In Pursuit of Excellence

2003 annual report

PARAMOUNT[SM]
CORPORATION BERHAD
(8578-A)

Vision Statement

To be an innovative market leader in our businesses that benefit society

Mission Statement

To provide superior products and services that exceed our customers' expectations

To recognise our employees as our single most important asset and encourage them to realise their full potential in a caring and conducive environment

To enhance shareholders' value by growing our businesses

Core Values

EXCELLENCE
We will be single-minded in our quest to be the best in our core businesses

INTEGRITY AND TRANSPARENCY
We will maintain the highest standards of integrity, and continue to remain transparent in all facets of our operations

GOODWILL
We will attach equal importance to building both human values and business values

COMMUNITY
We are a responsible corporate citizen, sensitive to the needs of the community

ENVIRONMENT
We are committed to protecting the environment

contents

In Pursuit of Excellence

Paramount Corporation Berhad's performance has, thus far, all the hallmarks of a company that has honed its strengths and talents through its single minded pursuit of excellence.

Driven by a passion to be the best in its core businesses of education and property development, Paramount Corporation has today come to be recognized as a company with clear leadership and one capable of hitting the right notes in building value for stakeholders.

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY-FOURTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT TOPAS ROOM, GROUND FLOOR, HYATT REGENCY SAUJANA, 2KM, OFF SULTAN ABDUL AZIZ SHAH AIRPORT HIGHWAY, SAUJANA, 47200 SUBANG, SELANGOR DARUL EHSAN ON WEDNESDAY, 16 JUNE 2004 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

AS ORDINARY BUSINESS

1. To receive and consider the Audited Accounts for the year ended 31 December 2003 together with the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To approve the declaration of a final dividend of 5%, less income tax at 28%, in respect of the year ended 31 December 2003. **Resolution 2**

3. To approve the payment of Directors' fees. **Resolution 3**

4. To re-elect the following Directors who retire pursuant to Article 119(a) of the Company's Articles of Association:

   Rohana Tan Sri Mahmood **Resolution 4**
   Geh Cheng Hooi **Resolution 5**

5. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

   "That YBhg Tan Sri Dato' Ahmad Sabki bin Jahidin, a Director who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 6**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   Authority to Directors to issue shares

   "That, subject to the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percentum (10%) of the issued share capital of the Company for the time being."

   Resolution 8

NOTICE OF DIVIDEND ENTITLEMENT

Subject to the approval of shareholders, a final dividend of 5%, less income tax at 28%, in respect of the year ended 31 December 2003, will be paid on 22 July 2004 to shareholders whose names appear in the Record of Depositors on 30 June 2004.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 30 June 2004 in respect of ordinary transfers;

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
25 May 2004

NOTES

APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the above meeting.

SPECIAL BUSINESS

3. The Ordinary Resolution proposed under item 7, if passed, will renew the powers given to the Directors at the last Annual General Meeting authority to issue up to ten percentum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company.

   This authority will, unless revoked or varied by the Company in general meeting, expires at the conclusion of the next Annual General Meeting.

statement accompanying notice of thirty-fourth annual general meeting

pursuant to paragraph 8.28 of Bursa Malaysia Securities Berhad Listing Requirements

1. Names of Directors standing for election or re-election:

   The Directors retiring by rotation pursuant to Article 119 (a) of the Company's Articles of Association and standing for re-election are as follows:

   - Rohana Tan Sri Mahmood
   - Geh Cheng Hooi

   A Director who is over the age of seventy and seeking re-appointment is as follows:

   - Tan Sri Dato' Ahmad Sabki bin Jahidin

   The details of the three Directors seeking re-election or re-appointment are the same as that stated in the Directors' profile from pages 10 to 17 and the shareholdings of the Directors in the Company are the same as that stated on page 48.

2. Details of Attendance of Directors at Board Meetings:

   The details of the attendance of Directors at board meetings are the same as that stated in the Directors' profile from pages 10 to 17.

3. The 34th Annual General Meeting will be held at Topas Room, Ground Floor, Hyatt Regency Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Wednesday, 16 June 2004 at 10.00 a.m.

With complete mastery of the playing field,
the Paramount Group reaches the highest levels of excellence by
harmornising innovation with sound strategies to stay ahead.

corporate profile

Paramount Corporation Berhad (Paramount) was incorporated on 15th April 1969 as a public limited company under the name of Malaysia Rice Industries Berhad. It was then principally involved in the business of rice milling.

In 1971, Paramount successfully obtained listing on the Official Lists of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) and Stock Exchange of Singapore Ltd (SES).

In 1978, Paramount was restructured into a property development company with the acquisition of the entire issued share capital of Perumahan Berjaya Sdn Bhd, a real estate company. As part of the Company's plans to diversify further, Paramount also acquired an oil palm estate in Perak in 1980. The Company assumed its present name in 1980.

In 1981, Paramount acquired a 49% equity interest in Nanyang Insurance Company Berhad (NIC), whose principal activity was the underwriting of general insurance business.

The following year, Paramount acquired the entire issued and paid-up share capital of 4 more property development companies, Patani Jaya Sdn Bhd, Berkeley Sdn Bhd, Berkeley Maju Sdn Bhd and Maju Gading Development Sdn Bhd.

1983 marked Paramount's entry into the education sector with its wholly owned subsidiary, Kolej Damansara Utama Sdn Bhd (now known as KDU College Sdn Bhd) (KDU), setting up a campus in Petaling Jaya. Today, KDU is acknowledged as a premier centre for tertiary education.

In 1984, Paramount ceased its rice milling operations.

In compliance with national policy, Paramount was de-listed from the Official List of SES on 1st January 1990.

In March 1991, Paramount completed the acquisition of a 23-storey condominium known as Regency Tower.

Spurred by the success of the Petaling Jaya campus, KDU opened a branch campus in Penang in July 1991.

NIC became a subsidiary of Paramount following the acquisition of additional shares in 1993 and in the same year changed its name to Paramount Assurance Berhad (PAB) to reflect the Group's common identity.

In October 1996, Paramount acquired Berlian Sakti Sdn Bhd, one of the major contractors for the Group's past and present development projects. This alliance was created to reap synergistic benefits for both companies. The same year, KDU further expanded its business by entering into a joint venture to set up a campus in Sibu, East Malaysia.

In line with Bank Negara Malaysia's directive on the merger of insurance companies, PAB's general insurance operation merged with that of Jerneh Insurance Berhad (JIB) in December 1999, resulting in PAB holding a 20% equity in JIB. PAB then changed its name to Paramount Global Assets Sdn Bhd (PGA) to reflect the current nature of its business.

In October 2001, KDU, through its wholly owned subsidiary, KDU Smart School Sdn Bhd expanded its education business by moving downstream to set up a private primary and secondary smart school, Sekolah Sri KDU.

Based on an evaluation of its present operations and future prospects, Paramount, through its wholly owned subsidiary, PGA took up a 20.31% equity in iCarnegie, Inc ("iCarnegie') in June 2002. iCarnegie, which is an associate company of Carnegie Technology Education, is, in turn, a wholly owned subsidiary of Carnegie Mellon University, a world leader in computing, education and research.

On 28 June 2002, KDU Management Development Centre Sdn Bhd (KMDC), a wholly owned subsidiary, was set up to venture into the provision of executive education and professional development programes.

In line with Paramount's strategy to expand its land bank in high growth areas, Paramount through its wholly owned subsidiary company, Paramount Property Development Sdn Bhd, acquired 524.70336 acres of freehold prime broadacre parcel of development land located in the central corridor of Klang Valley, which was completed in June 2003.

On 30 September 2003, KDU rationalized its educational business operations by closing down the operations of the non-profitable Sibu campus .

On 19 December 2003, Paramount completed the disposal of the oil palm estate in line with the Group's strategy to strengthen itself to take advantage of alternative investment opportunities that can maximize returns. The same month, Paramount through its wholly owned subsidiary, KDU International Sdn Bhd (formerly known as Maju Gading Development Sdn Bhd) ventured into China to establish its first language training school to offer a range of English courses.

Over the years, Paramount has been pursuing a vision of value creation for its customers, shareholders, business partners and employees. Today, this vision has shaped Paramount into a progressive and successful group of companies. Paramount now focuses on 3 core businesses, i.e. property, construction and education, in order to capitalize on the group's resources and expertise.

Paramount's property development arm, Patani Jaya Sdn Bhd has earned an excellent reputation as a reliable and quality focused developer in Sungai Petani. Kemuning Utama, the Group's maiden property development in the Klang Valley, will upon completion enhance Paramount's reputation for innovative and quality products. Leveraging on its proven track record, Paramount will continue to grow its land bank in high growth areas in the Klang Valley, Penang and Johor.

Paramount's construction division has successfully diversified into infrastructure development such as public roads and highways as well as high-rise commercial property. The division has also expanded its business operations to the Klang Valley, Pahang and Melaka.

Having established the vertical integration of the educational services division into Sekolah Sri KDU and KMDC, Paramount will continue to strengthen its position in the education sector into a hallmark of education excellence in Malaysia.

Paramount embraces the future with a firm commitment to further growth by building on the Group's strengths and success to further expand existing core businesses in order to provide good returns on investment for shareholders and enhance revenue from business operations. Quality management, strong corporate values, business dynamism and focused core businesses will continue to steer Paramount into the future. Management will continue to evaluate the Group's performance to capitalise on its strengths and resources, and to take advantage of business opportunities in a rapidly changing market. Backed by these strategies, Paramount's competitive position will see the Group embarking on an exciting journey of unfolding challenges in the new millennium.

corporate structure

PARAMOUNT CORPORATION BERHAD (8578-A)

Property
- 100% Perumahan Berjaya Sdn Bhd
- 100% Wangsa Merdu Sdn Bhd
- 100% Patani Jaya Sdn Bhd
  - 100% Kelab Bandar Laguna Merbok Sdn Bhd
- 100% Paramount Property Development Sdn Bhd

Education
- 85% KDU College Sdn Bhd
  - 100% KDU Smart School Sdn Bhd
  - 100% Janahasil Sdn Bhd
  - 61% KDU College (Sibu) Sdn Bhd
- 100% KDU Management Development Centre Sdn Bhd
- 100% KDU International Sdn Bhd *(formerly known as Maju Gading Development Sdn Bhd)*
  - 100% KDU International Training and Development Company Limited

Construction & Civil Engineering
- 100% Berlian Sakti Sdn Bhd
  - 100% Arah Teknik Sdn Bhd
  - 100% Bilsys Sdn Bhd
  - 100% Zenbilt Sdn Bhd

Investment
- 100% Paramount Corporation Limited
- 100% Paramount Global Assets Sdn Bhd
  - 20% Jerneh Insurance Bhd
  - 20.31% iCarnegie, Inc

Others
- 100% Berkeley Sdn Bhd — 70% Berkeley Maju Sdn Bhd
- 30% Berkeley Maju Sdn Bhd
- 100% Current Connection Sdn Bhd
- 100% Paramount Electronics Industries Sdn Bhd
- 76.94% SMT Circuit Assembly Pte Ltd
- 27% Suci Teguh Holdings Sdn Bhd *(In Liquidation)*
  - 80% ASMC Sdn Bhd *(In Liquidation)*
- 49% Jasarim Bina Sdn Bhd
- 49% Seleksi Megah Sdn Bhd

corporate information

BOARD OF DIRECTORS

Chairman

Dato' Md. Taib bin Abdul Hamid*
DSDK

**Group Managing Director &
Group Chief Executive Officer**

Teo Chiang Quan

**Deputy Group Managing Director &
Deputy Group Chief Executive Officer**

Ong Keng Siew

Members

Tan Sri Dato' Ahmad Sabki bin Jahidin*
PSM, DPMP, DIMP, JMN, KMN, SAP, PMP, PJK

Dato' Haji Azlan bin Hashim*
DSNS, DSSA

Rohana Tan Sri Mahmood

Geh Cheng Hooi*

Dr Brian Shoy Teng To

SECRETARY

Tay Lee Kong
(MAICSA 772833)

* INDEPENDENT NON-EXECUTIVE DIRECTORS

REGISTERED OFFICE

Level 8, Uptown 1
1 Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Selangor Darul Ehsan
Telephone: 03–7726 3000
Facsimile: 03–7726 9559
e-mail: info@pcb.com.my
Website: www.pcb.com.my

REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone: 03–2084 9000
Facsimile: 03–2094 9940

AUDITORS

Ernst & Young
Chartered Accountants

SOLICITORS

S.K. Yeoh & Partners

PRINCIPAL BANKERS

Malayan Banking Berhad
Alliance Bank Malaysia Berhad
Citibank Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
EON Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

other information
required by the listing requirements of bursa malaysia securities berhad

EMPLOYEE SHARE OPTION SCHEME

During the financial year, a total of 2,251,000 options were exercised. The Employee Share Option Scheme expired on 2 August 2003.

NON-AUDIT FEE

The amount of non-audit fee paid to the external auditors by the Group and Company for the financial year is reflected in Note 5, page 80 of the audited accounts.

MATERIAL CONTRACTS

Perumahan Berjaya Sdn Bhd, a wholly owned subsidiary, had entered into the following Tenancy agreements with KDU College Sdn Bhd (KDU), a 85% owned subsidiary, and KDU's wholly owned subsidiary, KDU Smart School Sdn Bhd (KDUSS) :

i) Tenancy agreement dated 15 January 2002 to let to KDU, the commercial institute comprising a 4 storey main building, a 5 storey building with a basement car park and another 5 storey building bearing postal address No. 43, Jalan SS22/41, 47400 Petaling Jaya, Selangor Darul Ehsan for a period of three years with effect from 1 January 2002 at a monthly rental of RM235,000.

ii) Tenancy agreement dated 24 February 2003 to let to KDU, a block of 6-storey of 60 units of apartment bearing postal address Block B Gugusan Teratai (Mawaria), Jalan Cecawi 6/30, Seksyen 6, Kota Damansara, Selangor Darul Ehsan for a period of three years with effect from 1 January 2003 at a monthly rental of RM26,640.

iii) Tenancy agreement dated 9 April 2003 to let to KDUSS, the land known as Lot 4, Jalan Teknologi PSB 2/1, Mukim Sungai Buloh, Daerah Petaling Negeri Selangor together with the private institutional building comprising a 3-storey block and a 4-storey block erected thereon bearing postal address No. 5, Jalan Teknologi 2/1, Taman Sains Selangor 1, Section 2, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan for a period of three years with effect from 1 January 2003 at a monthly rental of RM150,000.

iv) Tenancy agreement dated 12 May 2004 to let to KDUSS, the land known as Lot 3, Jalan Teknologi PSB 2/1, Mukim Sungai Buloh, Daerah Petaling Negeri Selangor together with the sports complex comprising a single storey car park and sports facilities block, a swimming pool with a 6-tier pavilion and an 8-lane 200 metres running track and field with a 7-tier grandstand erected thereon bearing postal address No. 3, Jalan Teknologi 2/1, Taman Sains Selangor 1, Section 2, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan for a period of 2 years with effect from 1 January 2004 at a monthly rental of RM55,000.

Rohana Tan Sri Mahmood, a director of the Company, is also a Director and substantial shareholder of both KDU and KDUSS.

REVALUATION POLICY

The Company does not have a revaluation policy on landed properties.

board of directors' profile

Dato' Md. Taib bin Abdul Hamid

Chairman
Independent Non-Executive Director
B.A. (Hons.) Econs.
65 years of age – Malaysian

Dato Taib, who is the Chairman of Paramount Corporation Berhad (Paramount) brings to the Group a wealth of experience spanning both the private and public sectors. He first served with Bank Negara Malaysia (BNM) from 1960 to 1975. Following this, he was the Executive Director of a commercial bank. He continued to be actively involved with several financial institutions including as Chairman of a commercial bank until recently. Dato' Taib joined Paramount on 14 November 1994 and was appointed the Chairman of the Board of Directors on 20 July 2001.

Dato Taib also serves as the Chairman of the Nomination and Remuneration Committees.

