with Second Class Upper Honours and LLM with Distinction from Victoria University of Wellington, New Zealand in 1972/1973. He was admitted as a Barrister and Solicitor to the Supreme Court of New Zealand in 1973. Upon returning to Malaysia in 1974, Mr Lim was admitted to the High Court of Sarawak and Brunei and subsequently to the High Court of Malaya in 1978. He was a lecturer in the Law Faculty, University of Malaya from 1975 to 1977. He joined Messrs. Shearn Delamore & Co. in 1978 and has been a partner of the firm for the last 32 years. He retired from the firm in 2009. Mr Lim is now a consultant with Messrs. Jeff Leong, Poon and Wong, a leading law firm in Malaysia. He sits on the Board of Directors of DKSH Holdings (Malaysia) Berhad, Selangor Properties Berhad, Wawasan TKH Holdings Berhad, Major Team Holdings and Seloga Holdings Bhd as well as various private 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chin Nam Onn *(Independent Non-Executive Chairman)* (Resigned on 12-05-2011)
Toh Hong Wooi *(Executive Director)*
Tan Hong Kien *(Executive Director)* (Resigned on 18-05-2010)
Dato' Zainol Abidin Bin Haji A. Hamid *(Independent Non-Executive Director)* (Demised on 19-04-2010)
Goh Chee Heng *(Independent Non-Executive Director)* (Resigned on 03-09-2010)
Fung Beng Ee *(Independent Non-Executive Director)* (Appointed on 22-07-2010)
Michael Lim Hee Kiang *(Independent Non-Executive Director)* (Appointed on 26-11-2010)

AUDIT COMMITTEE

Chin Nam Onn *(Independent Non-Executive Chairman)* (Resigned on 12-05-2011)
Fung Beng Ee *(Independent Non-Executive Director)* (Appointed on 22-07-2010)
Michael Lim Hee Kiang *(Independent Non-Executive Director)* (Appointed on 26-11-2010)
Goh Chee Heng *(Independent Non-Executive Director)* (Resigned on 03-09-2010)
Dato' Zainol Abidin Bin Haji A. Hamid *(Independent Non-Executive Director)* (Demised on 19-04-2010)

COMPANY SECRETARY

Ng Yim Kong (LS 0009297)

REGISTERED OFFICE

Unit 07-02, Level 7
Persoft Tower
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7804 5929
Fax: 603-7805 2559

PRINCIPAL BANKERS

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

REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Blok D13 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel: 603-7841 8000
Fax: 603-7841 8150

AUDITORS

Anuarul Azizan Chew & Co (AF 0791)
No 18 Jalan 1/64
Off Jalan Kolam Air
Jalan Ipoh
51200 Kuala Lumpur
Tel: 603-4048 2888
Fax: 603-4048 2999

SOLICITORS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

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.

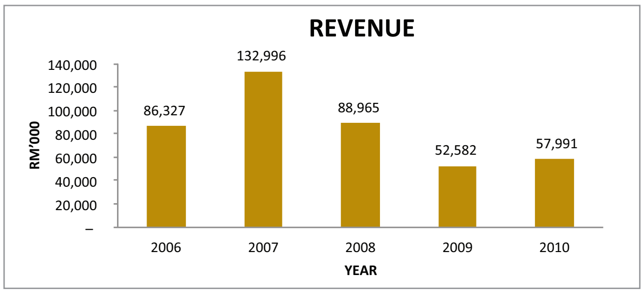
EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the Board I am pleased to present the Group's Annual Report and Audited Financial Statements for the year ended 31 December 2010.

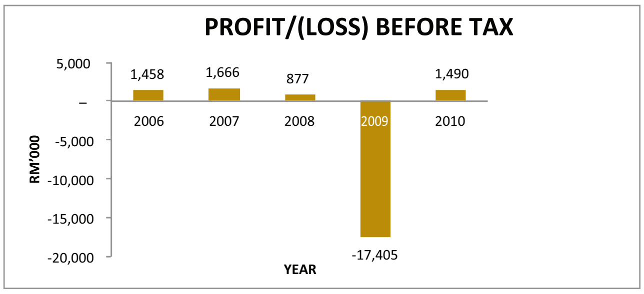
PERFORMANCE REVIEW

CARPET DIVISION

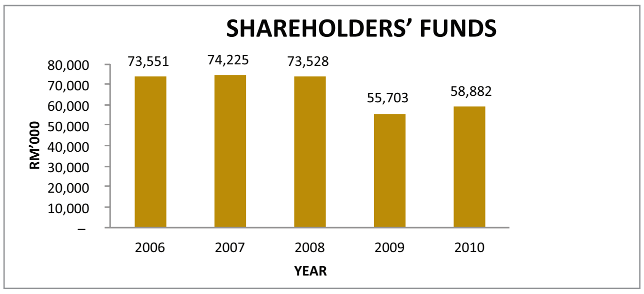
Malaysia's economy grew at a healthy rate of 7.20% in the year 2010 and this has also helped the Group achieve better performance results for the year compared to the preceding year 2009. The Group achieved higher turnover at RM57.99 million (2009: RM52.58 million) and a better Group profit before taxation of RM1.49 million (2009: RM17.41 million loss inclusive of an exceptional item of RM16.54 million.) The Group's net profit after taxation was RM3.18 million as compared to 2009 loss of RM17.33 million.



The better results were achieved inspite of very competitive local and export markets and higher production costs mainly increases in fuels and raw material costs. Continuous and encouraging support from our existing clientele together with on-going improvements in management efficiencies have also contributed to the better performance results.



The automotive carpets division achieved sales of RM29.73 million (2009: RM23.49 million.) Whilst we have maintained good business relationships with our existing valued clientele such as Proton, Honda, Nissan, Mercedes Benz, GM Korea, Suzuki, Peugeot, Isuzu and Volvo, we are also actively seeking new customers to further expand our automotive carpets business. Automotive carpets are also exported to clients in Korea and Indonesia and we are constantly working to expand our exports.



The commercial carpets division achieved sales of RM28.26 million (2009: RM29.09 million.) We are encouraged by the good response from our customers as we have secured some notable projects, namely, Bangunan Mara, INSPEN, Lembaga Kemajuan Ikan Malaysia, Masjid KLIA, Masjid

EXECUTIVE DIRECTOR'S STATEMENT (cont'd)

Kementah, UUM-Seri Temin, KDN-Jalan Duta, Parkcity Everly Hotel-Bintulu, Bayview Beach Hotel, Resort World, Zenith Hotel, Concorde Hotel, Imperial Sheraton, Hatten-Melaka, Southgate, Hospital Cheras and Menara Telekom. The commercial carpets division also exports to clients in Thailand, Brunei, Singapore and Australia.

The Group's profitability continues to be affected by high finance cost charges arising from borrowings in respect of the terminated proposed acquisition of a property development company. This is now a legal case, details of which are mentioned below.

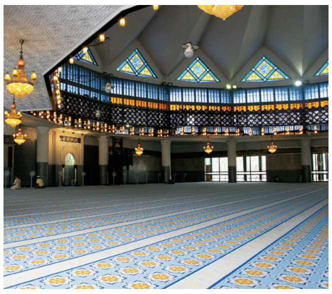
Overall the Group generated reasonably good cashflows from its operations during the year 2010.

PROPERTY DEVELOPMENT DIVISION

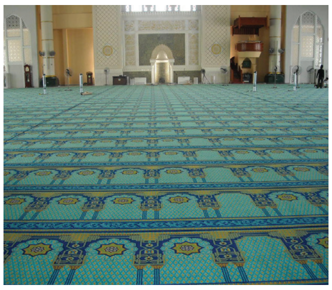
The Group has not embarked on any new property development after the successful completion of Paragon Heights at Bukit Jalil in the previous years. The Group had proposed to acquire development rights through Prestemewah Development Sdn Bhd in 2009. The failed acquisition had led to an on-going legal proceeding with Prestemewah Development Sdn Bhd.

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

On 17 May 2010, the Federal Court has dismissed the Company's application for leave to appeal with costs. As the ultimate outcome of these claims cannot presently be determined, no impairment on the aforesaid amounts has been made in the current financial year. The solicitors of the Company are of the opinion that the amount is likely to be recoverable.



The Notice of Appeal against the decision of the learned Judicial Commissioner in dismissing our summary judgment claims for RM18 million with interest and cost on 14 March was duly filed on 30 March 2011. The Record of Appeal has yet to be lodged with the Court of Appeal as we are awaiting for the notes of evidence and grounds of decision of the learned Judicial Commissioner.