Dato' Taib attended all the 5 board meetings.

Teo Chiang Quan

Group Managing Director &
Group Chief Executive Officer
Hon Doc Middlesex
University of United Kingdom
55 years of age – Malaysian

Teo joined Paramount as a Director on 19 January 1977. He started to play an active role in the management of Paramount when he first served as Chief Executive of the Groups insurance division, from 1981 to 1991. Under his stewardship, the insurance division grew from a company with a single branch to a respectable and well-capitalized insurance company with 11 branches. He was also instrumental in ensuring the successful merger of the Group's insurance operations with Jerneh Insurance Bhd (JIB). In 1989, Teo assumed the position of Group Managing Director & Group Chief Executive Officer of Paramount and has since then transformed Paramount into a reputable and financially sound diversified group. Teo is currently attending Harvard Business School Executive Education Owner/President Management Program, a three week per year Executive Education Program spread over three years.

Current directorship in a public company includes JIB.

Teo is a substantial shareholder of Paramount.

Teo attended all the 5 Board meetings.

board of directors' profile

Ong Keng Siew

Deputy Group Managing Director &
Deputy Group Chief Executive Officer
C.A (M) FCCA
47 years of age – Malaysian

Ong's relationship with Paramount spans more than 20 years. He joined the Group as an Accountant in 1981 and after three years of dedication and hard work, he was promoted to the position of Finance and Administration Manager. In 1989, he was again promoted to General Manager overseeing the operations of the property division. He was invited to join the Board on 14 November 1994 and in 1997, assumed the position of Deputy Group Managing Director & Deputy Group Chief Executive Officer.

Ong also serves on the Audit Committee.

Ong attended all the 5 board meetings.

Geh Cheng Hooi

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants, England and Wales
69 years of age – Malaysian

Geh has carved a name for himself in the field of accounting and consulting. After qualifying as a Chartered Accountant, he worked for Price Waterhouse, London, before returning to Malaysia to join KPMG Peat Marwick in 1961. He was admitted as a partner in 1964 and retired as the senior partner of KPMG Peat Marwick in 1989. Geh was invited to join the Board of Paramount on 3 March 1998.

Geh also serves on the Audit, Nomination and Remuneration Committees.

Current directorships in public companies include Lingui Developments Berhad (Group), LPI Capital Berhad, Lonpac Insurance Berhad, NCB Holdings Berhad, PB Trustee Services Berhad, Star Publications (Malaysia) Bhd, The Bank of Nova Scotia Bhd, Tien Wah Press Holdings Bhd, Plus Expressway Berhad and Malayan Flour Mills Berhad.

Geh attended 3 out of 5 board meetings.

board of directors' profile

Tan Sri Dato' Ahmad Sabki bin Jahidin

Independent Non-Executive Director
B.A. Hons. University of Malaya
72 years of age – Malaysian

Tan Sri Dato' Ahmad Sabki has served both the government and private sectors with distinction. Tan Sri's nineteen years of government service included serving the Ministry of Culture, Youth & Sports, Malaysian Rubber Exchange & Licensing Board, International Rubber Association, International Natural Rubber Organisation, Malaysia Invisible Trade and Malaysian Rubber Development Corporation. Tan Sri joined the Board on 19 February 1997.

Tan Sri is the Chairman of the Audit Committee and a member of both the Nomination and Remuneration Committees.

Current directorships in public companies include Apollo Food Holdings Berhad, Cygal Berhad, Gula Perak Berhad, Hwang-DBS (Malaysia) Berhad, Nanyang Press Holdings Berhad and Zaitun Berhad.

Tan Sri attended all the 5 board meetings.

Rohana Tan Sri Mahmood

Non-Independent Non-Executive Director
B.A. (Hons) in Politics; Masters in International Relations, University of Sussex
49 years of age – Malaysian

Rohana's working experience encompasses both the private and government sectors. She is the Advisor and a Board Member of the Pacific Basin Economic Council (PBEC) Malaysia member committee. PBEC, which was formed by the Malaysian Government in 1991, is a regional association of senior business executives representing more than 1,000 corporations in 20 countries around the Pacific. She is also a Director of the Malaysian Strategic Research Centre (MSRC), an independent, non-profit organization formed primarily to advance the understanding of both domestic and international activities in Malaysia. The Chairman of MSRC is Hon. Dato' Sri Najib Tun Razak, the Deputy Prime Minister and Minister of Defence, Malaysia. Prior to this, she was with the Institute of Strategic and International Studies ("ISIS") Malaysia and the Ministry of Foreign Affairs, Malaysia. Rohana is also actively involved in business principally in education, having invested in the education arm of Paramount. Rohana joined the Board on 28 July 1997.

Rohana attended 4 out of 5 board meetings.

board of directors' profile

Dr Brian Shoy Teng To

Non-Independent Non-Executive Director
MM Degree (Master in Management);
DBA (Hon)
(Doctor of Business Administration)
48 years of age – British

Brian, who joined Paramount on 9 July 2001, brings to the Group more than 20 years of experience in the field of providing management consultancy services to Fortune 500 companies in Europe, Asia and North America including gaining access to and structuring international joint ventures, licensing agreements, distribution arrangements and corporate partnerships. His wealth of experience also includes energy/oil and gas, professional services, education, chemical manufacturing, telecommunications, banking and finance. Brian has also completed Business programs at the Harvard Business School, Stanford Graduate School of Business Administration, Dartmouth College, Berkeley Business School. NUS in Singapore and INSEAD in France. Brian was appointed a Fellow of The Wharton School, University of Pennsylvania in 2002.

Brian attended all the 5 board meetings.

Dato' Haji Azlan bin Hashim

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants, Ireland
62 years of age – Malaysian

Dato' Azlan joined the Board of Paramount on 7 May 1982. Dato' Azlan began his career with the Malayan Railways in 1966. His last designation was that of Chief Accountant for a period of two years. In 1972, he became a partner of a public accounting firm, Azman, Wong, Salleh & Co. He stayed as an active partner in the firm for 12 years before joining Arab-Malaysian Development Bhd. From 1985 to September 1991, he held the post of Managing Director. Dato' Azlan had also served as the President of the Federation of Public Listed Companies from 1994 to 1998. Dato' Azlan is currently the Executive Vice-Chairman of Arab-Malaysian Corporation Berhad and the Deputy Chairman of AmAssurance Berhad.

Dato' Azlan also serves on the Audit, Nomination and Remuneration Committees.

Other directorships include AMFB Holdings Berhad, AMDB Berhad, AmAssurance Berhad, AmProperty Trust Management Berhad, Arab-Malaysian Corporation Berhad, AMMB Holdings Berhad, Kesas Holdings Bhd, Kumpulan Perangsang Selangor Berhad, Metrod (M) Berhad, Sapura Motors Berhad, Yayasan Arab-Malaysian, Global Carriers Berhad and Syarikat Permodalan & Perusahaan Selangor Berhad.

Dato' Azlan attended all the 5 board meetings.

Save as disclosed, none of the Directors have any family relationship with any Directors and/ or major shareholders nor conflict of interest with Paramount.

None of the Directors have been charged for any offence.

senior management

From left to right:

TEO CHIANG QUAN
Group Managing Director & Group Chief Executive Officer

ONG KENG SIEW
Deputy Group Managing Director & Deputy Group Chief Executive Officer

From left to right:

LIEW YIN CHEW
Deputy Managing Director, Patani Jaya Sdn Bhd

LAU SAY MIN, CLAUDIA
Managing Director, KDU International Sdn Bhd *(formely known as Maju Gading Development Sdn Bhd)*

CHUAN YEONG MING
Deputy Managing Director, Berlian Sakti Sdn Bhd

From left to right:

LIM HONG KHENG
Human Resource Director

CHENG MIEN WEE
Executive Director,
KDU Management Development Centre Sdn Bhd

TAY LEE KONG
Corporate Affairs Director

From left to right:

LEONG CHOY YING
Finance Director

DR TAN TOH WAH
Chief Executive, KDU College Sdn Bhd
– Penang Campus

DR CHIA CHEE FEN
Chief Executive, KDU College Sdn Bhd
– Petaling Jaya Campus

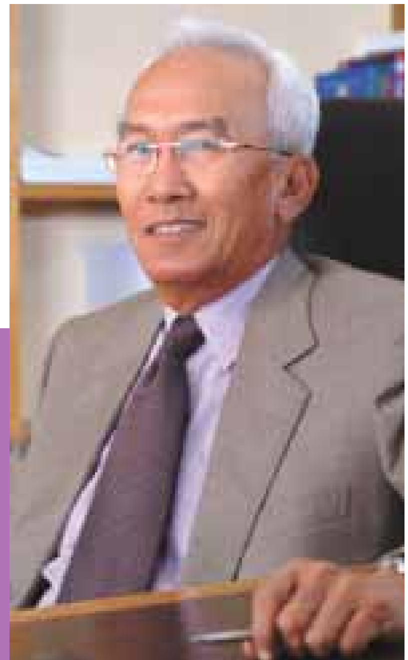
OH KENG KOOI
Audit Director

In the world of industry, experience is hard-earned.
Once acquired, it is the valued instrument in fulfilling our responsibilities to both shareholders and customers.

"In December 2003, the Group's property development division established its presence in the Klang Valley with the commencement of its Kemuning Utama development in Shah Alam. Located on 524.7 acres of prime freehold land in Shah Alam, this development will continue to bear the Group's hallmark for innovative and quality products."

chairman's statement

pesanan pengerusi



DATO' MD. TAIB BIN ABDUL HAMID
Chairman • Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya mengemukakan Laporan Tahunan Ketiga Puluh Tiga dan Akaun Teraudit Kumpulan ("Kumpulan") Paramount Corporation Berhad ("Paramount" atau "Syarikat") bagi tahun kewangan berakhir 31 Disember 2002.

On behalf of the Board of Directors, I am pleased to present the Thirty-Fourth Annual Report and Audited Accounts of Paramount Corporation Berhad (Paramount) group of companies (the Group) for the financial year ended 31 December 2003.

OPERATING BACKGROUND

2003 was a particularly challenging year for the global and the Malaysian economy amidst an environment of geopolitical and economic uncertainties as a result of the Gulf War and the Severe Acute Respiratory Syndrome (SARS) outbreak. To strengthen the economy, our Government had on 21 May 2003 announced an economic stimulus package to support growth and to restore consumer confidence. Our monetary policy, which was eased further by the reduction in central bank intervention rates in May 2003, led to a decline in lending rates. A Special Relief Guarantee Fund of RM1 billion was also established to alleviate the cash flow problems faced by business communities affected by SARS. Spurred by the Government's pre-emptive measures, rising exports and a stronger domestic demand resulted in a stronger than expected GDP growth of 5.2% for the whole of 2003.

The various measures introduced by the government to boost the residential property market, particularly the Stamp Duty waiver for properties valued below RM180,000, had a positive impact on the performance of our property development division.

In December 2003, the Group's property development division established its presence in the Klang Valley with the commencement of its Kemuning Utama development in Shah Alam. Located on 524.7 acres of prime freehold land in Shah Alam, this development will continue to bear the Group's hallmark for innovative and quality products. Given our proven track record as a reliable developer, this project attracted more than 1,000 registrants prior to its launch.

The Education division commenced two new operations during the year under review - the smart primary and secondary school, Sekolah Sri KDU, at Kota Damansara and the executive education and professional development centre, KDU Management Development Centre, at Plaza Sentral. The tertiary education sector continued to operate in a fiercely competitive environment amidst a number of private universities and colleges with large enrolment capacities. This was further compounded by the Government increasing the number of places for Form 6 students in government schools. Given the low student enrolment and continued losses incurred by the Sibu campus, the Group took a pragmatic decision to close the college.

FINANCIAL REVIEW

For the year ended 31 December 2003, the Group achieved a profit before tax of RM31.4 million, an increase of 14.6% from that achieved in 2002. This was mainly due to the profit realized from the sale of Dindings Oil Palm Estate during the year.

Miraturque nihil nisi quod Libitina sacravit urgia finis, Est vetus atque probus, centum qui perficit annos. Quid, qui atque probus, centum qui perficit annos. Quid, qui deperiit minor uno mense vel anno, inter quos referendus erit. Veteresne poetas, an quos et praesens et deperiit minor uno mense vel anno, respuat aetas. Iste quidem veteres

LATAR BELAKANG OPERASI

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TINJAUAN KEWANGAN

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secara sederhana agar mencapai prestasi yang agak baik manakala prestasi bahagian pendidikan kurang baik kerana persaingan yang amat hebat dalam pasaran pendidikan

The Group's revenue was lower at RM167.9 million, a decrease of 21.4%, compared with RM213.5 million in 2002. This decline was largely attributable to the construction division's prudent decision to reduce its volume of external contract engagements in order to minimize its exposure to bad debts. To ensure that the division maintains its profitability and reputation, it has decided to work only with clients who meet the Group's stringent credit evaluation criteria.

The financial performance of the property division was satisfactory. The revenues generated by the property development and property investment divisions were maintained at levels similar to those achieved in 2002. The profit before tax for the property development division, however, has declined by 22% to RM12.1 million due to overall lower average margins arising from the mix of products sold, higher operating costs and costs incurred on the initial set up of the new property development company in the Klang Valley. The property investment and the construction divisions have maintained the same levels of profitability as those attained in 2002.

The education division contributed RM46.2 million to Group revenue as compared with revenues of RM46.0 million in 2002. The additional fees earned following the commencement of the smart primary and secondary school and executive education and professional development centre have helped to compensate for the drop in fees received as a result of lower student enrolment in the tertiary education sector. However, as anticipated, the new operations incurred losses during their gestation period and, coupled with lower profits from KDU College Sdn Bhd, the education division recorded a RM1 million loss for the year under review.

The Group's investments saw a mix performance with a commendable contribution by Jerneh Insurance Berhad to Group revenue whilst investment in iCarnegie, Inc continued to incur losses. A prudent approach was taken to fully write down the goodwill arising from the investment in iCarnegie, Inc that was carried in the balance sheet from the previous year.

I am pleased to inform you that profit attributable to shareholders increased by 39% to RM22.3 million as compared with RM16.0 million in 2002. In tandem, the basic earnings per share has also increased by 5.85 sen to 21.73 sen from 15.88 sen in the previous financial year.

DIVIDENDS

The Board of Directors of Paramount is recommending a final dividend of 5 sen per share, less income tax of 28% tax; which will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Together with the interim dividend of 3 sen per share, less income tax at 28%, which was paid on 2 October 2003, the total dividend for the year ended 31 December 2003 would amount to 8 sen per share. (Total for 2002: 7.5 sen per share, comprising 4.5 sen per share, tax exempt, and 3 sen per share, less income tax at 28%)

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CORPORATE DEVELOPMENTS

On 27 May 2003, the shareholders, at an Extraordinary General Meeting (EGM) of Paramount, approved the proposed acquisition of 524.7 acres of freehold land located in the Mukim of Klang, Shah Alam, Selangor Darul Ehsan from Syarikat Pembangunan Hartanah Guthrie Sdn Bhd, a wholly-owned subsidiary of Guthrie Property Development Holdings Sdn Bhd, which is, in turn, a subsidiary of Kumpulan Guthrie Sdn Bhd, for a total cash consideration of RM169.1 million. The acquisition was completed on 26 June 2003.

On 15 August 2003, Paramount entered into conditional Sale and Purchase Agreements and Supplemental Agreements with the following purchasers; Bandar Baru Pantai Sdn Bhd, Greenson Properties Sdn Bhd and Merrida Properties Sdn Bhd for the sale of 1,700.9 acres of oil palm estate land known as Dindings Oil Palm Estate for a total cash consideration of RM24.9 million. On 19 December 2003, the Estate Land Board approved the sale and the sale was completed on the same date.

KDU College (Sibu) Sdn Bhd, a 61% owned subsidiary of KDU College Sdn Bhd, which is, in turn, an 85% owned subsidiary Paramount, ceased operations on 30 September 2003. As mentioned earlier the closure is a result of the Group's decision to undertake education business operations that are viable. The impact following the closure of the Sibu campus on the Group's results for the year under review is a loss of RM1.97 million comprising losses incurred for the financial period to the date of the closure and cost of staff retrenchment and write off of fixed assets.

On 8 December 2003, Maju Gading Development Sdn Bhd, a wholly-owned subsidiary company, changed its name to KDU International Sdn Bhd (KISB). KISB will undertake the group's investments in educational services overseas. KISB subsequently set up a wholly owned subsidiary, KDU International Training and Development Company Limited in Chongqing, People's Republic of China on 26 March 2004.

PCM (HK) Limited ("PCM"), a 80.56% owned subsidiary company, was deregistered on 6 February 2004. Incorporated in Hong Kong in 1993 as a private limited company, PCM, with an authorised and issued and paid up share capital of HK$10 million had ceased its business activities since 1998.

On 23 April 2004, Paramount announced that it proposed to undertake a private placement of 10,355,194 new ordinary shares of RM1.00 each representing 10% of its existing issued and paid up share capital. The entire proceeds arising from the proposed private placement will be utilized to repay bank borrowings.

MARKET OUTLOOK

The outlook for the global economy in 2004 is expected to be significantly better with a more broad based growth anticipated in major industrial nations, underpinned by a strong growth throughout the Asian region. Given this improved outlook, the Malaysian economy is projected to grow by between 6.0% and 6.5% in 2004.

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PERKEMBANGAN KORPORAT

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TINJAUAN PASARAN

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A larger intake of Form 6 students in government schools coupled with the implementation of the National Service programme have reduced enrolment numbers in an already competitive private tertiary education sector that is operating in an equally challenging environment due to the more stringent requirements imposed by the Ministry of Education in its effort to regulate the private education sector. However, there is a strong demand for quality private education in primary and secondary schools as well as executive education and professional development centres due to discerning parents and professionals and organizations that believe in retraining and retaining key personnel. This segment is earmarked to be the next growth area for the education sector.

PROSPECTS FOR 2004

The property development division is expected to show an improvement in its revenue and profit in 2004, boosted by the new property launches in Kemuning Utama. The education division's results will continue to be affected by the difficult market conditions in which the tertiary education sector operates. However, Sekolah Sri KDU's performance in 2004 is expected to improve. The other main operating divisions, namely, the construction and property management are expected to maintain their performances as that of 2003.

Looking ahead, the Board of Directors expects the Group's performance in 2004 to be better than that of the current financial year.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my heartfelt gratitude to our staff for their hard work and commitment towards the achievement of the objective and results of the Group.

To our shareholders and business associates, I thank you for your continued support and confidence. And to my fellow Board members, I look forward to your continued counsel and guidance.

DATO' MD. TAIB BIN ABDUL HAMID
Chairman

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DATO' MD. TAIB BIN ABDUL HAMID

Consistency cannot be bought at any price. It can only be honed over the years. Yet it is the one quality that ensures our investments and assets are managed to yield healthy returns annually.

"This year's theme, "in pursuit of excellence", is a reflection of Paramount Corporation Berhad's (Paramount) ability to constantly raise the bar in the Group's high standards as evidenced by various strategic initiatives that were successfully implemented in 2003."

chief executive officer's review of operations

tinjauan operasi ketua pegawai eksekutif

TEO CHIANG QUAN
Group Chief Executive Officer
Ketua Pegawai Eksekutif Kumpulan

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya mengemukakan Laporan Tahunan Ketiga Puluh Tiga dan Akaun Teraudit Kumpulan ("Kumpulan") Paramount Corporation Berhad ("Paramount" atau "Syarikat") bagi tahun kewangan berakhir 31 Disember 2002.

In line with our strategy to increase our land bank in high growth areas, particularly in the Klang Valley, we acquired Kemuning Utama, a 524.7 acre piece of freehold land in Shah Alam. Situated adjacent to the established Kota Kemuning township, it is envisaged that Kemuning Utama will provide us the platform for further growth.

2003 also saw the commencement of two new businesses - smart private primary and secondary school for the younger generation and executive education and professional development for adults. Our strategy to branch both upstream and downstream is expected to strengthen our niche as an integrated educational services provider.

PROPERTY

Property Development

Following the completion of the acquisition of Kemuning Utama in June 2003, we moved fast without any delay with revised layout plans being re-submitted to the authorities for approval, the establishment of a prominent sales cum site office in the vicinity of Kota Kemuning and the award of the earthworks contract in September 2003. The first phase comprising 225 units of 2-storey terraced houses, 108 units of link semi-detached houses and 76 units of semi detached houses was launched in March 2004. The sales launch was very successful as it drew an overwhelming response from the public for all the types of houses with prices ranging from RM283,000 for the 22' X 75' and RM318,000 for the 24' X 75' 2 storey terraced houses, RM433,000 for the link semi detached houses and RM668,000 for the semi-detached houses.

Kemuning Utama, which is separated by the Kesas Highway, has 186 acres and 338 acres of land to the east and west of the highway, respectively. Upon completion, Kemuning Utama is expected to have a total of 6,298 residential and 118 commercial units with a combined estimated sales value of RM1.3 billion.

Like our other signature development, Bandar Laguna Merbok (BLM) located in Sungai Petani, Kemuning Utama's unique design caters for a gated community lifestyle complete with amongst others, fountains, lush landscaping, recreational parks, badminton and basketball courts.

"IN LINE WITH OUR STRATEGY TO INCREASE OUR LAND BANK IN HIGH GROWTH AREAS, PARTICULARLY IN THE KLANG VALLEY, WE ACQUIRED KEMUNING UTAMA, A 524-ACRE PIECE OF FREEHOLD LAND IN SHAH ALAM."

"CENTUM QUI PERFICIT INTER QUOS REFERENDU VETERESNE AN QUOS PRAESENS DEPERIIT MINOR UNO MENSE VEL AETAS ISTE."

PERKEMBANGAN HARTANAH

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BLM, an upmarket development and, thus far, the sole contributor to the Group's property development earnings for the past years, continued to provide a steady stream of income, albeit lower than that of the previous year. Given the emergence of a number of major property developers in and around Sungai Petani, competition was stiff and this led to lower sales of 283 units compared with 344 units sold in the previous year. However, with a leading market share of 37% and 25% for two storey terraced and two storey semi-detached houses, respectively, BLM is confident of enhancing customer satisfaction through the timely delivery of quality and uniquely designed products.

Since its launch in 1996, BLM has sold 2,164 units with a combined sales value of RM368 million. As at 31 December 2003, 1,816 units were handed over to our satisfied homeowners along with certificates of fitness.

Despite having to operate in a highly competitive environment, Patani Jaya Sdn Bhd, (PJSB) the developer of BLM, recorded a marginally higher revenue of RM62.6 million for 2003 as compared with the previous year's revenue of RM61.1 million due to higher progressive billings. However, profit before tax was lower by 20.6% at RM12.55 million as compared with the previous year due to overall lower average margins arising from the mix of products sold and higher operating expenses.

BLM will continue to provide a steady stream of income to Group revenue over the next five to six years following the completion of the development, which will house an additional 1,679 units with a total sales value of RM289 million.

In 2004, Kemuning Utama will be making its maiden contribution to Group revenue and is expected to contribute positively to the Group's future earnings.

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PEMBINAAN

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Property Investment

The residual impact of over-building and the Severe Acute Respiratory Syndrome or SARS outbreak in the region had a compounding effect on our rentals of Regency Tower, a 23-storey condominium comprising 76 units of luxury apartments, located within the Golden Triangle of Kuala Lumpur. While we were able to achieve small increases in rental rates during the year, we were unable to maintain occupancy at prior year level. For the year, average occupancy was 95%, a 1% decline from 2002. Nevertheless, Regency Tower remains focused in its two-prong strategy of continuously upgrading its facilities and services for the comfort and pleasure of its tenants whilst controlling expenses and increasing efficiency.

By staying the course, Wangsa Merdu Sdn Bhd (WMSB), the owner and manager of Regency Tower, was able to record an improved revenue and profit before tax of RM6.4 million and RM2.3 million, respectively, compared with RM6.2 million and RM1.8 million, respectively, for the previous year.

As there is a growing need for rental of high quality, up market condominiums at reasonable rates, we believe our ability to cater to this niche market will help sustain Regency Tower's profitability. However, we are ever mindful of the need to maintain and improve our property if we are to remain competitive given the current market conditions. As such, we envisage relatively high maintenance and improvement expenditures in 2004.

Our other property investment company, Perumahan Berjaya Sdn Bhd (PBSB), which manages all institutional buildings rented to the KDU College Sdn Bhd (KDU) group, performed better during the year on the back of a new stream of rental income following the completion and commencement of the primary smart school in Kota Damansara. PBSB's revenue and profit before tax rose substantially to RM5.3 million and RM2.2 million, respectively, from RM3.1 million and RM1.3 million, respectively, in 2002.

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CONSTRUCTION

The construction division's decision to work with only selected clients of strong financial standing, be more inclined to negotiated contracts that offer higher margins and undertake joint venture development projects with landowners to achieve higher returns on profit margins as well as to mitigate risks had paid of for the division.

Despite of operating in a highly intense competitive environment, Berlian Sakti Sdn Bhd, which spearheads the division, managed to marginally increase its profit before tax to RM6.7 million from RM6.1 million last year. However, it should be noted that the increase was due to a write back in bad debts written off in the previous year. Revenue was lower at RM51.5 million compared with RM97.8 million due to the completion of several major projects in 2003.

As at 31 December 2003, BSSB's total contracts in hand amounted to RM161.2 million, including contracts secured from a joint venture development in Sungai Dua, Seberang Prai Utara, Butterworth with a total gross development sales value of RM100 million. With the commencement of its sister company's property development in Kemuning Utama, revenue will increase substantially from 2004.

Moving forward, BSSB will continue to source for more negotiated projects and joint venture developments to achieve better returns and at the same time diversify its portfolio to mitigate business risks.

EDUCATIONAL SERVICES

Leveraging on our KDU brandname, the educational services division's vertical integration into smart primary and secondary education, Sekolah Sri KDU, and executive education and professional development, KDU Management Development Centre (KMDC), has placed us in a unique position as an integrated educational services provider that can satisfy this sector's broad range of customers.

The new businesses, currently the industry's fastest growing segment, offer an excellent opportunity to increase revenues and profitability while reducing our dependency on our traditional tertiary education business, which is experiencing severe competition pressures and which, we believe, are affecting our competitors as well.

"MOVING FORWARD, BSSB WILL CONTINUE TO SOURCE FOR MORE NEGOTIATED PROJECTS AND JOINT VENTURE DEVELOPMENTS TO ACHIEVE BETTER RETURNS AND AT THE SAME TIME DIVERSIFY ITS PORTFOLIO TO MITIGATE BUSINESS RISKS."

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For the financial year under review, KDU, its wholly owned subsidiary, KDU Smart School Sdn Bhd, operator of Sekolah Sri KDU, and its 61% subsidiary, KDU College (Sibu) Sdn Bhd (KDU Sibu) recorded revenues of RM45.4 million, a slight decline of 1.3%, from RM46.0 million in the previous financial year due to a reduction in fee collection from the college.

However profit before tax was at RM0.9 million, a substantial decline of 81.7% from RM5.2 million in the previous financial year. The lower profits from KDU and the losses incurred by Sri KDU were the main factors that contributed to the decline.

The results also reflected our decision to cease the operations of KDU Sibu, a 61%:39% joint venture between KDU and SB Education Sdn Bhd. The losses incurred by KDU Sibu till the date of its closure on 30 September 2003 including exiting costs pertaining to staff and re-location of students amounted to RM1.97 million. Following our pragmatic decision to close our non-profitable Sibu campus, KDU will now channel all its resources on its campuses in Petaling Jaya and Penang.

Tertiary Education

The division's tertiary education sector continued to operate in a fiercely competitive environment fueled by the expansion in capacity by the numerous private colleges and universities to increase student intake and the increase in the number of places in Form 6 in government schools. This current situation has been made more difficult by the imposition of more stringent rulings by the authorities including the minimum entry requirements of three credits for diploma programmes and five credits for degree programmes and reducing the college term from three semesters to two and a half semesters, both of which have had a negative impact on both student enrolment and fees collection.

"WE WERE MINDFUL OF THE FACT THAT OUR ENTRY INTO THE NEW BUSINESSES WOULD BE COSTLY DURING THE START-UP PERIODS BUT THAT ONCE FULLY OPERATIONAL, THEY WOULD CONTRIBUTE TOWARDS GROUP REVENUE AND THUS IMPROVE OUR FUTURE EARNINGS."

"CENTUM QUI PERFICIT INTER QUOS REFERENDU VETERESNE AN QUOS PRAESENS DEPERIIT MINOR CENTUM QUI PERFICIT INTER QUOS REFERENDU UNO MENSE VEL AETAS ISTE."

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In 2003, KDU embarked on several smart initiatives to transform itself into a college that provides education with a difference. Facilities were upgraded for students to gain quick and easy access to up to date information, on-line, to augment their learning process. Classrooms are being renovated, refurbished and equipped with the latest electronic teaching aids to enhance teaching levels. Students can now access the internet and the KDU Community Network (KCN), as more locations in the college have access to wireless internet connection.

Greater emphasis was placed on staff development and upgrading. The academic staff underwent a training programme that focuses on the importance of applying andragogy to facilitate students' learning as well as teaching approaches that emphasize on shaping students to be independent learners, thinkers and team players equipped with the right skills to face the challenges of an ever changing world.

One of the hallmarks of KDU's good and enduring reputation as a provider of quality education has been its strong partnership with highly renowned universities across many countries, notably the United Kingdom and Australia. This is reflected by the growing number of achievements recorded by KDU students and graduates.

Smart private primary and secondary school

As mentioned in last year's annual report, Sekolah Sri KDU commenced operations on 6 January 2003 with a registered enrolment of 528 students in 22 classes, from Standards 1 to 5 and Forms 1 and 2. Due to an overwhelming response, Sekolah Sri KDU decided to have an additional Standard 5 class to cater for a new intake of 24 students in July 2003, bringing its total student enrolment in only its first year of operations to 552, which is indeed commendable.

The overwhelming response continued well into 2004 with registered enrolments doubling to 1152 students in 48 classes. With classes running at full capacity, Sekolah Sri KDU is adding a new school block that is scheduled to be completed before year end

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Sekolah Sri KDU's large academic faculty comprising 150 teachers is a reflection of our unwavering commitment to providing quality teaching. The teachers have already undergone 120 hours of training prior to commencement of teaching and 40 hours of annual retraining, both of which are compulsory.

Sekolah Sri KDU's students are taught in an IT enabled environment that comes complete with a comprehensive range of facilities that include a 2 Mbps leased line, 8 computers and a LCD projector in each classroom.

With emphasis placed on providing a holistic education and broad-based curriculum for students, Sekolah Sri KDU provides a wide range of co-curricular activities. The most popular activities are football, swimming, taekwondo, karate, gymnastics, wushu, fencing, brain gym, robotics, drama works and cheerleading. The school also has archery, beach volleyball, squash and horse riding activities, the latter of which is conducted in collaboration with Selangor Polo Club.

The sports complex, complete with a swimming pool, a netball court, a basketball court, two tennis courts and a 200m running track and field was completed as scheduled during the year. Students thoroughly enjoy all the facilities at the sports complex with the swimming pool being well utilized as it is part of the school's physical education curriculum offering.

The strength of Sekolah Sri KDU lies in its broad-based curriculum combining both academic rigour and holistic development and, its excellent ICT and learning facilities.

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Executive education and professional development centre

KMDC commenced operations in May 2003, and has since, launched various leading edge programmes in general management, finance and investment, business communication and ICT. With learning modes that are flexible, self-paced and web-based, KDMC's product suite enables professionals to remodel their careers and organizations to retrain and retain valuable employees with minimal interruption to their career or business, family and personal life.