PROSPECTS

For the year 2011, Malaysia's economy is expected to grow at a reasonable 5.2% and the Asia Pacific region is also expected to grow reasonably well inspite of the economic problems in Europe and USA. The expected continuous economic growth in Malaysia and the Asia Pacific region should augur well for the Group's business in 2011.

ACKNOWLEDGEMENT

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

TOH HONG WOOI
EXECUTIVE DIRECTOR

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 2010.

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 three members, comprising one Executive Director and two 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 as 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 acknowledges that a 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 and 7 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 separate 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 as 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 that it has considered together with its 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) (Resigned on 12-05-2011)*
Mr. Tan Hong Kien	*Executive Director (Resigned on 19-05-2010)*
Mr. Toh Hong Wooi	*Executive Director*
Ms. Goh Pek Nee	*(1 representative from the Management) (Joining on 28-02-2011)*

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 Directors are adequately provided with status report and Board papers to assist them in making decisions in the best interest of the Group at all times. It has been the practice of the Group to require the Board's decision on matters relating to the acquisition and disposal of major capital expenditure, investment in capital projects and corporate exercises.

During the financial year ended 31 December 2010, four Board meetings were held. Attendance at the Board meetings held during the financial year is set out below:

Executive Directors	Total
Tan Hong Kien (Resigned on 19-05-2010)	1/1
Toh Hong Wooi	4/4
Non-Executive Directors	**Total**
Chin Nam Onn (Resigned on 12-5-2011)	4/4
Fung Beng Ee (Appointed 22-07-2010)	2/2
Michael Lim Hee Kiang (Appointed 26-11-2010)	-
Goh Chee Heng (Resigned on 03-09-2010)	3/3
Dato' Zainol Abidin bin Haji A. Hamid (Demised on 19-04-2010)	1/1

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

In 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 recognizes 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. Michael Lim Hee Kiang *(Appointed 26-11-2010)*	*Independent Non-Executive Director (Chairman)*
Mr. Chin Nam Onn *(Resigned 12-05- 2011)*	*Independent Non-Executive Chairman*
Mr. Fung Beng Ee *(Appointed on 22-07-2010)*	*Independent Non-Executive Director*
Mr. Goh Chee Heng *(Resigned on 03-09- 2010)*	*Independent Non-Executive Director*
Dato' Zainol Abidin bin Haji A.Hamid *(Demised on 19-04-2010)*	*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 Director to retire in each year is the Directors who has been longest in office since his appointment or re-appointment. A retiring Director is eligible for re-appointment. The detail of the retiring Directors is 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 the briefing given by the Company Secretary pertaining to the Implementation of "e Dividend" in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In addition to that, the following Directors had attended the undermentioned conferences, seminars and/or training programmes:-

1.	Chin Nam Onn *(Resigned on 12-05-2011)*	18 January 2010
	• Corporate Governance Guide	
2.	Toh Hong Wooi	18 January 2010
	• Corporate Governance Guide	
3.	Michael Lim Hee Kiang *(Appointed on 26-11-2010)*	
	• Corporate Governance Guide	18 January 2010
	• Developing Leadership Within You Using Law Attraction	20 August 2010

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

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. Fung Beng Ee *(Appointed on 22-07-2010)*	*Independent Non-Executive Director (Chairman)*
Mr. Chin Nam Onn *(Resigned on 12-05-2011)*	*Independent Non-Executive Chairman*
Mr. Toh Hong Wooi	*Executive Director*
Mr. Tan Hong Kien *(Resigned on 19-05-2010)*	*Executive Director*
Dato' Zainol Abidin Bin Haji A.Hamid *(Demised on 19-04-2010)*	*Independent Non-Executive Director*

The remuneration of the Directors, in aggregation and analysed into bands of RM53,500.00 is as follows:

	EXECUTIVE DIRECTORS RM	NON-EXECUTIVE DIRECTORS RM
Salaries	325,826	-
Bonuses	85,393	-
Fees	27,500	53,500
Benefits-In-Kind	24,650	-
Total	463,369	53,500

REMUNERATION RANGE	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Less than RM50,000	-	5
RM50,001 to RM100,000	2	-
RM350,001 to RM400,000	-	-

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 the Bursa Malaysia Securities Berhad 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 two Directors, both of them are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on page 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 Executive Director'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 2010 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 page 19 to 20 of the Annual Report.

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 RM11,650.00

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 2010 or entered into since the end of the previous financial year.

3. **Sanctions and / or 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")**

   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. **Options or convertible securities**

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

9. **Share Buy-Back**

   There was no share buy-back by the Company 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 2010 pursuant to Paragraph 15.26 (b) of the Main Market 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 cleary defined.

- The Executive Directors are 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 or 'PUB', we strived to achieve the best industrial practices to ensure that we integrate our business values with environmental and social responsibilities.

EMPLOYEE WELFARE

We recognise 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:-

- Complying with Environmental Quality (Sewage) Regulations 2009 & (Industrial Effluent) Regulations 2009;
- GST For Industries : Getting Started;
- Efficient Management of Electrical Energy Regulations 2008;
- Induction Training For Security Guard;
- 3rd National Export Conference 2010;
- Seminar Permahaman Akta Kualiti Alam Sekeliling 1994;
- Function of Fire Alarm Panel (Guard House)/Procedure of Operations For Fire Fighting Pumps at Pump House;
- Scheduled Waste Management Training;
- Total Production Maintenance;
- Modul Latihan Pengurusan;
- Audiometric Training;
- Training Need Analysis;
- Kursus Pasukan Keselamatan Kebakaran;
- Waterjet Work Instruction & Sop Training;
- Security Guard Trianing
- Fire Fighting System.

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 strategic procurement, negotiation skill and cost reduction techniques, production cycle time reduction, production planning and control and some other in-house trainings.

Recognising the need to also 'unwind', not just on hard work, we encourage recreational activities and funded the establishment of a sport club whereby the employees can enjoy sports activities and social gatherings like the 2010 Achievement Lunch 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 maintained 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 minimizing 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.

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 (Resigned on 12-05-2011)	Independent Non-Executive Chairman (Chairman)
Mr. Fung Beng Ee (Appointed on 22-07-2010)	Independent Non-Executive Director
Mr. Michael Lim Hee Kiang (Appointed on 26-11-2010)	Independent Non-Executive Director
Mr. Goh Chee Heng (Resigned on 03-09-2010)	Independent Non-Executive Director
Dato' Zainol Abidin Bin Haji A. Hamid (Demised on 19-04-2010)	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. In connection to this, Mr Chin Nam Onn had resigned on 12 May 2011, the number of the members of the Audit Committee is reduced below three. The Board of Directors shall, within three months from 12 May 2011, appoint additional member(s) to the Audit Committee.

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

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 four Meetings of the Audit Committee held during the financial year ended 31 December 2010 to which all the Committee Members attended. The record of attendance of each Committee Member is as follows:-

Committee Member	Attendance
Mr. Chin Nam Onn (Resigned on 12-05-2011)	4/4
Mr. Fung Beng Ee (Appointed 22-07-2010)	2/2
Mr. Michael Lim Hee Kiang (Appointed 26-11-2010)	-
Mr. Goh Chee Heng (Resigned on 03-09-2010)	3/3
Dato' Zainol Abidin Bin A. Hamid (Demised on 19-04-2010)	1/1

4. SUMMARY OF ACTIVITIES

During the year ended 31 December 2010, 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 with External Auditors the Audit Planning Memorandum.
- 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 outsourced internal audit function has carried out various risk-based audit reviews of the key processes of Design Studio. These review areas included as follows:-

i. Management verification of design specification;
ii. Monitoring of new product development;
iii. Monitoring and recording of sample folder;
iv. Access control and back-up on design data in server; and
v. Licensing of software.