KMDC's portfolio includes executive education by leading business schools in the UK, Australia and USA, and professional certification by iCarnegie, Inc (an educational spin-off from Carnegie Mellon University, USA) and Certified Financial Planner, and customized corporate programmes, like the Citibank-KMDC Sales Management certification programme. The latter programme speaks volume of KMDC's capabilities in carrying out organization-wide and industry relevant, human resource development solutions. KMDC is also the leading provider of Work Based Learning, an innovative curriculum that recognizes learning at the workplace and creates the opportunity for organizations to build intellectual capital.

Strategically located at Plaza Sentral, KMDC is at the communication hub of Kuala Lumpur. The 13,000 sq. ft., state-of-the-art facility, which is equipped throughout with 2 Mbps wireless internet connectivity, has an e-conference theatre that can comfortably seat 100 participants. There are also 2 Hi-Tech multimedia seminar rooms, each equipped with 30 IBM NetVista flat-screen desktop personal computers complete with software and online packages to cater for various learning needs. In addition, there are 'break-out' rooms for case-study and group discussions, and an executive lounge and resource centre for learning and networking.

KMDC currently supports 462 learning members, through its main centre at KL Sentral, and a support centre in Penang.

KMDC, in its first 8 months of operation, recorded a revenue of RM754,000 and a loss of RM1.9 million.

"KMDC IS ALSO THE LEADING PROVIDER OF WORK BASED LEARNING, AN INNOVATIVE CURRICULUM THAT RECOGNIZES LEARNING AT THE WORKPLACE AND CREATES THE OPPORTUNITY FOR ORGANIZATIONS TO BUILD INTELLECTUAL CAPITAL."

"CENTUM QUI PERFICIT INTER QUOS REFERENDU VETERESNE AN QUOS PRAESENS DEPERIIT MINOR CENTUM QUI PERFICIT INTER QUOS REFERENDU UNO MENSE VEL AETAS ISTE."

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Overseas educational services

With China's entry into the World Trade Organization and the upcoming 2008 Olympic Games in Beijing, the demand for English in the country is expected to grow substantially. Based on the findings of our thorough research and feasibility studies, the Group, through KDU International Sdn Bhd, set up a 100% owned subsidiary, KDU International Training and Development Company Ltd, Chongqing, with an initial investment of US$1 million. The China subsidiary will set up its first language training school and commence operations in the third quarter of 2004, offering a wide array of English courses ranging from pre-school English to Professional English.

INVESTMENT AND OTHERS

During the year under review, the Group's 20% investment in Jerneh Insurance Berhad continued to perform well with a commendable contribution of RM7.3 million to Group profit before tax as compared with RM5.7 million in the previous year.

Unfortunately, it was not a rosy picture for the group's 20.31% investment in iCarnergie, Inc with the group having to take a more realistic approach by fully providing for impairment of the group's investment of RM11.4 million in iCarnegie, Inc. This provision was, however, restricted to the group's balance of its costs of investment, which amounted to RM6.7 million.

The sale of Dindings Oil Palm Estate during the year had generated a gain of RM16.9 million to Group profit before tax.

CORPORATE AND SOCIAL RESPONSIBILITIES

The Group continues to devote considerable attention to our corporate and social responsibilities.

KDU celebrated its 20th Year Anniversary in 2003 with a charity drive. Students and staff who worked closely in many fund-raising projects raised approximately

"THE SALE OF DINDINGS OIL PALM ESTATE DURING THE YEAR HAD GENERATED A GAIN OF RM16.9 MILLION TO GROUP PROFIT BEFORE TAX."

"CENTUM QUI PERFICIT INTER QUOS REFERENDU VETERESNE AN QUOS PRAESENS DEPERIIT MINOR UNO MENSE VEL AETAS ISTE."

TANGGUNGJAWAB KOPORAT DAN SOSIAL

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RM100,000, both in cash and kind. The proceeds were distributed to various participating charity organizations at a ceremony officiated by a Minister.

KDU's 20th Year Anniversary celebrations also took into consideration the provision of financial aid to many deserving students. Financial aid worth more than RM2 million was disbursed either directly through KDU's Super Achievers, Merit and Sports scholarships or in collaboration with the education scholarship fund organizers such as MAPCO, Nanyang Siang Pau and The Star.

Our property development arm remains committed to the conservation and preservation of the environment. As such, all developments are carried out with minimal disruption to the natural surroundings.

PJSB's mission towards creating a safe and conducive neighbourhood augurs well for the residents of BLM.

Apart from its business activities, PJSB had during the year under review, played an active role in its contributions towards society. It participated in several events that were organized and made donations to charitable organizations, schools and orphanages in the state of Kedah.

HUMAN RESOURCES

Our growth and success, thus far, is undoubtedly due to the untiring efforts and invaluable contributions of loyal employees. To all of them, I wish to express my sincere thanks in ensuring that Paramount is always pursuing the highest standard of excellence. Towards this end, we will continue to strive to improve the quality of all management teams and staff throughout the group by selectively adding skills and fresh talents through thoughtful hiring decisions.

During the year we increased our staff strength to 751 from 595 in the previous year.

TEO CHIANG QUAN
Group Chief Executive Officer

postera respuat aetas. Ennius et sapines et fortis et alter Homerus, ut critici dicunt, leviter curare videtur.Si meliora dies, ut vina, poemata reddit, scire velim, chartis pretium quotus arroget annus. scriptor abhinc annos centum qui decidit, inter perfectos veteresque referri debet an inter vilis atque novos. Excludat iurgia finis, Est vetus atque probus, centum qui perficit annos. Quid, qui deperiit minor uno mense vel anno, inter quos referendus erit. Veteresne poetas, an quos et praesens et postera respuat aetas. Ennius et sapines et fortis et alter Homerus, ut critici dicunt, leviter curare videtur.

SUMBER MANUSIA

Si meliora dies, ut vina, poemata reddit, scire velim, chartis pretium quotus arroget annus. scriptor abhinc annos centum qui decidit, inter perfectos veteresque referri debet an inter vilis atque novos. Excludat iurgia finis, Est vetus atque probus, centum qui perficit annos. Quid, qui deperiit minor uno mense vel anno, inter quos referendus erit. Veteresne poetas, an quos et praesens et postera respuat aetas

Miraturque nihil nisi quod Libitina sacravit urgia finis, Est vetus atque probus, centum qui perficit annos. Quid, qui atque probus, centum qui perficit annos. Quid, qui deperiit minor uno mense vel anno, inter quos referendus erit. Veteresne poetas, an quos et praesens et deperiit

TEO CHIANG QUAN
Ketua Pegawai Eksekutif Kumpulan

Performing in full view of the public can be unnerving for the ill-prepared. For the Paramount Group however, it is a matter of pride that our operations meet the highest standards of business practice.

statement on corporate governance

Paramount Corporation Berhad (Paramount or the Company) is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board of Directors (Board) supports the highest standards of corporate governance and the development of best practices.

The Company has complied throughout the year with the Provisions of the Code of Corporate Governance except for the appointment of a Senior Independent Director, for reasons which are explained below.

DIRECTORS

The Board of Paramount has eight members comprising two executive directors and six non-executive directors, four of whom are independent, This strong and independent element brings an objective and independent judgement to the decision-making process of the Board. The biographical details of the Board members are set out in the Board section on pages 10 to 17.

Dato' Md. Taib bin Abdul Hamid, an independent non-executive director, chairs the Board and the Group Managing Director & Group Chief Executive Officer is Teo Chiang Quan. There is a clear division of responsibility between these two roles to ensure a balance of power and authority. All the four independent non-executive directors are considered by the Board to be independent of management and free from any businesses or relationships which could materially interfere with the exercise of their independent judgement.

As the Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee are independent non-executive directors and the members of the latter two committees comprise exclusively of independent non-executive directors, the Board believes that it is not necessary to nominate one individual to assume the role of a Senior Independent Director.

The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. The Directors have wide ranging experience and all of them have either occupied or are currently holding senior positions in industry and/or government. The individuality and vast experience of the Directors in arriving at collective decisions at board level will ensure impartiality.

The Board provides effective leadership and manages overall control of the Group's affairs through the schedule of matters reserved for its decision. This includes:

- Setting and monitoring objectives, goals and strategic directions for management
- Adopting an annual budget and continuously monitoring financial performance
- Assessing and approving major capital expenditure including significant acquisitions and disposal of investments
- Ensuring significant risks are appropriately managed and regularly reviewed and monitored
- Selecting and appointing new directors and setting the remuneration of directors and senior management
- Mentoring, monitoring and evaluating the Chief Executive Officer and his support management team
- Ensuring strict adherence to relevant compliance with laws and regulations and disclosure regimes

The Board met five times during the year, one of which comprised an extended two-day strategy review and discussion. The attendance record of directors during the year was as follows:

Director	Attendance
Dato' Md Taib bin Abdul Hamid	5 out of 5
Teo Chiang Quan	5 out of 5
Ong Keng Siew	5 out of 5
Tan Sri Dato' Ahmad Sabki bin Jahidin	5 out of 5
Dato' Haji Azlan bin Hashim	5 out of 5
Rohana Tan Sri Mahmood	4 out of 5
Geh Cheng Hooi	3 out of 5
Brian Shoy Teng To	5 out of 5

Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board meetings. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

Appropriate training and briefing are available to all Directors on appointment to the Board, and subsequently as necessary, taking into account their individual qualifications and experience.

All Directors are subject to election by shareholders at the first opportunity after their appointment. The Company's Articles of Association ensures that all Directors stand for re-election at least once in every three years.

The Board has three standing committees with delegated authority and defined terms of reference. The composition, purpose and function of these committees are described below.

Audit Committee

A detailed report on this committee is contained on pages 42 and 43 of this Annual Report.

Nomination Committee

The Nomination Committee comprises exclusively of four independent non-executive Directors: Dato' Md Taib bin Abdul Hamid, Tan Sri Dato' Ahmad Sabki bin Jahidin, Dato' Haji Azlan bin Hashim and Geh Cheng Hooi. The Chairman of the Board chairs the Committee, which meets at least once a year and additionally, if required.

The Nomination Committee is entrusted with the task of proposing new nominees for the Board and for assessing existing Directors on an on-going basis. The Nomination Committee also considers the balance of the board membership, determining the core competencies and skills required of the Board.

DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee also comprises exclusively of four independent non-executive Directors: Dato' Md Taib bin Abdul Hamid, Tan Sri Dato' Ahmad Sabki bin Jahidin, Dato' Haji Azlan bin Hashim and Geh Cheng Hooi. The Remuneration Committee, which meets at least once a year and additionally if required, is chaired by the Chairman of the Board.

The Remuneration Committee is responsible for ensuring that the Company's Directors are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain its Executive Directors and senior management to manage the Company and continuously build for the future, giving due regard to the interest of shareholders and to the financial and commercial health of the Company.

Remuneration Policy

Total remuneration, comprising salaries, bonuses and benefits, of Executive Directors and senior management are reviewed annually. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalization and are set around the median point of the comparator group. The salaries are set by the committee after consideration of the Company's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individuals based on their performance and responsibility.

The annual bonus scheme is designed to encourage and reward employees for achievement or betterment of challenging financial and business targets, set in the annual budget adopted by the board at the beginning of each financial year. Awards are not contractual and are paid on the basis of the individual's contribution during the preceding year as well as individual and team performance.

The Company also provides long term incentives in the form of share scheme and retirement benefits or gratuity. The Employee Share Option Scheme expired on 2 August 2003. Under that scheme all employees, who are in permanent full-time employment of the Group for a period of at least one (1) continuous year were entitled to participate in the scheme. The quantum for retirement benefit or gratuity is the summation of the multiplication of the factor 15/26 by the basic salary as at 31 December of each year from the date of joining the Company (as pro-rated) till the date of retirement, resignation or death (as pro-rated).

Annual fees and Directors' traveling allowance are paid based on current market surveys.

The details of the remuneration of each Director during the financial year are stated at the table below:

Director	Basic Salary (RM'000)	Bonus (RM'000)	Professional fees (RM'000)	Directors fees (RM'000)	Benefits in-kind (RM'000)	Total (RM'000)
Dato' Md Taib bin Abdul Hamid	–	–	–	38	–	38
Teo Chiang Quan	621	174	–	50	75	920
Ong Keng Siew	300	125	–	35	14	474
Tan Sri Dato' Ahmad Sabki bin Jahidin	–	–	–	25	–	25
Dato' Haji Azlan bin Hashim	–	–	–	30	–	30
Rohana Tan Sri Mahmood	–	–	198	30	22	250
Geh Cheng Hooi	–	–	–	25	–	25
Brian Shoy Teng To	–	–	–	25	–	25

SHAREHOLDERS

The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the Annual General Meeting and timely dissemination of information on significant company developments and price sensitive information in accordance with Bursa Malaysia Securities Berhad's Listing Requirements. The Company obliges the requests of analysts and fund managers for company visits and briefings. The group's web-site at **www.pcb.com.my** contains corporate and customer information updated on a regular basis.

The Company's Annual General Meeting not only deals with the formal business of the Company but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. Shareholders are invited to ask questions and express their views about the Company's business at the meeting. The Company plans to present to shareholders an overview of the Group's business at future meetings. A Press conference is normally held after the Annual General Meeting to brief members of the Press on the performance of the Group for the benefit of potential investors as well as those shareholders who have been unable to be at the meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board is mindful of its responsibility to present a balanced and understandable assessment of Paramount's financial position and prospects, in all reports, both to investors and the regulatory bodies. This assessment is primarily provided in the Chairman's Statement and Chief Executive Officer's review of operations. An explanation of the respective responsibilities of the Directors and the auditors in the preparation of the accounts is set out in the statement of directors' responsibilities section of the printed report.

Internal control

The Directors are responsible for the Group's system of internal controls and for regularly reviewing its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfillment of Paramount's business objectives with a view of enhancing over time the value of the shareholders' investment and safeguarding the Group's assets. The Group operates a comprehensive budgeting and financial reporting system, which compares actual performance to budget on monthly and quarterly basis. This allows management to monitor financial and operational performance on a continuing basis and to identify and respond to financial and business risks before, and as, they arise.

Although no system of internal controls can provide absolute assurance that business risks will be mitigated, the Group has in place an internal control system, which the Group is committed to continually strengthen, to meet the Group's particular needs and the risks to which it is exposed. The key areas that have been established include a risk management policy designed to ensure its proper implementation and a risk framework encompassing the required risk procedures.

During the year a peer review on the Internal Audit function was conducted by an external peer reviewer to assess the objectivity and independence of the Internal Audit function and it was concluded that the Internal Audit function is in order.

Relationship with External Auditors

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia. The report on the role of the audit committee in relation to the external auditors may be found in the Report on Audit Committee set out on pages 42 and 43.

report of the audit committee

The Board of Directors(Board) is pleased to issue the following Audit Committee(the Committee) Report and its activities for the year.

MEMBERS AND ATTENDANCE AT MEETINGS

The Committee comprises three non-executive directors and one executive director.

Four quarterly meetings were held during the year and the attendance of the committee members is as follows:

Directors	Status	Attendance
Tan Sri Dato' Ahmad Sabki Bin Jahidin	Chairman/ Independent non–executive director	4 out of 4 meetings
Geh Cheng Hooi	Independent non–executive director/ Accountant	2 out of 4 meetings
Ong Keng Siew	Deputy Group Managing Director & Deputy Group Chief Executive Officer/ Accountant	4 out of 4 meetings
Dato' Haji Azlan Bin Hashim	Independent non–executive director/ Accountant	3 out of 4 meetings

TERMS OF REFERENCE

The terms of reference of the Committee are as follows:

Membership

The members shall be appointed by the Board and the Committee shall consist of at least three directors, a majority of whom are independent directors. The Chairman of the Committee shall be an independent non-executive director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants

Any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three months.

No alternate director shall be appointed as a member of the Committee.