The cost incurred for internal audit in financial year ended 31 December 2010 was RM9,000.00
The audit steps involved are as follows:-

- Defined the audit objectives and audit scope based on the risk factors as identified in the Internet 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	2010	2009	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 2010

Location	Age of Building	Tenure	Description	Land Area (sq. m.)	Build-Up Area (sq. m.)	Cost / Revaluation (RM)	Net Book Value as at 31.12.2010 (RM)	Last Date of Revaluation
Lot No. PT 7637 14, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	20 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	8,094	3,190 (factory) 3,929 (office)	8,090,000	6,330,348	12.03.1998
Lot No. PT 7667 21, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	19 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	6,833	4,177 (factory) 873 (office)	5,725,820	4,523,751	13.02.1998
Lot No. PT 7641 11A, Jalan Satu Kawasan Perindustrian Cheras Jaya Balakong, 43200 Cheras Selangor Darul Ehsan	15 years	Leasehold (Expiry 14.05.2088)	Leasehold Land, Factory & Office	12,128	7,919 (factory)	8,462,936	6,756,821	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 6 MAY 2011

Size Of Holdings	No. Of Shareholders	No. Of Shares	Percentage (%)
1 - 99	21	423	0.00
100 - 1,000	736	700,842	1.08
1,001 - 10,000	1,592	7,222,901	11.16
10,001 – 100,000	384	10,949,000	16.92
100,001 – 3,234,914*	34	10,456,040	16.16
3,234,915 and above **	2	35,369,094	54.68
Total	2,769	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 6 MAY 2011

Names	Direct No. of Shares	Percentage (%)	Indirect No. of Shares	Percentage (%)
Toh Hong Wooi	-	-	-	-
Fung Beng Ee *(Appointed on 22-07-2010)*	-	-	-	-
Michael Lim Hee Kiang *(Appointed on 26-11-2010)*	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 6 MAY 2011

Substantial Shareholders	Direct No. Of Shares	(%)	Indirect No. Of Shares	(%)
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.

THIRTY (30) LARGEST SHAREHOLDERS AS AT 6 MAY 2011

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	1,837,200	2.84
4.	Su Ming Keat	996,040	1.54
5.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Pah Sang	845,700	1.31
6.	Lee Poh Yee	843,800	1.30
7.	Optad Marketing Sdn. Bhd.	660,600	1.02
8.	CIMSEC Nominees (Asing) Sdn. Bhd. Exempt An for CIMB Securities (Singapore) Pte Ltd	466,500	0.72
9.	Lim Lai Chun @ Lim Lai Chan	358,400	0.55
10.	Gan Lam Seong	341,500	0.53
11.	Low Wan Chin	275,000	0.43
12.	Ang Seo Hoon	254,800	0.39
13.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Ah Kim	214,500	0.33
14.	Ooi Lee Peng	207,000	0.32
15.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Liau Siong Kee @ Liew Siong Kee	206,000	0.32
16.	Lim Chir Ching	200,000	0.31
17.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Keat	200,000	0.31
18.	Liw Kwei Sunn	167,500	0.26
19.	Cheong Chun Ming	164,000	0.25
20.	Chin Tung Leong	154,800	0.24
21.	Phong Chiew Khim	147,800	0.23
22.	Wong Ah Yong	143,000	0.22
23.	Yee Kwek Keong	140,000	0.22
24.	Yeow Teck Chai	138,000	0.21
25.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ooi Lee Peng	136,000	0.21
26.	Chong Tong Siew	134,000	0.21
27.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Teck Khoon	133,200	0.21
28.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Tien Tow	131,000	0.20
29.	Chantika Holdings Sdn. Bhd.	130,000	0.20
30.	Ho Wah Genting Kintron Sdn. Bhd.	130,000	0.20
	Total	**45,125,434**	**69.75**

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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/(loss) for the financial year		
- attributable to owners of the parent	3,178,969	(424,843)

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

REPURCHASE OF SHARES

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

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

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

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

At 31 December 2010, the total number of treasury shares held by the Company is 5,301,700 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 are entitled 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 Director
- Mr. Toh Hong Wooi

Independent non-executive Directors
- Mr. Fung Beng Ee (appointed on 22.7.2010)
- Mr. Michael Lim Hee Kiang (appointed on 26.11.2010)

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 expired 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 preceeding 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 1.1.2010	Exercised	Forfeited	At 31.12.2010
1 September 2005	1.00	3,180,000	(3,180,000)	-	-
22 September 2005	1.00	250,000	(250,000)	-	-
		3,430,000	(3,430,000)	-	-

The salient features and other terms of the ESOS are disclosed in Note 27 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 1.1.2010	Granted	Exercised	At 31.12.2010
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:

Toh Hong Wooi	
Chin Nam Onn	
Fung Beng Ee	(appointed on 22.7.2010)
Michael Lim Hee Kiang	(appointed on 26.11.2010)
Tan Hong Kien	(resigned on 19.5.2010)
Goh Chee Heng	(resigned on 3.9.2010)

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 1.1.2010	Granted	Exercised	At 31.12.2010
Paragon Union Berhad				
Tan Hong Kien	500,000	-	(500,000)	-

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 which expired on 20 July 2010.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

(e) In the opinion of the Directors:

   (i) the results of the operations of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 35; and

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

HOLDING COMPANY

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

AUDITORS

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

Signed in accordance with a resolution of the Directors.

TOH HONG WOOI	FUNG BENG EE

KUALA LUMPUR
28 APRIL 2011

STATEMENT BY DIRECTORS

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

We, TOH HONG WOOI and FUNG BENG EE, 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 100 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 2010 and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors.

TOH HONG WOOI

FUNG BENG EE

KUALA LUMPUR
28 APRIL 2011

STATUTORY DECLARATION

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

I, CHOW SIEW YONG, being the Officer primarily responsible for the financial management of PARAGON UNION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 43 to 100 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)	
abovenamed CHOW SIEW YONG at	)	
Kuala Lumpur in the Federal Territory	)	
	)	
this 28 APRIL 2011	)	
	)	**CHOW SIEW YONG**

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON UNION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Paragon Union Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equities and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 100.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 2010 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PARAGON UNION BERHAD (cont'd)

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

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

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

OTHER MATTERS

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the Directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the Directive of Bursa Malaysia Securities Berhad.

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.

ANUARUL AZIZAN CHEW & CO
Firm Number: AF 0791
Chartered Accountants

CHONG KEE HONG
Approved Number: 2146/09/12 (J)
Partner of Firm

KUALA LUMPUR
28 APRIL 2011

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

		Group	Restated 2009		Company	
	Note	2010 RM	31 December RM	1 January RM	2010 RM	2009 RM
Non-Current Assets						
Property, plant and equipment	3	35,752,521	38,134,532	33,000,472	-	-
Investment in subsidiary companies	5	-	-	-	13,297,231	13,297,231
Deferred tax assets	6	69,048	141,345	-	-	-
		35,821,569	38,275,877	33,000,472	13,297,231	13,297,231
Current Assets						
Inventories	7	18,743,469	17,280,475	15,927,526	-	-
Trade receivables	8	14,757,808	18,833,847	27,172,870	-	-
Other receivables	9	19,044,664	19,082,729	37,584,561	18,004,465	18,004,465
Tax recoverable		712,021	595,087	483,905	85,098	87,723
Amount owing by subsidiary companies	10	-	-	-	23,275,248	23,648,826
Cash held under Housing Development Account	11	298,787	282,362	22,353	-	-
Cash and bank balances	12	2,851,953	1,039,825	1,063,735	91,399	92,557
		56,408,702	57,114,325	82,254,950	41,456,210	41,833,571
Current Liabilities						
Trade payables	13	3,439,912	4,121,280	4,471,393	-	-
Other payables	14	4,382,379	4,529,485	5,370,355	1,445,285	1,397,803
Hire purchase payables	15	1,003,548	1,103,143	342,750	-	-
Bank borrowings	16	16,404,251	18,430,491	21,018,882	-	-
Tax payables		405,931	405,931	1,515,978	-	-
		25,636,021	28,590,330	32,719,358	1,445,285	1,397,803
Net current assets		30,772,681	28,523,995	49,535,592	40,010,925	40,435,768
		66,594,250	66,799,872	82,536,064	53,308,156	53,732,999

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (cont'd)

		Group			Company	
			Restated 2009			
	Note	2010 RM	31 December RM	1 January RM	2010 RM	2009 RM
Financed by:						
Share Capital	17	70,000,000	70,000,000	70,000,000	70,000,000	70,000,000
Reserves	18	660,570	743,497	826,424	-	-
Treasury shares	19	(4,220,708)	(4,220,708)	(4,209,498)	(4,220,708)	(4,220,708)
(Accumulated loss)/Retained profits		(7,557,877)	(10,819,773)	6,910,665	(12,471,136)	(12,046,293)
Equity attributable to owners of the parent		58,881,985	55,703,016	73,527,591	53,308,156	53,732,999
Non -Current Liabilities						
Hire purchase payables	15	2,055,974	3,099,789	645,375	-	-
Bank borrowings	16	4,093,256	4,670,279	5,307,343	-	-
Deferred tax liabilities	6	1,563,035	3,326,788	3,055,755	-	-
		7,712,265	11,096,856	9,008,473	-	-
		66,594,250	66,799,872	82,536,064	53,308,156	53,732,999

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Company	
			Restated		
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Revenue	20	57,990,652	52,582,436	-	800,000
Cost of sales		(47,473,854)	(43,691,215)	-	-
Gross profit		10,516,798	8,891,221	-	800,000
Other operating income		170,890	96,263	227	204
Selling and distribution costs		(4,017,769)	(4,261,214)	-	-
Exceptional item	21	-	(16,540,000)	-	(16,540,000)
Administrative and general expenses		(3,695,370)	(4,039,555)	(422,445)	(569,353)
Finance costs	22	(1,484,411)	(1,551,747)	-	-
Profit/(Loss) before taxation	23	1,490,138	(17,405,032)	(422,218)	(16,309,149)
Taxation	24	1,688,831	76,906	(2,625)	(172,779)
Net profit/(loss) for the financial year - attributable to owners of the parent		3,178,969	(17,328,126)	(424,843)	(16,481,928)
Earnings/(loss) per share - attributable to owners of the parent (sen)					
Basic	25(a)	4.91	(26.78)		
Diluted	25(b)	-	-		
Net dividend per ordinary share (sen)	26	-	0.75	-	0.75

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Attributable to Equity Holders of the Parent					
			← Non-Distributable →		← Distributable →		
		Share Capital	Merger Reserve	Asset Valuation Reserve	Treasury Shares	Retained Profits/ (Accumulated Loss)	Total
	Note	RM	RM	RM	RM	RM	RM
Group							
At 1 January 2010		70,000,000	(4,618,481)	5,361,978	(4,220,708)	(10,819,773)	55,703,016
Realisation of reserve on amortisation of revalued properties		-	-	(82,927)	-	82,927	-
Total comprehensive income		-	-	-	-	3,178,969	3,178,969
At 31 December 2010		70,000,000	(4,618,481)	5,279,051	(4,220,708)	(7,557,877)	58,881,985

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (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/ (Accumulated Loss) RM	Total RM
Group							
At 1 January 2009		70,000,000	(4,618,481)	5,444,905	(4,209,498)	6,910,665	73,527,591
Realisation of reserve on amortisation of revalued properties		-	-	(82,927)	-	82,927	
Shares purchased during the financial year held as treasury shares	19	-	-	-	(11,210)	-	(11,210)
Dividend	26	-	-	-	-	(485,239)	(485,239)
Total comprehensive loss		-	-	-	-	(17,328,126)	(17,328,126)
At 31 December 2009		70,000,000	(4,618,481)	5,361,978	(4,220,708)	(10,819,773)	55,703,016

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

			← Distributable	→	
	Note	Share Capital RM	Treasury Shares RM	Retained Profits/ (Accumulated Loss) RM	Total RM
Company					
At 1 January 2010		70,000,000	(4,220,708)	(12,046,293)	53,732,999
Total comprehensive loss		-	-	(424,843)	(424,843)
At 31 December 2010		70,000,000	(4,220,708)	(12,471,136)	53,308,156
At 1 January 2009		70,000,000	(4,209,498)	4,920,874	70,711,376
Shares purchased during the financial year held as treasury shares	19	-	(11,210)	-	(11,210)
Dividend	26	-	-	(485,239)	(485,239)
Total comprehensive loss		-	-	(16,481,928)	(16,481,928)
At 31 December 2009		70,000,000	(4,220,708)	(12,046,293)	53,732,999

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

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Company	
			Restated		
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit/(Loss) before taxation		1,490,138	(17,405,032)	(422,218)	(16,309,149)
Adjustments for:					
Impairment for trade receivables		401,562	144,000	-	-
Impairment for other receivables		-	16,540,000	-	16,540,000
Impairment for trade receivables written back		(5,599)	(37,839)	-	-
Bad debts written off		-	299,544	-	-
Unrealised loss on foreign exchange		97,990	-	-	-
Depreciation of property, plant and equipment		2,619,279	2,546,780	-	-
Dividend income		-	-	-	(800,000)
Gain on disposal of property, plant and equipment		(148,500)	(5,500)	-	-
Property, plant and equipment written off		101,707	-	-	-
Interest income		(227)	(204)	(227)	(204)
Interest expense		1,484,411	1,551,747	-	-
Operating profit/(loss) before working capital changes		6,040,761	3,633,496	(422,445)	(569,353)
Decrease/(Increase) in working capital					
Inventories		(1,462,994)	(1,352,949)	-	-
Trade and other receivables		3,620,151	9,895,150	-	104,258
Trade and other payables		(828,474)	(1,190,983)	47,482	(139,080)
Amount owing by subsidiary companies		-	-	373,578	(161,096)
		1,328,683	7,351,218	421,060	(195,918)
Cash generated/(used in) from operations		7,369,444	10,984,714	(1,385)	(765,271)

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

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

		Group		Company	
			Restated		
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Dividend received from subsidiary company		-	-	-	600,000
Interest received		227	204	227	204
Interest paid		(1,484,411)	(1,551,747)	-	-
Tax refunded		-	51,316	-	51,316
Tax paid		(119,559)	(1,065,951)	-	-
		(1,603,743)	(2,566,178)	227	651,520
Net cash from/(used in) operating activities		5,765,701	8,418,536	(1,158)	(113,751)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	3(d)	(338,975)	(3,304,374)	-	-
Proceeds from disposal of property, plant and equipment		148,500	5,500	-	-
Net cash used in investing activities		(190,475)	(3,298,874)	-	-
Cash Flows From Financing Activities					
Repurchase of shares		-	(11,210)	-	(11,210)
Repayment of term loans		(586,028)	(613,041)	-	-
Net changes in bills payable		(1,329,128)	(3,169,309)	-	-
Repayment of hire purchase payables		(1,143,410)	(1,161,659)	-	-
Dividend paid	27	-	(485,239)	-	(485,239)
Net cash used in financing activities		(3,058,566)	(5,440,458)	-	(496,449)
Net increase/(decrease) in cash and cash equivalents		2,516,660	(320,796)	(1,158)	(610,200)
Cash and cash equivalents at beginning of the financial year		(12,487,084)	(12,166,288)	92,557	702,757
Cash and cash equivalents at end of the financial year		(9,970,424)	(12,487,084)	91,399	92,557
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		2,851,953	1,039,825	91,399	92,557
Cash held under Housing Development Account		298,787	282,362	-	-
Bank overdrafts		(13,121,164)	(13,809,271)	-	-
		(9,970,424)	(12,487,084)	91,399	92,557

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The principal activities of the subsidiary companies are disclosed in Note 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 Main Market of Bursa Malaysia Securities Berhad.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

During the financial year, the Company have adopted the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations, and effective for accounting period beginning on 1 July 2009 and 1 January 2010.

FRS 7: Financial Instruments: Disclosures
FRS 8: Operating Segments
FRS 101: Presentation of Financial Statements (Revised)
FRS 123: Borrowing Costs (Revised)
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and
FRS127: Consolidated and Separate Financial Statements:
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139, Financial Instruments: Recognition and Measurement,
FRS7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

The adoption of the above new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations did not have a significant impact on the financial statements of the Company except as disclosed in Note 33.

At the date of authorisation of these financial statements, the Company have not applied the following FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations that have been issued by MASB but are not yet effective:-

	Effective date for financial period beginning on or after
Amendments to FRS 132: Financial Instruments: Presentation:- paragraphs 11,16 and 97E	1 March 2010
FRS 3: Business Combination (Revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (Revised)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First Time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4: Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"	1 January 2011
Amendments to IC interpretation 14 : Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19 : Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15 : Agreements for the Construction of Real Estate	1 January 2012
FRS 124 : Related Party Disclosures (Revised)	1 January 2012

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

The Directors of the Company anticipate that the application of the above FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Company except for the following:-

FRS 3: Business Combinations (Revised)

(i) This revised standard allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;

(ii) It changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

(iii) It requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

(iv) It requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

FRS 127: Consolidated and Separate Financial Statements (Revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (Revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

<u>IC Interpretation 4 Determining whether an Arrangement contains a Lease</u>

The Interpretation aims to provide guidance for determining whether certain arrangements are, or contain, leases that should be accounted for in accordance with FRS 117 Leases; It clarifies that an arrangement, although it does not take the legal form of a lease, is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

This is the case if the purchaser has the right to operate or direct others to operate or control physical access to the asset. Another condition is that if it is remote parties other than the purchaser that will take more than an insignificant amount of the asset's output and the price is neither fixed nor at current market price.