Meetings

The Committee shall meet on a quarterly basis or at more frequent intervals as required to deal with matters within its terms of reference. The meetings shall have a quorum of two members who are independent directors.

The Committee shall meet with the external auditors without the presence of executive board members at least once a year.

Other directors and employees may attend any particular Committee meeting only at the Committee's invitation specific to the relevant meeting.

The Committee shall record its conclusions on issues discussed during meetings and report to the Board at the quarterly Board Meetings.

Authority

The Committee is hereby authorised by the Board to:

i) investigate any matter within its terms of reference

ii) have resources which are required to perform its duties

iii) have full and unrestricted access to any information pertaining to the Company and the Group

iv) have direct communication channels with the external auditors and internal auditor

v) obtain independent professional or other advice as deemed necessary

Reporting of breaches to the Exchange

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

Duties of the Committee

The duties of the Committee shall be as follows:

i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal

ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved

iii) To review the quarterly and year-end financial statements of the Company/ Group, focusing particularly on:

   a) Any changes in accounting policies and practices

   b) Significant adjustments arising from the audit

   c) The going concern assumption

   d) Compliance with accounting standards and other legal requirements

iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss

v) To review the external auditor's management letter and management's response

vi) To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work

vii) To review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function

viii) To consider major findings of internal investigations and management's response

ix) To consider any related party transactions that may arise within the Company or Group

x) To consider other topics deemed fit by the Committee within its terms of reference and/or as defined by Board

Review of the Committee

The Board shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

ACTIVITIES OF THE AUDIT COMMITTEE

During the year, the Committee met to discuss and review matters for subsequent recommendations to the Board of. These include:

i) Financial Statements

   a) Reviewed the quarterly and year-end financial statements prior to the Board's approval for its release to Bursa Malaysia Securities Berhad and the press;

   b) Discussed audit plans with external auditors before commencement of audit

   c) Reviewed external auditors' management letter and management's response

   d) Reviewed the external auditors audit fee and proposed to the Board for its approval

   e) Considered the intention of the external auditors, Messrs Ernst & Young, to be re-appointed and to propose to the Board accordingly

ii) Internal Controls

   a) Reviewed internal audit plans with internal auditor covering the adequacy of scope, functions and resources of internal audit function

   b) Discussed results of internal audit process and deliberated on highlighted issues of concern

   c) Considered related party transactions that arose and advised the Board on the appropriate action to be taken

   d) Advised the Board on the state of internal control of the Group and the issuance of the Statement on Internal Control

   e) Discussed the Report of the Audit Committee and proposed the report to the Board for its approval

   f) Reviewed the peer review report on the Group's internal audit function and endorsed the internal audit function's performance

INTERNAL AUDIT FUNCTION

The internal audit department reports functionally to the Committee and is independent of the activities it reviews. Its role encompasses the examination and evaluation of the adequacy and effectiveness of the Group's system of internal controls and to provide reasonable assurances to management and the Committee.

The purpose, authority and responsibility of the internal audit function as identified by the Committee in the form of audit charter further includes furnishing management with independent analyses, appraisals, counsel and information on the activities reviewed. Special assignments and investigations are conducted from time to time as and when requested by the Board, Committee and management.

Audit reports are issued regularly to the Committee highlighting salient findings, recommendations and management's response for the attention of the committee members. Follow-ups on corrective actions taken by operating units are reported back to the Committee at subsequent meetings.

statement on internal control

BOARD'S RESPONSIBILITY

The Board acknowledges overall responsibility of maintaining a sound and reliable system of internal control within the Paramount Corporation Berhad (Paramount) group of companies (the Group). The system of internal control, which includes both financial and operational, has been implemented to safeguard shareholders' investment and the Group assets.

The Board is conscious of the need to continuously review the adequacy and integrity of the internal control system and is aware that the internal control system can only provide reasonable but not absolute assurance. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board does not regularly review the internal control system of its associated companies, as the Board does not have any direct control over their operations. Notwithstanding, the Group's interests are served through representation on the board of the respective associated companies and receipt and review of management accounts and enquiries thereon. These representations also provide the Board with information for timely decision making on the continuity of the Group's investments based on the performance of the associated companies.

RISK MANAGEMENT FRAMEWORK/STRATEGIC PLANS

The Board has approved and adopted a framework to identify and manage principal risks affecting the Group's strategic business objectives throughout the year. This includes evaluating and identifying risks relating to new investment projects.

INTERNAL AUDIT FUNCTION

The Board through the Audit Committee regularly receives and reviews reports from the Group internal audit function which assist the Board in effectively monitoring a sound system of internal control for the Group.

The internal audit function role is assumed by the Group Internal Audit Department which reports directly to the Chairman of the Audit Committee. The Board emphasizes on its impartiality, proficiency and professionalism ensuring that all internal audit staff are not involved in any executive functions and that audits are carried out independently. Scope and depth of work done by the internal audit function are determined by the Audit Committee after careful consideration and discussion of the audit plan with management.

An independent peer review was conducted on the internal audit function by an external peer reviewer during the year and the peer review report supports and reflects the impartiality, proficiency and professionalism of the internal audit function.

INFORMATION SYSTEMS

Management prepares and reviews at finance committee meetings comprehensive monthly financial information showing actual results against budget for the month and year-to-date. The financial and management information are collated together with updated forecasts for the financial year, which are then submitted to the Board for quarterly reviews.

The Group's ERP information system supports the financial and information requirements of the Group. The integrity, adequacy, timeliness and security of the information system are constantly reviewed.

OTHER KEY AREAS OF INTERNAL CONTROL/ CONTROL PROCESSES

Other key areas of internal control/ control processes include:

i) Clearly defined areas of responsibilities for all committees of the Board and clear lines of accountability for various levels of management

ii) Good management culture practiced throughout the Group and expected code of conduct from management staff

iii) 5-year Group strategic planning process including detailed budgeting and monitoring, reviewed by the Board on an annual basis

iv) Periodic documented principal risks report compiled on a group wide basis for Board's monitoring

v) Continuous upgrading and development of internal control system upon reported changes highlighted at the Audit Committee and Board levels

vi) Professionalism and competence of staff are maintained through a rigorous recruitment process, a performance appraisal and review system and a wide variety of training and development programmes

NO MAJOR CONTROL WEAKNESSES

During the financial year under review, a number of minor internal control weaknesses were identified and had been addressed by management. The Audit Committee and the Board are satisfied that the internal control system is functioning adequately and that its integrity is maintained. The Board, based on reviews and observations made during the year, are not aware of any material or significant weaknesses in the Group's internal control system that would result in material losses or affect the business objectives of the Group.

analysis of shareholdings

as at 7 May 2004

SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM103,551,949
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	52	1.30	1.249	0.00
100 – 1,000	1,483	36.95	1,374,965	1.33
1,001 – 10,000	2,116	52.73	8,156,691	7.88
10,001 – 100,000	306	7.63	7,979,526	7.71
100,001 – 5,177,596*	53	1.32	38,556,518	37.23
5,177,597 and above**	3	0.07	47,483,000	45.85
Total	**4,013**	**100.00**	**103,551,949**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. Paramount Equities Sdn Bhd	31,325,000	30.25
2. Serata Kaya Sdn Bhd	10,639,000	10.27
3. Southern Acids (M) Berhad	5,519,000	5.33
4. DB (Malaysia) Nominee (Asing) Sdn Bhd *Deutsche Bank AG Singapore PBD for Gemwood Limited*	4,821,750	4.66
5. Universal Trustee (Malaysia) Berhad	3,422,300	3.30
6. Bunga Indah (M) Sdn Bhd	3,309,391	3.20
7. Southern Realty (M) Sdn Bhd	2,999,000	2.90
8. Thye Heng (How Kee) Company Sdn Bhd	2,412,100	2.33
9. Angsana Sutera Sdn Bhd	1,924,000	1.86
10. Amanah Raya Berhad	1,830,000	1.77
11. Allianz Life Insurance Malaysia Berhad	1,633,800	1.58
12. Glamour Partnership Sdn Bhd	1,466,000	1.42
13. Allianz Life Insurance Malaysia Berhad	1,348,400	1.30
14. Thye Heng (How Kee) Company Sdn Bhd	1,291,300	1.25
15. Allianz General Insurance Malaysia Berhad	1,270,500	1.23
16. Kenanga Nominees (Asing) Sdn Bhd *DMG & Partners Securities Pte Ltd for Teo Pek Swan*	1,190,000	1.15
17. Yayasan Kelantan Darulnaim	958,000	0.93
18. Thye Heng (How Kee) Company Sdn Bhd	837,800	0.81

Name of Shareholders	No. of Shareholdings	%
19. Teo Chiang Quan	508,000	0.49
20. Ooi Lay Suan	414,000	0.40
21. Ong Keng Siew	363,000	0.35
22. Tay Lee Kong	337,500	0.33
23. Southern Edible Oil Industries (M) Sdn Bhd	333,000	0.32
24. Ghee Thong Sdn Bhd	321,000	0.31
25. Cheong Hon Keong	319,000	0.31
26. Goh Beng Choo	318,000	0.31
27. Teo Soo Meng	300,000	0.29
28. Sin Heap Lee Equities Sdn Bhd	275,140	0.27
29. Allianz Life Insurance Malaysia Berhad	215,500	0.21
30. Menteri Kewangan Malaysia	215,399	0.21

SUBSTANTIAL SHAREHOLDERS AS AT 7 MAY 2004

Name	No. of Ordinary shares of RM1.00 each Direct	Indirect		Percentage of issued share capital %
Paramount Equities Sdn Bhd	31,325,000	–		30.25
Teo Chiang Quan	508,000	31,654,888	(1)	31.06
Southern Acids (M) Berhad	5,519,000	–		5.33
Serata Kaya Sdn Bhd	10,639,000	5,519,000	(2)	15.60
Southern Edible Oil Industries (M) Sdn Bhd	333,000	16,158,000	(3)	15.93
Southern Realty (M) Sdn Bhd	2,999,000	16,491,000	(4)	18.82
Banting Hock Hin Estate Co Sdn Bhd	184,000	19,490,000	(5)	19.00
Dato' Low Mong Hua	67,000	19,674,000	(6)	19.06

Notes:

1. By virtue of his deemed interest in Paramount Equities Sdn Bhd, Teo Soo Pin Sdn Berhad and Qualipro Corporation Sdn Bhd.
2. By virtue of its deemed interest in Southern Acids (M) Berhad.
3. By virtue of its deemed interest in Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
4. By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
5. By virtue of its deemed interest in Southern Realty (M) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
6. By virtue of his deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty (M) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.

DIRECTORS' SHAREHOLDINGS AS AT 7 MAY 2004

In Paramount Corporation Berhad

	Direct		Indirect	
	Shareholding	%	Shareholding	%
Teo Chiang Quan	508,000	0.49	31,654,888	30.57
Ong Keng Siew	363,000	0.35	–	–
Dato' Md. Taib bin Abdul Hamid	–	–	50,000	0.05

	No. of options offered	No. of Options accepted	No. of Options exercised
Teo Chiang Quan	500,000	500,000	500,000
Ong Keng Siew	350,000	350,000	350,000

In Related Corporations:

	Direct		Indirect	
	Shareholding	%	Shareholding	%
KDU College Sdn Bhd				
Rohana Tan Sri Mahmood	–	–	353,000	15
Paramount Corporation Limited				
Teo Chiang Quan*	1	0.001	–	–

* Held in trust for Paramount Corporation Berhad

By virtue of his interest in the Company, Teo Chiang Quan is also deemed interested in the shares of all the other subsidiaries of the Company to the extent of the Company's interest in these subsidiaries.

schedule of properties
held by the group

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2003 (RM'000)
16.11.1990 (22.04.1997)	8, Jalan Ceylon 50200 Kuala Lumpur Wilayah Persekutuan	Land with 23-storey residential condominium block comprising of 76 units of luxury apartments known as Regency Tower (Available for tenancy)	15 years	Freehold	40,238	48,408
11.03.1998	16-03, 16-03A Jalan 3/109C Off Jalan Kelang Lama Wilayah Persekutuan	2 floors of office premises (Available for tenancy)	11 years	99 years lease commencing 21.01.1979	Strata Title	132
19.12.1978 (06.08.2001)	43, Jalan SS22/41 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Land with Commercial Institute comprising of 2 blocks of 5-storey and 1 block of 4 storey annexed commercial institute (College campus – KDU Petaling Jaya campus)	21 years	Freehold	123,900	8,581
28.04.2000 (16.06.2003)	No. 3, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2 Kota Damansara 47180 Petaling Jaya Selangor Darul Ehsan	Land with sports complex (Sekolah Sri KDU)	1 year	99 years lease commencing 02.11.2000	160,911	9,329
28.04.2000 (16.06.2003)	No. 5, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2 Kota Damansara 47180 Petaling Jaya Selangor Darul Ehsan	Land with private institutional building comprising of a 3-storey block and a 4-storey block (Sekolah Sri KDU)	2 years	99 years lease commencing 02.11.2000	169,318	23,537
28.04.2000	No. 7, Jalan Teknologi 2/1 Seksyen 2 Kota Damansara Petaling Jaya Selangor Darul Ehsan	Land under development	–	99 years lease commencing 02.11.2000	190,314	9,104
13.06.2001 (16.06.2003)	Block B, Gugusan Teratai (Mawaria), Jalan Cecawi 6/30 Seksyen 6 Kota Damansara 47180 Petaling Jaya Selangor Darul Ehsan	Land with 5-storey of 60 units of apartments (KDU Hostel apartments)	1 year	Leasehold (Under Master Title)	Strata Title	3,965
11.03.1998	A11-1, Bandar Sri Damansara Mukim of Sungai Buluh Petaling Jaya Selangor Darul Ehsan	Land with 4-storey shopoffice (Tenanted)	7 years	Freehold	1,760	660
08.04.1982	Lots 11882 to 11886, HS(D) 13157 to 13161 T/K Jalan Batu Tiga Klang	Vacant Land	–	Freehold	6,698	3

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2003 (RM'000)
26.06.2003	Lot 138, 1327-1329, 2190, 2849, 2850, 3397, 3398,11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129 Mukim of Daerah Klang Seksyen 32 & 33 Shah Alam Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Held for future development)	–	Freehold	22,851,586	185,856
08.04.1982	Mukim of Sungai Petani and Sungai Pasir District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Taman Patani Jaya (Held for future development)	–	Freehold	445,961	700
30.09.1994	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Bandar Laguna Merbok (Under development)	–	Freehold	3,042,216	10,377
30.09.1994	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Bandar Laguna Merbok (Held for future development)	–	Freehold	9,734,059	41,047
15.05.2001	1 Lorong BLM 1/1 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Land with 2/3-storey shopoffice (Office premise – occupied by Patani Jaya Sdn Bhd and Berlian Sakti Sdn Bhd)	3 years	Freehold	4,088	1,113
30.09.1994	Persiaran BLM Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Recreational Land (P.T. 68352 & 68354 – Kelab Bandar Laguna Merbok's clubhouse; P.T. 68353 – Vacant)	2 years	Freehold	1,414,333	13,527
06.03.2000	Geran 2672, Lot 460 Mukim of Pulai District of Baling Kedah Darul Aman	Land approved for low cost development – Taman Desa Anggerik (Under development)	–	Freehold	758,428	1,679
04.07.2000	Geran 1711, Lot 1143 Mukim of Semiling District of Kuala Muda Kedah Darul Aman	Land approved for low cost developments (Held for future development)	–	Freehold	644,453	2,048