<u>IC Interpretation 18 Transfers of Assets from Customers</u>

This Interpretation is applicable to entities that receive items of property, plant and equipment ("PPE") from their customers.

The Interpretation is also applicable in cases where the entity receives cash from the customer that must be used to construct or acquire a PPE which then must be used by the entity to supply its customers with ongoing access to a supply of goods or services.

The Interpretation clarifies that if such PPE meet the definition of an asset, it shall recognise it in accordance with FRS 116 Property, Plant and Equipment.

The asset shall be measured initially at fair value and corresponding revenue shall be recognised in accordance with FRS 118 Revenue.

(b) Functional and presentation currency

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

(c) Significant accounting estimates and judgements

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

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

(i) Estimation of fair value of properties

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

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

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

(ii) Impairment of goodwill

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

(iii) Depreciation of property, plant and equipment

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

(iv) Income taxes

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

(v) Deferred tax asset

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

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

(d) Basis of consolidation

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

(i) Subsidiary companies

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

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

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 is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

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.

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 statements of comprehensive income.

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

Minority interests are measured at the minorities' share of the fair value of identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests 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 consolidated statement of comprehensive income.

When the Group purchases a subsidiary's equity shares from minority interests 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) Transactions eliminated on consolidation

Intra-group balances including any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) 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(h).

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 updated.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

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

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

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

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

The depreciable amount is determined after deducting the residual value.

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

Gains or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the statement of comprehensive income. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to distribution reserve.

(f) Leases

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

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

(g) Goodwill arising on consolidation

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

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

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

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

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

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

(h) Impairment of non financial assets

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

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

(i) Inventories

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

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

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

(j) Financial assets

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

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

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

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

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

(k) Impairment of financial assets

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

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

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

All impairment losses are recognised in statements of comprehensive income.

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

(l) Cash and cash equivalents

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

(m) Financial liabilities

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

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

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

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

(n) Equity instruments

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

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

(o) Treasury shares

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

(p) Hire purchase

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

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

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

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

(q) Borrowing costs

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

(r) Foreign currencies

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

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

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

	2010 RM	2009 RM
United States Dollar (US$)	3.0835	3.4245
Sterling Pound (£)	4.7817	5.5001

(s) Revenue recognition

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

(i) Goods sold and services rendered

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

(ii) Interest income

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

(iii) Dividend income

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

(t) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(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 reporting 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 statements of comprehensive income, 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.

(u) Income taxes

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

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

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

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

(v) Earnings per share

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

(w) Operating segments

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

(x) Reserves

(i) Asset revaluation reserve

The asset revaluation reserve represents increase in the fair value of freehold land and building, net of tax, and decreases to the extent such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

(ii) Merger Reserve

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

3. PROPERTY, PLANT AND EQUIPMENT

	At Valuation		At Cost					
Group	Leasehold Lands RM	Factory buildings and building improvements RM	Factory buildings and building improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Total RM
Cost/Valuation								
At 1 January 2010								
- As previously reported	-	12,080,000	68,756	34,188,823	2,514,733	8,637,217	4,072,004	61,561,533
- Effect of adopting the amendments to FRS 117 (Note 4)	10,130,000	-	-	-	-	-	-	10,130,000
- As restated	10,130,000	12,080,000	68,756	34,188,823	2,514,733	8,637,217	4,072,004	71,691,533
Additions	-	-	-	16,284	4,100	286,591	32,000	338,975
Disposals/ Write-Off	-	-	-	-	(607,421)	-	(109,953)	(717,374)
At 31 December 2010	10,130,000	12,080,000	68,756	34,205,107	1,911,412	8,923,808	3,994,051	71,313,134
Accumulated depreciation								
At 1 January 2010								
- As previously reported	-	2,903,759	9,274	18,311,696	2,000,380	5,821,283	3,119,034	32,165,426
- Effect of adopting the amendments to FRS 117 (Note 4)	1,391,575	-	-	-	-	-	-	1,391,575
- As restated	1,391,575	2,903,759	9,274	18,311,696	2,000,380	5,821,283	3,119,034	33,557,001
Charge for the financial year	120,282	241,600	1,346	1,220,765	77,109	714,435	243,742	2,619,279
Disposals/ Write-Off	-	-	-	-	(607,421)	-	(8,246)	(615,667)
At 31 December 2010	1,511,857	3,145,359	10,620	19,532,461	1,470,068	6,535,718	3,354,530	35,560,613
Carrying amount								
At 31 December 2010	8,618,143	8,934,641	58,136	14,672,646	441,344	2,388,090	639,521	35,752,521

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Lands RM	Factory buildings and building improvements RM	Factory buildings and building improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Electrical installation and renovation RM	Total RM
	At Valuation		At Cost					
Cost/Valuation								
At 1 January 2009								
- As previously reported	-	12,080,000	68,756	28,124,866	2,518,333	7,545,098	3,603,475	53,940,528
- Effect of adopting the amendments to FRS 117 (Note 4)	10,130,000	-	-	-	-	-	-	10,130,000
- As restated	10,130,000	12,080,000	68,756	28,124,866	2,518,333	7,545,098	3,603,475	64,070,528
Additions	-	-	-	6,120,192	-	1,092,119	468,529	7,680,840
Disposals	-	-	-	(56,235)	(3,600)	-	-	(59,835)
At 31 December 2009	10,130,000	12,080,000	68,756	34,188,823	2,514,733	8,637,217	4,072,004	71,691,533
Accumulated depreciation								
At 1 January 2009								
- As previously reported	-	2,662,159	7,899	17,187,117	1,927,350	5,188,818	2,825,421	29,798,764
- Effect of adopting the amendments to FRS 117 (Note 4)	1,271,292	-	-	-	-	-	-	1,271,292
- As restated	1,271,292	2,662,159	7,899	17,187,117	1,927,350	5,188,818	2,825,421	31,070,056
Charge for the financial year	120,283	241,600	1,375	1,180,814	76,630	632,465	293,613	2,546,780
Disposals	-	-	-	(56,235)	(3,600)	-	-	(59,835)
At 31 December 2009	1,391,575	2,903,759	9,274	18,311,696	2,000,380	5,821,283	3,119,034	33,557,001
Carrying amount								
At 31 December 2009	8,738,425	9,176,241	59,482	15,877,127	514,353	2,815,934	952,970	38,134,532

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

(a) The factory buildings 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 RM6,655,747 (2009: RM6,861,023) respectively.

The remaining period of the leasehold land and factory buildings is 79 (2009: 80) 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 16 are as follows:

	Group	
	2010	2009
	RM	RM
Leasehold land	8,618,143	8,738,425
Factory buildings	8,992,777	9,235,723
Plant and machinery	9,983,293	10,731,620
Motor vehicle	3,129	10,012
	27,597,342	28,715,780

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

	Group	
	2010	2009
	RM	RM
Plant and machinery	4,922,539	5,134,029
Motor vehicles	360,357	379,500
Furniture, fittings and equipment	278,300	430,104
	5,561,196	5,943,633

(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	
	2010	2009
	RM	RM
Aggregate costs	338,975	7,680,840
Hire purchase financing	-	(4,376,466)
Cash payments	338,975	3,304,374

4. PREPAID LEASE PAYMENTS

	Group 2010 RM	Group 2009 RM
Cost		
At 1 January		
- As previously reported	10,130,000	10,130,000
- Effect of adopting the amendments to FRS117 (Note 3)	(10,130,000)	(10,130,000)
- At 1 January/ 31 December (As restated)	-	-
Accumulated amortization		
At 1 January		
- As previously reported	1,391,575	1,271,292
- Effect of adopting the amendments to FRS117 (Note 3)	(1,391,575)	(1,271,292)
- At 1 January/ 31 December (As restated)	-	-
Carrying amount		
At 31 December	-	-

In previous years, upfront payments made for long term leasehold lands were included in prepaid lease payments. Following the adoption of Amendments to FRS 117, the leasehold lands are now reclassified as property, plant and equipment and disclosed in Note 3

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2010 RM	Company 2009 RM
In Malaysia		
Unquoted shares, at cost	14,511,655	14,511,655
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 2010 %	2009 %	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 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. DEFERRED TAXATION

	Group	
	2010	**2009**
	RM	**RM**
At 1 January	3,185,443	3,055,755
Recognised in statement of comprehensive income	623,303	145,871
Over provision in prior year	(2,314,759)	(16,183)
At 31 December	1,493,987	3,185,443