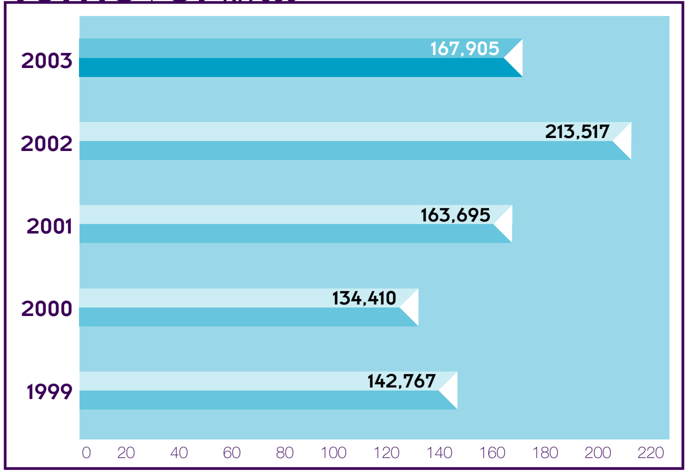
Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2003 (RM'000)
10.01.1999	Nos, 7 & 39, Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with 2 units of 2-storey shopoffice (Tenanted)	12 years	Freehold	3,360	356
10.01.1999	Nos, 9, 11 & 31, Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with 3 units of 2-storey shopoffice (Available for tenancy)	12 years	Freehold	5,040	535
21.04.1993 (15.08.2002)	No. 32, Jalan Anson 10400 Penang	Land with 1 block of 5-storey and 1 block of 8-storey with basement, annexed commercial institute (College campus – KDU Penang campus)	7 years	Freehold	90,966	32,553
28.07.1998	No. 12, Jalan Khaw Sim Bee 10450 Penang	Land with 4-storey of 12 units apartment (KDU Penang Campus Hostel Apartments)	9 years	Freehold	15,565	2,949
18.08.1999	No. 16, Lorong Binajaya 3 Kawasan Perusahaan Ringan Usahajaya Permatang Tinggi 14000 Bukit Mertajam	Land with 2-storey detached factory (Available for tenancy)	5 years	Freehold	1,916	167
16.02.2000	Nos, 2,4,6,10,12,14 & 16 Jalan Pala 12 Kawasan Ind. Ringan Permatang Tinggi 14000 Bukit Mertajam Penang	Land with 7 units of 2-storey semi-detached factories (Tenanted)	5 years	Freehold	45,500	2,237
16.02.2000	No 8, Jalan Pala 12 Kawasan Ind. Ringan Permatang Tinggi 14000 Bukit Mertajam Penang	Land with 1 unit of 2-storey semi-detached factory (Available for tenancy)	5 years	Freehold	6,500	320
30.12.1995 (01.04.1998)	Senai 111 Industrial Park Johor Bahru Johor Darul Takzim	Factory Land & Building (Vacant)	7 years	30 years lease commencing 28-02-1996	164,221	6,917
30.04.1997 (20.02.2002)	10/F, Parkview Commercial Building 9-11 Shelter Street Causeway Bay Hong Kong	Office Premise (Occupied by Paramount Corporation Ltd)	21 years	999 years lease commencing 20.05.1889	1,400	922

five year group financial profile

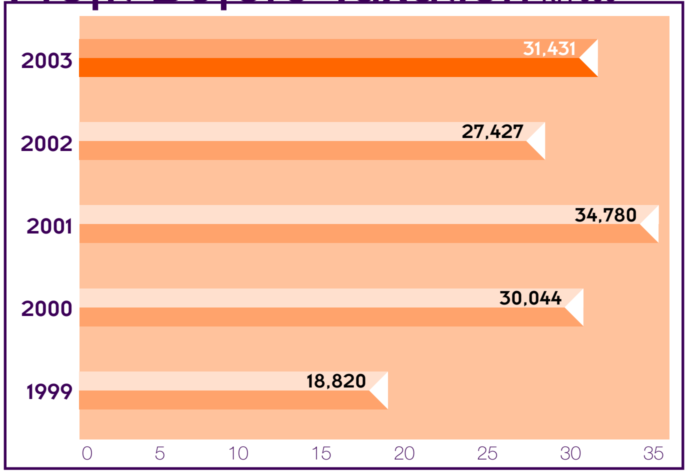
	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000	Year 31 Dec 2001 RM'000	Year 31 Dec 2000 RM'000	Year 31 Dec 1999 RM'000
TURNOVER	**167,905**	213,517	163,695	134,410	142,767
EARNINGS					
Profit from operations	**30,841**	24,565	29,372	25,824	18,633
Exceptional items	**0**	0	0	0	2,227
Share of profit/(loss) of associated companies	**590**	2,862	5,408	4,220	(2,040)
Profit before taxation	**31,431**	27,427	34,780	30,044	18,820
Taxation	**(9,143)**	(11,188)	(11,485)	(9,845)	318
Profit(/Loss) after taxation	**22,288**	16,239	23,295	20,199	19,138
Minority interests	**(34)**	(233)	(1,017)	(953)	(1,304)
	22,254	16,006	22,278	19,246	17,834
Retained profits brought forward	**110,048**	100,340	79,861	64,034	49,417
Profits attributable to members of the Company	**132,302**	116,346	102,139	83,280	67,251
Net dividends	**(6,795)**	(6,298)	(1,799)	(3,419)	(3,217)
Retained profits carried forward	**125,507**	110,048	100,340	79,861	64,034
ASSETS EMPLOYED					
Property, plant and equipment	**201,297**	189,914	162,621	144,508	132,814
Associated companies	**31,462**	36,544	27,266	25,830	22,252
Other investments	**252**	271	9,843	3,581	5,136
Non current development properties	**221,529**	40,283	42,335	47,204	47,534
Deferred tax assets	**1,819**	0	0	0	0
Net current assets	**19,689**	38,533	36,681	40,629	42,531
Term Loan	**(43,953)**	(18,440)	(2,500)	(7,500)	(13,538)
Long Term Liabilities	**(4,401)**	(2,413)	(2,413)	(2,284)	(1,941)
Provision for Retirement Benefits	**(1,243)**	(782)	(577)	(571)	(516)
Long Term Payables	**(124,818)**	0	0	0	0
Minority Interests	**(3,713)**	(4,102)	(4,326)	(3,225)	(2,577)
Net tangible assets	**297,920**	279,808	268,930	248,172	231,695
Net Assets	**297,920**	279,808	268,930	248,172	231,695
FINANCED BY					
Share capital	**103,552**	101,301	100,199	99,958	99,279
Capital reserves	**4,708**	4,703	4,726	4,690	4,730
Share premium	**64,153**	63,756	63,665	63,663	63,652
Retained profits	**125,507**	110,048	100,340	79,861	64,034
Shareholders' funds	**297,920**	279,808	268,930	248,172	231,695

	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000	Year 31 Dec 2001 RM'000	Year 31 Dec 2000 RM'000	Year 31 Dec 1999 RM'000
FINANCIAL STATISTICS					
(Per ordinary share of RM1 each)					
Earnings before taxation	**30.7 sen**	27.2 sen	34.8 sen	30.1 sen	19.1 sen
Earnings after taxation	**21.7 sen**	15.9 sen	22.3 sen	19.3 sen	18.1 sen
Dividends gross	**8.00 sen**	7.50 sen	7.50 sen	4.75 sen	4.50 sen
Dividend cover (times)	**3.28**	2.54	12.38	5.63	5.54
Net tangible assets	**RM2.88**	RM2.76	RM2.68	RM2.48	RM2.33

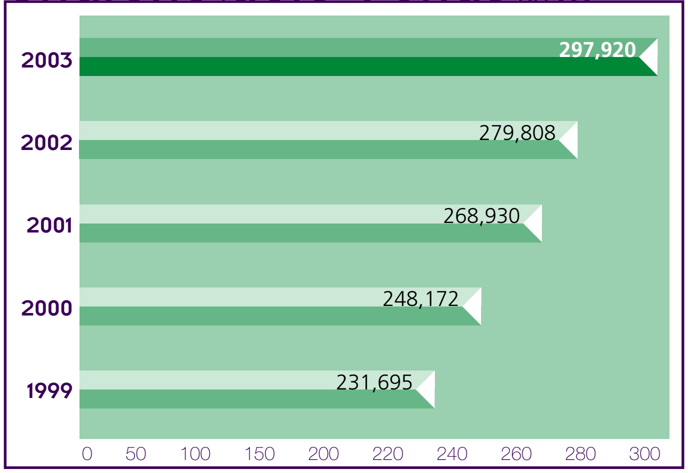
Turnover RM'000



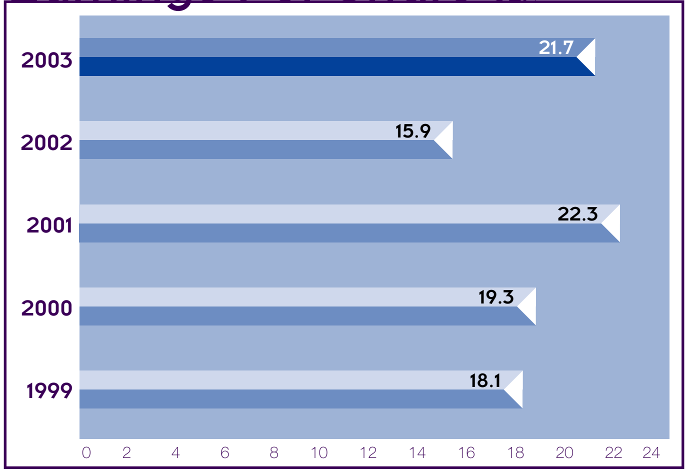
Profit Before Taxation RM'000



Shareholders' Funds RM'000



Earnings Per Share SEN



statement of directors' responsibility in relation to the financial statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

financial statements

directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and cultivation and sale of oil palm fresh fruit bunches. During the year, the Company ceased its business activities on cultivation and sale of oil palm fresh fruit bunches following the disposal of its Dindings Oil Palm Estate as disclosed in Note 33(c) to the financial statements.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year other than as disclosed in Note 13 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	22,288	14,102
Minority interests	(34)	–
Net profit for the year	22,254	14,102

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 33(c) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2002 were as follows:

	RM'000
In respect of the financial year ended 31 December 2002:	
Final tax exempt dividend of 4.5%, paid on 10 July 2003	4,558
In respect of the financial year ended 31 December 2003:	
Interim dividend of 3.0% less 28% taxation, paid on 2 October 2003	2,237
	6,795

At the forthcoming Annual General Meeting, a final dividend of 5.0% less 28% taxation on 103,552,000 shares amounting to RM3,728,000 in respect of the current financial year ended 31 December 2003 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2004.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Md. Taib bin Abdul Hamid
Teo Chiang Quan
Ong Keng Siew
Tan Sri Dato' Ahmad Sabki bin Jahidin
Dato' Haji Azlan bin Hashim
Rohana Tan Sri Mahmood
Geh Cheng Hooi
Dr. Brian Shoy Teng To

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than the Employee Share Option Scheme ("ESOS") as disclosed in this report.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options of the Company and its related corporations during the financial year were as follows:

	<-----Number of Ordinary Shares of RM1.00 Each----->			
	At 1 January 2003	**Exercise of ESOS**	**Sold**	**At 31 December 2003**
The Company				
Direct				
Teo Chiang Quan	208,000	300,000	–	508,000
Ong Keng Siew	13,000	350,000	–	363,000
Indirect				
Teo Chiang Quan	31,654,888	–	–	31,654,888
Dato' Md. Taib bin Abdul Hamid	50,000	–	–	50,000
KDU College Sdn. Bhd.				
Indirect				
Rohana Tan Sri Mahmood	353,000	–	–	353,000

DIRECTORS' INTERESTS (CONTD.)

	At 1 January 2003	Bought	Sold	At 31 December 2003
	<-----Number of Ordinary Shares of HK1.00 Each----->			
Paramount Corporation Limited				
Teo Chiang Quan*	1	–	–	1

* The share is held in trust for Paramount Corporation Berhad.

Teo Chiang Quan by virtue of his interest in shares of the Company, is also deemed interested in the shares of all the Company's subsidiaries to the extent that the Company has an interest.

The options to subscribe for shares in the Company are pursuant to Paramount Corporation Berhad's ESOS. The option period was for 5 years commencing from 3 August 1998 and expired on 2 August 2003. All unexercised options lapsed on 2 August 2003, following the expiry of the ESOS.

	At 1 January 2003	Granted	Exercise	Lapsed	At 31 December 2003
	Options over Number of Ordinary Shares of RM1.00 Each				
Granted in 1998 at an option price of RM1.00 per share					
Teo Chiang Quan	160,000	–	(160,000)	–	–
Ong Keng Siew	252,000	–	(252,000)	–	–
Granted in 2003 at an option price of RM1.38 per share					
Teo Chiang Quan	–	140,000	(140,000)	–	–
Ong Keng Siew	–	98,000	(98,000)	–	–

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 9 June 1998.

The main features of the ESOS are as follows:

(i) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.

(ii) The total number of shares to be offered shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five years from 3 August 1998.

EMPLOYEE SHARE OPTION SCHEME (CONTD.)

(iii) The option price for each share shall be the average of the mean market quotation (calculated as the average of the highest and lowest price transacted) of the shares as shown in the daily official list in the Kuala Lumpur Stock Exchange for the five trading days preceding the date of offer or at the par value of the shares, whichever is higher.

(iv) No offer shall be made for less than 1,000 shares nor more than 500,000 shares to any eligible employee.

(v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing of the Company before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer.

(vi) The number of shares under option or the option price or both so far as the options remain unexercised may be adjusted following any variation in the issued share capital of the Company by way of a capitalisation of profit or reserves or rights issue or a reduction, subdivision or consolidation of the Company's shares made by the Company.

(vii) The shares under option shall remain unissued until the options are exercised and shall on allotment and issue, rank parri passu in all respects with the existing ordinary shares of the Company provided that the new shares shall not be entitled to any dividends declared in respect of the particular financial year if the options related thereto are not exercised prior to or on the entitlement date and on a date during that financial year for which the dividends are declared in respect of and to any other distributions unless the options were exercised prior to or on the entitlement date.

The option period was for five calendar years commencing from 3 August 1998 and expired on 2 August 2003.

The movements in the ESOS to take up unissued new ordinary shares of RM1.00 each and the options price are as disclosed in Note 29 to the financial statements.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up capital from RM101,300,949 to RM103,551,949 via an issuance of 2,251,000 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS as disclosed in Note 29 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:

(i) the amount written off for bad debts or the provision for doubtful debts inadequate to any substantial extent; and

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

(c) At the date of this report, the directors are not aware of any circumstances 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.