Represented after appropriate offsetting as follows:

	Group	
	2010	**2009**
	RM	**RM**
Deferred Tax Liabilities	1,563,035	3,326,788
Deferred Tax Assets	(69,048)	(141,345)
	1,493,987	3,185,443

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

Deferred tax liabilities of the Group:-

	Accelerated capital allowances RM	Revaluation of leasehold properties RM	Total RM
At 1 January 2010	2,798,750	1,787,325	4,586,075
Recognised in statements of comprehensive income	(45,709)	(27,642)	(73,351)
Over provision in prior year	(597,580)	-	(597,580)
	2,155,461	1,759,683	3,915,144
Offsetting			(2,352,109)
At 31 December 2010			1,563,035
As at 1 January 2009	2,738,919	1,814,967	4,553,886
Recognised in statements of comprehensive income	113,521	(27,642)	85,879
Over provision in prior year	(53,690)	-	(53,690)
	2,798,750	1,787,325	4,586,075
Offsetting			(1,259,287)
At 31 December 2009			3,326,788

Deferred tax assets of the Group:-

	Unabsorbed tax losses and tax credits RM	Unabsorbed capital allowances RM	Impairment for trade receivables RM	Reinvestment allowances RM	Total RM
At 1 January 2010	387,270	977,362	36,000	-	1,400,632
Recognised in statements of comprehensive income	(56,306)	(632,167)	-	(8,181)	(696,654)
Under/(Over) provision in prior year	229,351	59,532	(36,000)	1,464,296	1,717,179
	560,315	404,727	-	1,456,115	2,421,157
Offsetting					(2,352,109)
At 31 December 2010					69,048

Deferred tax assets of the Group:-

	Unabsorbed tax losses and tax credits RM	Unabsorbed capital allowances RM	Impairment for trade receivables RM	Total RM
At 1 January 2009	180,299	1,257,832	60,000	1,498,131
Recognised in statements of comprehensive income	203,214	(299,206)	36,000	(59,992)
Over provision in prior year	3,757	18,736	(60,000)	(37,507)
At 31 December 2009	387,270	977,362	36,000	1,400,632
Offsetting				(1,259,287)
At 31 December 2009				141,345

The recognition of deferred tax assets of the Group is dependent on future taxable profits in excess of profits arising from reversed of existing temporary differences. The evidence used to support this recognition is the management's budget, which shows that it is probable that deferred tax assets would be realised in future years.

7. INVENTORIES

	Group 2010 RM	Group 2009 RM
Raw materials	6,051,878	7,367,986
Work-in-progress	1,630,895	3,396,039
Finished goods	11,060,696	6,516,450
	18,743,469	17,280,475

8. TRADE RECEIVABLES

	Group 2010 RM	Group 2009 RM
Trade receivables	15,229,105	19,064,693
Impairment for trade receivables	(471,297)	(230,846)
Trade receivables, net	14,757,808	18,833,847

The Group's normal trade credit term range from 60 to 90 days (2009: 60 to 90 days). Other credit terms are assessed and approved on a case to case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amounts owing by 5 major customers amounting to RM12,926,341 (2009: RM14,682,694) which accounts for 88% (2009: 78%) of the total trade receivables of the Group.

Ageing analysis of trade receivables

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

	Group	
	2010	**2009**
	RM	**RM**
Neither past due or impaired	7,374,121	9,477,188
1 - 90 days past due but not impaired	4,074,226	3,112,963
91 - 180 days past due but not impaired	3,730,754	6,474,542
More than 1 year past due but not impaired	50,004	-
	7,854,984	9,587,505
Fully impaired	(471,297)	(230,846)
	14,757,808	18,833,847

The trade receivables that are impaired

	Group	
	2010	**2009**
	RM	**RM**
Individually	(471,297)	(230,846)
Allowance for impairment		
At 1 January	230,846	398,803
Allowance written off	(155,512)	(274,118)
Allowance written back	(5,599)	(37,839)
Allowance made	401,562	144,000
At 31 December	471,297	230,846

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long term customers with no history of default in payments. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group's trade receivables of RM7,854,984 (2009: RM9,587,505) that are past due at the reporting date but not impaired are unsecured. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, periodically monitored. None of the trade receivables that are past due but not impaired have been renegotiated during the financial year.

The currency exposure profiles of trade receivables are as follows:

	Group	
	2010 RM	2009 RM
Ringgit Malaysia	13,367,034	17,321,321
United States Dollar	1,390,774	1,512,526
	14,757,808	18,833,847

9. OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables	18,767,873	18,765,671	18,004,465	18,004,465
Deposits	16,771,149	16,736,155	16,540,000	16,540,000
Prepayments	309,626	384,887	-	-
	35,848,648	35,886,713	34,544,465	34,544,465
Less: Impairment loss	(16,803,984)	(16,803,984)	(16,540,000)	(16,540,000)
	19,044,664	19,082,729	18,004,465	18,004,465

Included in deposits of the Group and the Company is an amount of RM16,540,000 (2009: RM16,540,000) representing deposits and advances paid pursuant to separate conditional agreements entered into by the Company in the financial year 1997 for the acquisition of the entire equity interest comprising 9,985,735 ordinary shares of RM1.00 each in an unquoted company, namely, KINMA Holdings Sdn Bhd ("KINMA").

In the financial year 1999, the Company terminated the conditional agreements for the above acquisition and instructed its solicitors to commence legal proceedings against the vendors for the recovery of deposits and advances paid totaling RM17,770,000. The Company 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. The outcome of the legal proceedings in respect of the balance of RM16,540,000 from the other vendors is still pending.

In previous financial year, the aforesaid amount was fully impaired by the Company as stated in Note 21.

10. AMOUNT OWING BY SUBSIDIARY COMPANIES

	Company	
	2010 RM	2009 RM
Advances	25,130,592	25,504,170
Impairment for amount owing by subsidiary companies	(1,855,344)	(1,855,344)
	23,275,248	23,648,826

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

11. 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.

12. CASH AND BANK BALANCES

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	908,943	378,691	91,399	92,557
United States Dollar	1,943,010	661,134	-	-
	2,851,953	1,039,825	91,399	92,557

13. TRADE PAYABLES

	Group	
	2010 RM	2009 RM
Trade payables	3,439,912	4,121,280

The currency exposure profiles of trade payables are as follows:

	Group 2010 RM	Group 2009 RM
Ringgit Malaysia	2,813,990	3,375,159
United States Dollar	321,738	457,273
Sterling Pound	304,184	288,848
	3,439,912	4,121,280

The normal trade credit terms granted to the Group range from 60 to 120 days (2009: 60 to 120 days).

14. OTHER PAYABLES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Other payables	2,897,831	2,952,218	1,350,135	1,298,653
Accruals	1,484,548	1,577,267	95,150	99,150
	4,382,379	4,529,485	1,445,285	1,397,803

15. HIRE PURCHASE PAYABLES

	Group 2010 RM	Group 2009 RM
(a) Minimum hire purchase payments		
Within one year	1,165,095	1,338,093
Between one and five years	2,180,441	3,385,799
	3,345,536	4,723,892
Future finance charges	(286,014)	(520,960)
Present value of hire purchase liabilities	3,059,522	4,202,932
(b) Present value of hire purchase liabilities		
Within one year	1,003,548	1,103,143
Between one and five years	2,055,974	3,099,789
	3,059,522	4,202,932
Analysed as:		
Repayable within twelve months	1,003,548	1,103,143
Repayable after twelve months	2,055,974	3,099,789
	3,059,522	4,202,932

The effective interest rates of the Group are between 2.4% and 5.8% (2009: 3.3% and 4.05%) per annum.

16. BANK BORROWINGS

	Group 2010 RM	Group 2009 RM
Secured		
Bank overdrafts	7,578,491	7,418,922
Bills payable	2,297,000	3,322,128
Term loans	4,686,343	5,272,371
	14,561,834	16,013,421
Unsecured		
Bank overdrafts	5,542,673	6,390,349
Bills payable	393,000	697,000
	5,935,673	7,087,349
Total bank borrowings	20,497,507	23,100,770

Analysed as follows:

	Group 2010 RM	Group 2009 RM
Repayable within twelve months Secured		
Bank overdrafts	7,578,491	7,418,922
Bills payable	2,297,000	3,322,128
Term loans	593,087	602,092
	10,468,578	11,343,142
Unsecured		
Bank overdrafts	5,542,673	6,390,349
Bills payable	393,000	697,000
	5,935,673	7,087,349
	16,404,251	18,430,491
Repayable after twelve months Secured		
Term loans	4,093,256	4,670,279
	20,497,507	23,100,770

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

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

- (i) charge over the leasehold land and buildings of the Group as disclosed in Note 3 and Note 4; and
- (ii) corporate guarantee by the Company.