OTHER STATUTORY INFORMATION (CONTD.)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

DATO' MD. TAIB BIN ABDUL HAMID

TEO CHIANG QUAN

Petaling Jaya, Malaysia
26 February 2004

statement by directors
pursuant to section 169(15) of the companies act, 1965

We, Dato' Md. Taib Bin Abdul Hamid and Teo Chiang Quan, being two of the directors of Paramount Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 63 to 106 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

DATO' MD. TAIB BIN ABDUL HAMID

TEO CHIANG QUAN

Petaling Jaya, Malaysia
26 February 2004

statutory declaration
pursuant to section 169(16) of the companies act, 1965

I, Leong Choy Ying, being the officer primarily responsible for the financial management of Paramount Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed Leong Choy Ying at	)	
Petaling Jaya in Selangor Darul Ehsan	)	**LEONG CHOY YING**
on 26 February 2004	)	

Before me,

Commissioner for Oaths

CHIN THEN SHOONG
@ CHUN TEN CHONG PJK
No. B070
16M, Jalan SS21/58
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

report of the auditors
to the members of Paramount Corporation Berhad

We have audited the accompanying financial statements set out on pages 63 to 106. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

WONG KANG HWEE
No. 1116/01/06(J)
Partner

Kuala Lumpur, Malaysia
26 February 2004

consolidated income statement
for the year ended 31 December 2003

	Note	2003 RM'000	2002 RM'000
Revenue	3	167,905	213,517
Other operating income		26,871	6,096
Changes in inventories, work in progress and development properties		414	(8,255)
Contract costs		(83,987)	(116,743)
Harvesting costs		(328)	(473)
Staff costs	4	(35,703)	(31,693)
Depreciation		(10,820)	(8,240)
Other operating expenses		(30,743)	(29,086)
Profit from operations	5	33,609	25,123
Finance costs, net	7	(2,768)	(558)
Share of results of associates		590	2,862
Profit before taxation		31,431	27,427
Taxation:	8		
Company and Subsidiaries		(7,531)	(9,764)
Associates		(1,612)	(1,424)
Profit after taxation		22,288	16,239
Minority interests		(34)	(233)
Net profit for the year		22,254	16,006
Earnings per share (sen)			
Basic	9	21.73	15.88
Diluted	9	N/A	15.59

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

consolidated balance sheet
as at 31 December 2003

	Note	2003 RM'000	2002 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	201,297	189,914
Land held for development	12	221,529	40,283
Associated companies	14	31,462	36,544
Other investments	16	252	271
Deferred tax assets	30	1,819	–
		456,359	267,012
CURRENT ASSETS			
Development properties	17	10,377	9,963
Inventories	18	592	933
Trade receivables	19	55,880	55,208
Other receivables	20	33,089	10,934
Cash and bank balances	23	21,404	29,712
		121,342	106,750
CURRENT LIABILITIES			
Borrowings	24	47,610	10,219
Trade payables	26	26,570	29,109
Other payables	27	26,304	27,638
Tax payable		1,169	1,251
		101,653	68,217
NET CURRENT ASSETS		19,689	38,533
		476,048	305,545
REPRESENTED BY:			
Share capital	29	103,552	101,301
Reserves		194,368	178,507
Shareholders' equity		297,920	279,808
Minority interests		3,713	4,102
		301,633	283,910
Deferred tax liabilities	30	4,401	2,413
Borrowings	24	43,953	18,440
Provision for retirement benefits	31	1,243	782
Long term payables	32	124,818	–
		174,415	21,635
		476,048	305,545

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

consolidated statement of changes in equity
for the year ended 31 December 2003

		<---------Non-distributable---------->			Distributable	
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2002	100,199	63,665	3,532	1,194	100,340	268,930
Currency translation differences	–	–	–	(23)	–	(23)
Net profit for the year	–	–	–	–	16,006	16,006
Dividends (Note 10)	–	–	–	–	(6,298)	(6,298)
Exercise of option under the ESOS	1,102	91	–	–	–	1,193
At 31 December 2002	101,301	63,756	3,532	1,171	110,048	279,808
Currency translation differences	–	–	–	5	–	5
Net profit for the year	–	–	–	–	22,254	22,254
Dividends (Note 10)	–	–	–	–	(6,795)	(6,795)
Exercise of option under the ESOS	2,251	397	–	–	–	2,648
At 31 December 2003	103,552	64,153	3,532	1,176	125,507	297,920

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

consolidated cash flow statement
for the year ended 31 December 2003

	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,431	27,427
Adjustments for:		
Depreciation	10,820	8,240
Property, plant and equipment written off	852	18
Provision for doubtful debts	48	1,779
Bad debt written off	–	122
Gain on disposal of property, plant and equipment	(427)	(139)
Gain on disposal of oil palm estate	(16,912)	–
Gain on disposal of quoted investments	(28)	(772)
Provision for retirement benefits	517	248
Short-term accumulating compensated absences	852	–
Share of results in associated companies	(590)	(2,862)
Write back of provision for impairment loss of other investment	(2)	(535)
Amortisation of goodwill on associated companies	814	662
Impairment of goodwill on an associated company	1,244	–
Interest expenses	3,069	1,211
Interest income	(344)	(1,788)
Operating profit before working capital changes	31,344	33,611
Decrease/(increase) in receivables	658	(14,378)
Decrease in development properties	5,851	12,171
Decrease in inventories	369	388
(Decrease)/increase in payables	(7,816)	918
Cash generated from operations	30,406	32,710
Taxes paid	(7,812)	(14,912)
Retirement benefits paid	(44)	(43)
Interest paid	(2,702)	(968)
Interest received	280	1,771
Net cash generated from operating activities	20,128	18,558

	2003 RM'000	2002 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	(69,117)	(1,864)
Dividends received from an associated company	2,000	3,000
Purchase of property, plant and equipment	(23,026)	(35,731)
Purchase of other investments	–	(1,590)
Proceeds from disposal of property, plant and equipment	978	316
Proceeds from disposal of oil palm estate	2,489	–
Proceeds from disposal of other investments	49	12,469
Decrease/(increase) in investment in associated companies	2	(11,501)
Net cash outflow arising from disposal of a subsidiary	–	(38)
Net cash used in investing activities	(86,625)	(34,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,648	1,193
Dividends paid	(6,795)	(6,298)
Dividends paid to minority interests	(423)	(423)
Drawdown of borrowings	33,024	25,530
Repayment of borrowings	(2,600)	(5,000)
Net cash generated from financing activities	25,854	15,002
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,643)	(1,379)
EFFECTS OF EXCHANGE RATE CHANGES	5	(21)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	29,083	30,483
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 23)	(11,555)	29,083

Cash and cash equivalents comprise:

	2003 RM'000	2002 RM'000
Cash and bank balances	6,955	4,524
Fixed deposits	14,449	25,188
Bank overdrafts	(32,959)	(629)
	(11,555)	29,083

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

income statement
for the year ended 31 December 2003

	Note	2003 RM'000	2002 RM'000
Revenue	3	5,863	15,153
Other operating income		16,973	1
Harvesting costs		(328)	(473)
Staff costs	4	(2,992)	(2,151)
Depreciation		(604)	(553)
Other operating expenses		(3,436)	(5,146)
Profit from operations	5	15,476	6,831
Finance costs	7	(1,374)	(359)
Profit before taxation		14,102	6,472
Taxation	8	–	(123)
Net profit for the year		14,102	6,349

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

balance sheet
as at 31 December 2003

	Note	2003 RM'000	2002 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,407	8,551
Subsidiaries	13	140,499	138,999
Associated companies	14	98	100
Due from a subsidiary	15	35,000	35,000
Other investments	16	252	252
		177,256	182,902
CURRENT ASSETS			
Inventories	18	–	31
Trade receivables	19	47	46
Other receivables	20	23,548	1,091
Due from subsidiaries	22	73,751	31,919
Cash and bank balances	23	818	8,336
		98,164	41,423
CURRENT LIABILITIES			
Borrowings	24	30,110	2,682
Other payables	27	1,442	1,064
Due to subsidiaries	28	38,670	34,159
		70,222	37,905
NET CURRENT ASSETS		27,942	3,518
		205,198	186,420
REPRESENTED BY:			
Share capital	29	103,552	101,301
Reserves		92,495	84,791
Shareholders' equity		196,047	186,092
Borrowings	24	8,755	–
Provision for retirement benefits	31	396	328
		9,151	328
		205,198	186,420

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

statement of changes in equity
for the year ended 31 December 2003

			<---Non-distributable--->		Distributable	
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2002	100,199	63,665	3,532	2,855	14,597	184,848
Net profit for the year	–	–	–	–	6,349	6,349
Dividends (Note 10)	–	–	–	–	(6,298)	(6,298)
Exercise of option under the ESOS	1,102	91	–	–	–	1,193
At 31 December 2002	101,301	63,756	3,532	2,855	14,648	186,092
Net profit for the year	–	–	–	–	14,102	14,102
Dividends (Note 10)	–	–	–	–	(6,795)	(6,795)
Exercise of option under the ESOS	2,251	397	–	–	–	2,648
At 31 December 2003	103,552	64,153	3,532	2,855	21,955	196,047

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

cash flow statement
for the year ended 31 December 2003

	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,102	6,472
Adjustment for:		
Depreciation	604	553
(Gain)/loss on disposal of property, plant and equipment	(25)	3
Gain on disposal of oil palm estate	(16,912)	–
Gain on disposal of other investment	(27)	–
Short-term accumulating absences	101	–
Provision for retirement benefits	68	98
Provision for impairment loss of investment in a subsidiary	–	285
Advances to subsidiary companies written off	232	668
Interest expense	1,374	359
Interest income	(2,874)	(3,350)
Operating (loss)/profit before working capital changes	(3,357)	5,088
Decrease/(increase) in receivables	5	(62)
Decrease/(increase) in inventories	3	(5)
(Decrease)/increase in payables	(291)	119
(Decrease)/increase in subsidiaries balances	(37,555)	9,742
Cash (used in)/generated from operations	(41,195)	14,882
Interest paid	(1,374)	(359)
Tax (paid)/refunded	(66)	107
Retirement benefits paid	–	(20)
Net cash (used in)/generated from operating activities	(42,635)	14,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,874	3,350
Increase investment in subsidiary companies	(1,500)	–
Decrease/(increase) in investment in associated companies	2	(100)
Proceeds from disposal of property, plant and equipment	24	2
Proceeds from disposal of oil palm estate	2,489	–
Proceeds from disposal of other investment	27	–
Purchase of property, plant and equipment	(835)	(584)
Net cash generated from investing activities	3,081	2,668

	2003 RM'000	2002 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,648	1,193
Dividends paid	(6,795)	(6,298)
Drawdown/(repayment) of borrowings	12,500	(5,000)
Net cash generated from/(used in) financing activities	8,353	(10,105)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(31,201)	7,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	8,154	981
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 23)	(23,047)	8,154
Cash and cash equivalents comprise:		
Cash and bank balances	16	16
Fixed deposits	802	8,320
Bank overdrafts	(23,865)	(182)
	(23,047)	8,154

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

1. CORPORATION INFORMATION

The principal activities of the Company are investment holding and cultivation and sale of oil palm fresh fruit bunches. During the year, the Company ceased its business activities on cultivation and sale of oil palm fresh fruit bunches following the disposal of its Dindings Oil Palm Estate as disclosed in Note 33(c).

The principal activities of the subsidiaries are disclosed in Note 13.

There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year other than as disclosed in Note 13.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Malaysia Securities Exchange Board. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 726 (2002 : 694) and 28 (2002 : 29) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 Income Taxes
MASB 27 Borrowing Costs
MASB 28 Discontinuing Operations
MASB 29 Employee Benefits

The adoption of these MASB Standards have not given rise to any material adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation and is amortised or credited to the income statement over 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

(i) Subsidiaries (Contd.)

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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 unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is made up of the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of post-acquisition profits less losses of associated companies during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

Goodwill is amortised on a straight-line basis over its estimated useful life of 5 years.

(d) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost except for investment in a subsidiary, Perumahan Berjaya Sdn. Bhd., which is stated at directors' valuation less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(e) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Revenue Recognition (Contd.)

(i) Revenue from sale of development properties is accounted for under the percentage of completion method. The percentage of completion is determined by reference to the architect certificate of completion where the outcome of the projects can be determined to a reasonable degree of certainty. All anticipated losses are fully provided for.

(ii) Revenue from construction contract is accounted for under the percentage of completion method as described in Note 2(k).

(iii) Revenue from educational fees is recognised on an accrual basis.

(iv) Revenue from sale of oil palm fresh fruit bunches is recognised when transfer of risks and rewards have been completed.

(v) Rental income is recognised on an accrual basis.

(vi) Interest income is recognised on an accrual basis.

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

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

(g) Estate Development Expenditure

All expenditure incurred in preparing the land, planting and maintaining the trees until maturity have been capitalised into estate development expenditure.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Freehold land and buildings under construction are not depreciated. Leasehold land, buildings, improvements and renovations are depreciated over the period of the respective leases which range from 30 to 99 years.

Depreciation of other property, plant and equipment is provided on a straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Freehold buildings	1% – 2%
Estate development expenditure	5%
Plant, equipment, furniture, fixtures and fittings	10% – 33.33%
Motor vehicles	25%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Property, Plant and Equipment (Contd.)

Upon disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(j) Inventories

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes cost of land, construction and appropriate development overheads.

(k) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(l) Development Properties and Land Held for Development

Land and development expenditure are classified as development properties when significant development work has been undertaken and is expected to be completed within the normal operating cycle. Development properties are stated at cost plus attributable profits less foreseeable losses and applicable progress billings. Cost includes cost of land, all direct building cost, and other related development expenditure, including interest expenses incurred during the period of active development.

Land held for development consists of land held for future development and where no significant development has been undertaken and is stated at cost. Cost includes cost of land and attributable development expenditure. Such assets are transferred to development properties when significant development work has been undertaken and are expected to be completed within the normal operating cycle.

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, 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 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 not deductible for tax purposes 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 is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(o) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2003 **RM**	**2002** **RM**
US Dollar	3.800	3.800
Singapore Dollar	2.209	2.170
Hong Kong Dollar	0.485	0.482

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Employee Benefits

(i) Short term benefits

Wages, salaries, 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for its eligible employees. The benefits payable upon retirement are calculated by reference to the length of service and basic salary over the employees' period of employment. The defined benefit obligation is calculated and determined by independent actuaries using projected unit credit method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost.

In accordance with the transitional provision of MASB 29, upon initial adoption of the Standard, the increase in the defined benefit liability is recognised as an expense on a straight-line basis over 5 years and the decrease in existing liability is recognised in income statement immediately.

(iv) Equity compensation benefits

The Company's Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Financial Instruments (Contd.)

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowing made specifically for the purpose of obtaining another qualifying asset. For borrowing costs made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred or that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

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

3. REVENUE

Revenue of the Group and the Company consist of the following:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sale of properties	62,784	61,100	–	–
Construction contracts	51,532	97,760	–	–
Educational fees	46,152	45,992	–	–
Sales of goods	588	858	588	858
Interest income				
– third party	43	1,135	43	1,070
– subsidiary	–	–	2,831	2,280
Dividends (gross) from:				
Subsidiaries				
– tax exempt	–	–	2,400	10,933
– others	–	–	–	12
Quoted investment in Malaysia	1	90	1	–
Rental income	6,805	6,582	–	–
	167,905	213,517	5,863	15,153

4. STAFF COSTS

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Wages and salaries	27,514	25,262	1,827	1,658
Short term accumulating compensated absences	852	–	101	–
Pension costs – defined contribution plan	3,365	2,995	237	192
Pension costs – defined benefit plan	517	248	68	98
Other staff related expenses	3,455	3,188	759	203
	35,703	31,693	2,992	2,151

Included in staff costs of the Group and the Company are executive directors' remuneration amounting to RM2,367,000 (2002: RM2,429,000) and RM575,000 (2002: RM345,000) respectively as further disclosed in Note 6.