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

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

Maturity of borrowings is as follows:

	Group	
	2010	**2009**
	RM	**RM**
Within one year	16,404,251	18,430,491
Between one and two years	620,672	572,034
Between two and five years	1,985,781	1,994,586
More than five years	1,486,803	2,103,659
	20,497,507	23,100,770

The weighted average effective interest rate is as follows:

	Group	
	2010	**2009**
	RM	**RM**
	%	**%**
Bank overdrafts	7.05	7.05
Banker acceptance	3.47	3.47
Term loans	5.20	5.52

17. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2010	**2009**	**2010 RM**	**2009 RM**
Authorised share capital				
At 1 January/31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January/31 December	70,000,000	70,000,000	70,000,000	70,000,000

Included in the issued and fully paid ordinary shares of the Company are 5,301,700 (2009: 5,301,700) number of ordinary shares of RM1.00 each held as treasury shares by the Company.

18. RESERVES

	Group	
	2010	2009
	RM	RM
Non-distributable:		
Asset valuation reserve	5,279,051	5,361,978
Merger reserve	(4,618,481)	(4,618,481)
	660,570	743,497

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

19. TREASURY SHARES

	Group/Company	
	2010	2009
	RM	RM
At 1 January	4,220,708	4,209,498
Shares purchased during the financial year	-	11,210
At 31 December	4,220,708	4,220,708
No. of ordinary shares at RM1.00 each	5,301,700	5,301,700

In previous financial year, the Company purchased a total of 27,100 ordinary shares of its issued share capital from the open market at a total cost of RM11,210. The average price paid for the shares purchased was RM0.420 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.

20. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Sales of carpets	57,990,652	52,582,436	-	-
Dividend income received/ receivable from subsidiary company	-	-	-	800,000
	57,990,652	52,582,436	-	800,000

21. EXCEPTIONAL ITEM

As stated in Note 9, the Company is currently in the legal proceedings to recover the deposit amounting to RM16,540,000 which was paid 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"). However, based on the credit search conducted on the various parties to whom the deposit was paid to, the Directors of the Company are of the view that the recoverability of the aforesaid amount is remote. In previous financial year, the Company made impairment on the aforesaid amount in full on a prudence basis.

22. FINANCE COSTS

	Group	
	2010	**2009**
	RM	**RM**
Interest expense on:		
Bank overdrafts	826,226	817,425
Banker acceptance	153,171	158,205
Hire purchase	234,760	332,562
Letter of credit	18,205	18,307
Term loans	251,213	224,242
Others	836	1,006
	1,484,411	1,551,747

23. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- current year	45,000	45,000	11,000	11,000
- under provision in prior year	-	(25,000)	-	-
Impairment for trade receivables	401,562	144,000	-	-
Impairment for other receivables	-	16,540,000	-	16,540,000
Bad debts written off	-	299,544	-	-
Depreciation of property, plant and equipment	2,619,279	2,546,780	-	-
Directors remuneration				
- fees	81,000	85,000	-	85,000
- salaries and other emoluments	455,107	317,523	-	-
- EPF	54,672	38,916	-	-

23. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Rental of warehouse	345,600	345,600	-	-
Rental Income	(6,000)	-	-	-
Property, plant equipment written off	101,707	-	-	-
Impairment for doubtful debts written back	(5,599)	(37,839)	-	-
Unrealised loss on foreign exchange	97,990	-	-	-
Gain on disposal of property, plant and equipment	(148,500)	(5,500)	-	-
Gain on foreign exchange				
- realized	(13,378)	(252,733)	-	-
Dividend income	-	-	-	(800,000)
Interest income from investment quoted in Malaysia	(227)	(204)	(227)	(204)
Interest income	(5,726)	-	-	-

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM24,650 (2009: RM31,333).

24. TAXATION

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Current income tax				
- Current year	-	-	-	172,500
- Under/(over) provision in prior year	2,625	(206,594)	2,625	279
	2,625	(206,594)	2,625	172,779
Deferred tax				
- Relating to origination and reversal of temporary differences	623,303	145,871	-	-
- Under provision in prior year	(2,314,759)	(16,183)	-	-
	(1,691,456)	129,688	-	-
Tax (saving)/expense for the financial year	(1,688,831)	(76,906)	2,625	172,779

Income tax is calculated at the Malaysia statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) 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:

24. TAXATION (CONT'D)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(Loss) before taxation	1,490,138	(17,405,032)	(422,218)	(16,309,149)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	372,535	(4,351,258)	(105,555)	(4,077,287)
Expenses not deductible for tax purposes	318,435	4,524,771	105,555	4,249,787
Income not subject to tax	(40,025)	-	-	-
Crystalisation of deferred tax liabilities on amortisation on revalued properties	(27,642)	(27,642)	-	-
Under/(over) provision of current taxation in prior year	2,625	(206,594)	2,625	279
Under provision of deferred tax in prior year	(2,314,759)	(16,183)	-	-
Tax (saving)/expense for the financial year	(1,688,831)	(76,906)	2,625	172,779

25. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent of RM3,178,969 (2009: RM17,328,126) for the Group and the weighted average number of ordinary shares in issue during the financial year of 64,698,300 (2009: 64,704,103) are as follows:

	Group	
	2010 RM	2009 RM
Net profit/(loss) for the financial year attributable to owners of the parent	3,178,969	(17,328,126)
Weighted average number of ordinary shares in issue	70,000,000	70,000,000
Adjusted for treasury shares	(5,301,700)	(5,295,897)
	64,698,300	64,704,103

(b) Fully diluted earnings/(loss) per share

The fully diluted earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent of RM3,178,969 (2009: RM17,328,126) for the Group and the weighted average number of ordinary shares in issue during the financial year of 64,698,300 (2009: 64,704,103) are as follows:

	Group 2010 RM	Group 2009 RM
Net profit/(loss) for the financial year attributable to owners of the parent	3,178,969	(17,328,126)
Weighted average number of ordinary shares in issue	70,000,000	70,000,000
Adjusted for treasury shares	(5,301,700)	(5,295,897)
	64,698,300	64,704,103

26. DIVIDEND

	Group/Company 2010 RM	Group/Company 2009 RM
First and final dividend of NIL (2009: 1%) less income tax at 25% (2009: 25%) on 64,698,300 (2009: 64,698,300) ordinary shares of RM1.00 each in respect of financial year ended 31 December 2009 (2009: 31 December 2008)	-	485,239
Net dividend per ordinary shares (sen)	-	0.75

27. 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 Scheme expired on 20 July 2010.

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.

28. STAFF COSTS

	Group	
	2010 RM	2009 RM
Staff costs (excluding Directors)	8,130,401	8,236,371

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM714,265 (2009: RM695,585).

29. HOLDING COMPANY

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

30. SIGNIFICANT RELATED PARTY TRANSACTION

	Company	
	2010 RM	2009 RM
Dividend received from subsidiary Company	-	800,000

The Directors are of the opinion that the above transaction has 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.

31. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits				
- Fees	81,000	85,000	81,000	85,000
- Salaries and other emoluments	2,309,396	1,437,401	-	-
- Estimated monetary value of benefits-in-kinds	7,800	42,533	-	-
	2,398,196	1,564,934	81,000	85,000
Post employment benefits				
- Defined contribution plan	277,128	172,488	-	-
	2,675,324	1,737,422	81,000	85,000

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

32. CONTINGENT LIABILITIES

	Company	
	2010 RM	2009 RM
Unsecured corporate guarantees in respect of banking facilities granted to subsidiary companies	20,497,507	23,100,770

33. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW REVISED FRSs

The effects on adoption of the following new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations in 2010 are set out below:-

FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation. The standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

The standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

FRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected number of reportable segments and the manner in which the segments are reported will be consistent with internal management reporting.

Comparative segment information has been represented.

FRS 101 'Presentation of financial statements' (revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated statements of financial position as at the beginning comparative period in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

Amendments to FRS 117 "Leases" requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease.

Summary of effects on adoption of Amendments to FRS 117 Leases:-

	Increase/(Decrease)	
Group	**As at 31 December 2010 RM**	**As at 1 January 2010 RM**
Consolidated statement of financial position		
Property, plant and equipment	8,618,143	8,738,425
Prepaid lease payments	(8,618,143)	(8,738,425)

Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning of the comparative period in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted.

34. SEGMENT INFORMATION – GROUP

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

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

Manufacturing and Trading	:	Manufacture and sale of carpets
Property	:	Property development activities
Investment	:	Investment holding

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

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

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

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

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

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

Segment Information – Group

2010	Manufacturing and Trading RM	Property RM	Investment RM	Others RM	Inter –segment Eliminations RM	Total RM
Revenue						
Total Revenue	57,990,652	-	-	-	-	57,990,652
Results						
Segment profits/(loss)	2,113,735	(195,349)	(422,218)	(6,030)	-	1,490,138
Included in the segment profit/(loss) are:-						
Depreciation of property, plant and equipment	2,619,279	-	-	-	-	2,619,279
Finance costs	1,484,411	-	-	-	-	1,484,411
Gain on disposal of property, plant and equipment	(148,500)	-	-	-	-	(148,500)
Assets						
Segment assets	96,158,189	16,617,537	54,753,441	63,466	(75,361,362)	92,230,271
Segment liabilities	67,293,660	6,932,033	1,445,285	2,700,407	(45,023,099)	33,348,286

Segment Information – Group (cont'd)

2009	Manufacturing and Trading RM	Property RM	Investment RM	Others RM	Inter –segment Eliminations RM	Total RM
Revenue						
Total Revenue	52,582,436	-	800,000	-	-	53,382,436
Inter-segment Revenue	-	-	(800,000)	-	-	(800,000)
Total segment revenue	52,582,436	-	-	-	-	52,582,436
Results						
Segment profits/(loss)	(96,856)	(194,543)	(16,309,149)	(4,503)	(799,981)	(17,405,032)
Included in the segment profit/(loss) are:-						
Impairment of trade receivables	144,000	-	-	-	-	144,000
Impairment of other receivables	-	-	16,540,000	-	-	16,540,000
Impairment of trade receivables written back	(37,839)	-	-	-	-	(37,839)
Bad debt written off	299,544	-	-	-	-	299,544
Depreciation of property, plant and equipment	2,546,096	684	-	-	-	2,546,780
Finance costs	1,551,747	-	-	-	-	1,551,747
Gain on disposal of property, plant and equipment	(5,500)	-	-	-	-	(5,500)
Assets						
Segment assets	97,341,989	16,617,537	55,130,802	63,466	(73,763,592)	95,390,202
Segment liabilities	70,254,679	12,135,264	1,397,803	2,694,377	(46,794,937)	39,687,186

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

	2010 RM	2009 RM
Total profit/(loss) for reportable segments	1,490,138	(17,405,032)
Adjustment for taxation	1,688,831	76,906
Consolidated profit/(loss) before taxation	3,178,969	(17,328,126)

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

Geographical segments

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

35. MATERIAL LITIGATION

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

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

(b) On 1 April 2009, the Company's lawyer served a Notice pursuant to Section 218 of the Companies Act, 1965 on PDSB, one of the vendors of DPSB (holding 75% of the issued and paid-up share capital of DPSB) to demand for repayment of the sum of RM14,915,095, being the amount due and owing by PDSB to the Company as at 31 March 2009 pursuant to the termination of the SSA as stated in Note 35(a) above.

The details of which are as follows:

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

(c) On 3 April 2009, the Company's lawyer issued a Letter of Demand to Datuk Liw, one of the vendors of DPSB (holding 25% of the issued and paid-up share capital of DPSB) to demand for repayment of the sum of RM4,950,000, being the amount due and owing by Datuk Liw to the Company comprising of RM4,500,000 as the monies paid to Datuk Liw by the Company under the SSA as stated in Note 37(a) and RM450,000 as the liquidated and ascertained damages payable to the Company by Datuk pursuant to the termination of the said SSA.

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

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

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

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

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

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

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

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

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

The solicitors of the Company are of the opinion that the amount is likely to be recoverable.

36. OPERATING LEASE ARRANGEMENT

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

37. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

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

(b) Foreign currency exchange risk

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

Exposure to foreign currency risk

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

Functional Currency	**United States Dollar RM**	**Sterling Pound RM**	**Total RM**
Group			
2010			
Trade receivables	1,390,774	-	1,390,774
Cash and bank balances	1,943,010	-	1,943,010
Trade payables	(321,738)	(304,184)	(625,922)
	3,012,046	(304,184)	2,707,862
2009			
Trade receivables	1,512,526	-	1,512,526
Cash and bank balances	661,134	-	661,134
Trade payables	(457,273)	(288,848)	(746,121)
	1,716,387	(288,848)	1,427,539

Currency risk sensitivity analysis

The following table shows the sensitivity of the Group's equity and profit net of tax to a reasonably possible change in the USD and GBP exchange rates against the respective functional currencies of the Group entities, with all other variables remain constant.

Group	**Profit net of tax RM**
USD/RM – strengthening/weakening 5%	150,602
GBP/RM – strengthening/weakening 5%	(15,209)
	135,393

(c) Interest rate risk

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

Exposure to interest rate risk

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

	Group	
	2010	**2009**
	RM	**RM**
Floating rate instruments		
Term Loans	4,686,343	5,272,371
Bills payables	2,690,000	4,019,128

Interest rate risk sensitivity analysis

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

	Profit net of tax
Group	**100bp**
	Increase/(Decrease)
Floating rate instruments:-	
Term Loans	50,110
Bills payables	38,495
	88,605

(d) Credit risk

Exposure to credit risk

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

Credit risk concentration profile

At reporting date, there were no significant concentrations of credit risk other than disclosed in Note 8. The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

(e) Liquidity and cash flow risk

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

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

Maturity analysis

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities:-				
Trade and other payables	7,822,291	-	-	7,822,291
Bank borrowings	16,404,251	2,606,453	1,486,803	20,497,507
Hire purchase payables	1,003,548	2,055,974	-	3,059,522
	25,230,090	4,662,427	1,486,803	31,379,320

(f) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, short term borrowings and short term intercompany balances approximate their respective fair values at the reporting date due to the relatively short term nature of these financial instruments.

The aggregate fair values of the other financial liabilities as at 31 December 2010 are as follows:

	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial liabilities				
Hire purchase payables	2,055,974	1,548,382	3,099,789	2,607,516
Bank borrowings	4,093,256	3,279,451	4,670,279	3,667,553

The fair value of the hire purchase payables and bank borrowings are estimated using the discounted cash flow analysis. 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.

38. CAPITAL MANAGEMENT

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

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

	Group	
	2010	**2009**
	RM	**RM**
Borrowings	20,497,507	23,100,770
Less: Cash and cash equivalents	(3,150,740)	(1,322,187)
Net borrowings	17,346,767	21,778,583
Equity attributable to owners of the parent	58,962,985	55,703,016
Gearing ratio	29%	39%

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

39. COMPARATIVE FIGURES

As a result of the adoption of new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations during the financial year, certain comparative figures as at 31 December 2009 have been reclassified as follows:-

	As previously reported RM	Reclassification RM	As restated RM
Group			
Statement of Financial Position			
Property, plant and equipment	29,396,107	8,738,425	38,134,532
Prepaid lease payments	8,738,425	(8,738,425)	-
Statement of Cash Flow			
Adjustments for:			
Amortisation of prepaid lease payments	120,283	(120,283)	-
Depreciation of property, plant and equipment	2,426,497	120,283	2,546,780

40. REALISED AND UNREALISED PROFITS/LOSSES (SUPPLEMENTARY INFORMATION)

	Group RM	Company RM
Total accumulated losses of the Company and its subsidiary companies:-		
Realised profits	11,145,487	7,219,632
Unrealised losses	(18,703,364)	(19,690,768)
	(7,557,877)	(12,471,136)

Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure set out by the Bursa Malaysia Securities Berhad.

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

41. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2011.

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 Seventeenth Annual General Meeting of the Company to be held at Classics 2, Holiday Villa, No 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2011 at 3.00 p.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' Fees for the year ended 31 December 2010.		
2.	To re-elect Mr. Fung Beng Ee who is retiring in accordance with the Article 81 of the Company's Articles of Association.		
3.	To re-elect Mr. Michael Lim Hee Kiang who is retiring in accordance with the Article 81 of the Company's Articles of Association.		
4.	To re-appoint Auditors.		
5.	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   , 2011

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, it 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, Persoft Tower, 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, PERSOFT TOWER
6B PERSIARAN TROPICANA
47410 PETALING JAYA
SELANGOR DARUL EHSAN

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