5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Rental of premises	1,951	1,594	418	328
Non-executive directors' remuneration (Note 6)	372	372	163	163
Auditors' remuneration				
– Statutory audit	146	138	39	39
– Other services	104	105	33	61
Provision for doubtful debts	48	1,779	–	–
Bad debt written off	–	122	–	–
Lease rental	1,174	1,024	–	–
Property, plant and equipment written off	852	18	–	–
Warranty claim (Note 27 (ii))	–	2,209	–	–
Provision for/(write back of) impairment loss:				
Investment in a subsidiary	–	–	–	285
Other investments	(2)	(535)	–	–
Advances to subsidiary companies written off	–	–	232	668
Amortisation of goodwill on associated companies	814	662	–	–
Impairment of goodwill on an associated company	1,244	–	–	–
Bad debts recovered	(1,589)	(209)	–	–
(Gain)/loss on disposal of property, plant and equipment	(427)	(139)	(25)	3
Gain on disposal of oil palm estate (Note 33(c))	(16,912)	–	–	–
Rental income	(1,524)	(1,215)	–	–
Gain on disposal of quoted investments	(28)	(772)	(27)	–

6. DIRECTORS' REMUNERATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	923	965	348	196
Fees	85	84	50	50
Bonus	299	240	109	57
Pension costs – defined contribution plans	147	145	55	30
Pension costs – defined benefit plan	13	12	13	12
Benefits-in-kind	89	77	11	11
	1,556	1,523	586	356
Non-Executive:				
Fees	172	172	163	163
Consultancy fees	198	198	–	–
Benefits-in-kind	21	21	–	–
	391	391	163	163
Other Directors				
Executive:				
Salaries and other emoluments	636	700	–	–
Fees	13	9	–	–
Bonus	147	160	–	–
Pension costs – defined contribution plans	94	104	–	–
Pension costs – defined benefit plan	10	10	–	–
Benefits-in-kind	32	25	–	–
	932	1,008	–	–
Non-Executive:				
Fees	2	2	–	–
Total	2,881	2,924	749	519
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 4)	2,367	2,429	575	345
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	372	372	163	163
Total directors' remuneration excluding benefit-in-kind	2,739	2,801	738	508

6. DIRECTORS' REMUNERATION (CONTD.)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2003	2002
Executive directors:		
RM400,001 – RM500,000	–	1
RM500,001 – RM600,000	1	–
RM1,000,001 – RM1,100,000	1	1
Non-Executive directors:		
Below RM50,000	5	5
RM200,001 – RM250,000	1	1

7. FINANCE COSTS, NET

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense	3,069	1,211	1,374	359
Interest income	(301)	(653)	–	–
	2,768	558	1,374	359

8. TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax expense for the year	9,710	10,694	–	–
Deferred tax relating to origination and reversal of temporary differences (Note 30)	(750)	–	–	–
Deferred tax underprovided in prior year (Note 30)	919	–	–	–
Tax (over)/underprovided in prior year	(736)	494	–	123
	9,143	11,188	–	123

8. TAXATION (CONTD.)

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

	2003 RM'000	2002 RM'000
Group		
Profit before taxation	31,431	27,427
Taxation at statutory tax rate of 28% (2002: 28%)	8,801	7,680
Effect in different tax rates in other countries	(394)	(189)
Income not subject to tax	(5,206)	(1,903)
Expenses not deductible for tax purposes	3,183	2,275
Deferred tax underprovided in prior year	919	–
Tax losses not allowable for future utilisation	160	162
Deferred tax assets previously unrecognised, now recognised	(349)	–
Deferred tax assets not recognised during the year	2,765	2,669
Tax (over)/underprovided in prior year	(736)	494
Tax expense for the year	9,143	11,188
Company		
Profit before taxation	14,102	6,472
Taxation at statutory tax rate of 28% (2002: 28%)	3,949	1,812
Income not subject to tax	(5,367)	(3,908)
Expenses not deductible for tax purposes	262	212
Deferred tax assets not recognised on unused tax losses and unutilised capital allowances	1,156	1,884
Tax underprovided in prior year	–	123
Tax expense for the year	–	123

Tax losses are analysed as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Tax savings recognised during the year arising from utilisation of current year losses	828	940	600	938
Unutilised tax losses carried forward	34,157	25,070	6,898	3,148

As at 31 December 2003, the Company has tax exempt profits available for distribution of approximately RM6,907,000 (2002 : RM11,465,000), subject to agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its entire retained profit as at 31 December 2003.

9. EARNINGS PER SHARE – GROUP

The basic earnings per share for the current year and prior year are calculated based on the profit after taxation and minority interest of RM22,254,000 (2002 : RM16,006,000) on the weighted average number of 102,425,000 (2002 : 100,764,000) ordinary shares of RM1.00 each in issue during the financial year.

The fully diluted earnings per share in prior year was calculated by dividing the adjusted profit after taxation and minority interest of RM16,075,000 by 103,115,000 ordinary shares of RM1.00 each that would be in issue as at 31 December 2002 had all the share options been exercised as at that date.

10. DIVIDENDS

	Amount		Net Dividends per share	
	2003	**2002**	**2003**	**2002**
Group and Company	**RM'000**	**RM'000**	**Sen**	**Sen**
In respect of financial year:				
31 December 2001				
Final tax exempt dividend of 1.8%	–	1,804	–	1.80
Final dividend of 3.2% less 28% taxation	–	2,308	–	2.30
31 December 2002				
Interim dividend of 3.0% less 28% taxation	–	2,186	–	2.16
Final tax exempt dividend of 4.5%	4,558	–	4.50	–
31 December 2003				
Interim dividend of 3.0% less 28% taxation	2,237	–	2.16	–
	6,795	6,298	6.66	6.26

At the forthcoming Annual General Meeting, a final dividend of 5.0% less 28% taxation on 103,552,000 shares amounting to RM3,728,000 in respect of the current financial year ended 31 December 2003 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2004.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings* RM'000	Estate development expenditure RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Cost/Valuation				
At 1 January 2003	182,958	1,018	41,136	225,112
Additions	18,351	500	12,190	31,041
Disposals	(6,478)	(1,518)	(1,398)	(9,394)
Write-off	–	–	(3,122)	(3,122)
Reclassifications	(2,913)	–	2,913	–
Translation differences	10	–	1	11
At 31 December 2003	191,928	–	51,720	243,648
Accumulated Depreciation and Impairment Losses				
At 1 January 2003	14,532	–	20,666	35,198
Charge for the year	2,377	–	8,443	10,820
Disposals	(101)	–	(1,301)	(1,402)
Write-off	–	–	(2,270)	(2,270)
Translation differences	4	–	1	5
At 31 December 2003	16,812	–	25,539	42,351
Net Book Value				
At 31 December 2003	175,116	–	26,181	201,297
At 31 December 2002	168,426	1,018	20,470	189,914
Depreciation charge for 2002	1,786	–	6,454	8,240

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

*** Land and Buildings**

	Freehold land RM'000	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Freehold land and buildings RM'000	Total RM'000
Cost/Valuation					
At 1 January 2003	1,982	2,267	43,270	135,439	182,958
Additions	–	7,038	8,921	2,392	18,351
Disposals	–	–	(69)	(6,409)	(6,478)
Reclassifications	–	27,276	(30,189)	–	(2,913)
Translation differences	–	10	–	–	10
At 31 December 2003	1,982	36,591	21,933	131,422	191,928
Accumulated Depreciation and Impairment Losses					
At 1 January 2003	–	1,354	2,402	10,776	14,532
Charge for the year	–	–	866	1,511	2,377
Disposals	–	–	(5)	(96)	(101)
Reclassifications	–	752	(752)	–	–
Translation differences	–	4	–	–	4
At 31 December 2003	–	2,110	2,511	12,191	16,812
Net Book Value					
At 31 December 2003	1,982	34,481	19,422	119,231	175,116
At 31 December 2002	1,982	913	40,868	124,663	168,426
Depreciation charge for 2002	–	2	659	1,125	1,786

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company

	Freehold estate land RM'000	Building RM'000	Estate development expenditure RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2003	5,732	138	1,018	3,627	10,515
Additions	–	–	501	334	835
Disposals	(5,732)	(138)	(1,519)	(405)	(7,794)
At 31 December 2003	–	–	–	3,556	3,556
Accumulated Depreciation					
At 1 January 2003	–	37	–	1,927	1,964
Additions	–	3	–	601	604
Disposals	–	(40)	–	(379)	(419)
At 31 December 2003	–	–	–	2,149	2,149
Net Book Value					
At 31 December 2003	–	–	–	1,407	1,407
At 31 December 2002	5,732	101	1,018	1,700	8,551
Depreciation charge for 2002	–	3	–	550	553

(a) The freehold land of a subsidiary company was revalued by the directors based on independent professional valuations made in 1980 and has not been revalued since then. The directors have not adopted a policy of regular revaluations of such assets. As permitted by International Accounting Standards 16 : Property, Plant and Equipment, these assets are stated at their 1980 valuation.

Details of independent professional valuation of the freehold land owned by the subsidiary company as at 31 December 2003 are as follows:

Year of Valuation	Description of property	Amount RM	Basis of Valuation
1980	Freehold land in Petaling Jaya	1,982,000	Direct comparison method and the contractor's method of valuation

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Had the revalued freehold land been carried at historical cost, the net book value of the freehold land that would have been included in the financial statements of the Group as at 31 December 2003 would be RM35,000 (2002 : RM35,000).

(b) Included in the cost of the property, plant and equipment of the Group and the Company are fully depreciated assets amounting to RM9,594,000 (2002 : RM8,551,000) and RM924,000 (2002 : RM473,000) respectively which are still in use.

(c) Included in the long term leasehold land and buildings of the Group is leasehold buildings under construction costing RM8,021,000 (2002 : RM19,783,000).

(d) Included in the prior year freehold land and buildings of the Group was a building under construction costing RM4,049,000.

(e) The freehold land and buildings of the Group with net book value of RM35,504,000 (2002 : RM34,673,000) have been pledged for borrowings as referred to in Note 24.

(f) The long term leasehold land and buildings of the Group with net book value of RM16,875,000 (2002 : Nil) have been pledged against the borrowings as referred to in Note 24.

12. LAND HELD FOR DEVELOPMENT

	Group	
	2003 RM'000	2002 RM'000
Freehold land, at cost	191,206	25,699
Development expenditure	30,323	14,584
	221,529	40,283

The freehold land of the Group amounting to RM169,102,000 (2002 : Nil) has been pledged as security for the borrowing as disclosed in Note 24.

Included in the development expenditure is interest capitalised amounting to RM1,084,000 (2002 : RM40,000).

13. SUBSIDIARIES

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	128,775	127,275
Less: Accumulated impairment losses	(10,775)	(10,775)
	118,000	116,500
Unquoted shares, at valuation	22,499	22,499
	140,499	138,999

13. SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Incorporated in Malaysia	Effective Interest 2003 %	Effective Interest 2002 %	Paid-up Capital '000	Principal Activities
Berkeley Sdn. Bhd.	100	100	RM2,138	Property investment and development
Berkeley Maju Sdn. Bhd.	100	100	RM1,000	Inactive
Berlian Sakti Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor
Arah Teknik Sdn. Bhd.	100	100	RM600	Building and engineering contractor
Zenbilt Sdn. Bhd.	100	100	RM150	Inactive
Bilsys Sdn. Bhd.	100	100	RM250	Building and engineering contractor and project management
Current Connection Sdn. Bhd.	100	100	RM500	Inactive
KDU College Sdn. Bhd.	85	85	RM2,353	Educational services
Janahasil Sdn. Bhd.	85	85	RM100	Inactive
KDU College (Sibu) Sdn. Bhd.	52	52	RM2,000	Educational services, ceased operations
KDU Smart School Sdn. Bhd.	85	85	RM1,000	Educational services
KDU International Sdn. Bhd. (formerly known as Maju Gading Development Sdn. Bhd.)	100	100	RM1,579	Educational services
Perumahan Berjaya Sdn. Bhd.	100	100	RM10,000	Property investment and development
Patani Jaya Sdn. Bhd.	100	100	RM3,000	Property development
Kelab Bandar Laguna Merbok Sdn. Bhd.	100	100	*	Operator of club house
Wangsa Merdu Sdn. Bhd.	100	100	RM10,000	Property investment
Paramount Global Assets Sdn. Bhd.	100	100	RM35,360	Investment holding
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Inactive
KDU Management Development Centre Sdn. Bhd.	100	100	RM500	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM1,000	Property development

13. SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

	Effective Interest 2003 %	Effective Interest 2002 %	Paid-up Capital '000	Principal Activities
Incorporated in Singapore				
** SMT Circuit Assembly Pte Ltd	76.94	76.94	#S$4,000	Inactive
Incorporated in Hong Kong				
** Paramount Corporation Limited	100	100	#HK$1,000	Investment holding
** PCM (HK) Limited	80.56	80.56	#HK$10,000	Inactive

* Paid-up capital of RM2
** Not audited by Ernst & Young
#S$ Represents currency denoted in Singapore dollars
#HK$ Represents currency denoted in Hong Kong dollars

During the year:

(a) KDU College (Sibu) Sdn. Bhd. ceased its operations;

(b) KDU Management Development Centre Sdn. Bhd. and Paramount Property Development Sdn. Bhd. commenced their operations;

(c) KDU International Sdn. Bhd. (formerly known as Maju Gading Development Sdn. Bhd.) changed its principal activity from property development to provision of educational services;

(d) The Company increased its shareholding in the following subsidiaries:

(i) KDU Management Development Centre Sdn. Bhd. from RM2 to RM500,000 through the subscription of 499,998 new ordinary shares of RM1.00 each for cash.

(ii) Paramount Property Development Sdn. Bhd. from RM2 to RM1,000,000 through the subscription of 999,998 new ordinary shares of RM1.00 each for cash.

(e) Berlian Sakti Sdn. Bhd., a wholly owned subsidiary, increased its shareholding in Arah Teknik Sdn. Bhd. from RM401,000 to RM600,000 through the subscription of 199,000 new ordinary shares of RM1.00 each for cash.

14. ASSOCIATED COMPANIES

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Unquoted shares, at cost	37,472	37,474	3,819	3,821
Less: Accumulated impairment losses	(3,721)	(3,721)	(3,721)	(3,721)
Goodwill amortised	(1,926)	(1,112)	–	–
Goodwill impaired	(1,244)	–	–	–
Share of post-acquisition profit	881	3,903	–	–
	31,462	36,544	98	100

14. ASSOCIATED COMPANIES (CONTD.)

Represented by:

	Group 2003 RM'000	Group 2002 RM'000
Share of net tangible assets	30,563	25,991
Share of intangible assets	–	7,596
Goodwill on acquisition, net of amortisation and impairment	899	2,957
	31,462	36,544

Details of the associated companies are as follows:

Incorporated in Malaysia	Effective Interest 2003 %	Effective Interest 2002 %	Paid-up Capital '000	Principal Activities
Jerneh Insurance Berhad*	20	20	RM100,000	General insurance business
Suci Teguh Holding Sdn. Bhd.*	27	27	RM14,122	Under liquidation
ASMC Sdn. Bhd.*	21.60	21.60	RM11,250	Under liquidation
Seleksi Megah Sdn. Bhd.*	49	50	RM100	Property development
Jasarim Bina Sdn. Bhd.*	49	50	RM100	Property development
iCarnegie Inc.*	20.31	20.31	USD1.477	Educational services

* Equity accounted based on management financial statements made up to 31 December.

During the financial year, the Company reduced its shareholding in both Jasarim Bina Sdn. Bhd. and Seleksi Megah Sdn. Bhd. from RM50,000 to RM49,000 in each company through the disposal of RM1,000 ordinary shares of RM1.00 each for a cash consideration of RM1,000 respectively.

15. DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, has no fixed terms of repayment and bears interest at 6% (2002 : 6%) per annum.

16. OTHER INVESTMENTS

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Quoted shares, at cost:				
– in Malaysia	–	21	–	–
Less: Accumulated impairment losses	–	(2)	–	–
	–	19	–	–
Unquoted, at cost	252	252	252	252
	252	271	252	252
Market value:				
Quoted shares	–	19	–	–

17. DEVELOPMENT PROPERTIES

	Group 2003 RM'000	Group 2002 RM'000
Properties in the course of development:		
Freehold land, at cost	22,538	18,969
Development expenditure	237,950	192,769
	260,488	211,738
Add: Attributable profits	102,387	83,227
	362,875	294,965
Progress billings	(352,498)	(285,002)
	10,377	9,963

18. INVENTORIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Estate stores	–	31	–	31
Properties held for sale	438	640	–	–
Stationery and consumables	154	262	–	–
	592	933	–	31

19. TRADE RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	45,743	46,108	47	46
Due from customers on contracts (Note 21)	4,165	1,712	–	–
Retention sums on contracts	6,355	9,360	–	–
	56,263	57,180	47	46
Provision for doubtful debts	(383)	(1,972)	–	–
	55,880	55,208	47	46

The Group's normal trade credit term ranges from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

20. OTHER RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits and prepayments	3,170	2,820	191	295
Amount due from a State Government	3,457	3,457	–	–
Advances to sub-contractors	–	1,113	–	–
Amount receivable from disposal of oil palm estate	22,396	–	22,396	–
Sundry receivables	2,172	3,734	99	796
Tax recoverable	2,132	–	862	–
	33,327	11,124	23,548	1,091
Provision for doubtful debts	(238)	(190)	–	–
	33,089	10,934	23,548	1,091

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2003 RM'000	2002 RM'000
Construction contract costs incurred to date	396,731	344,115
Attributable profits	46,949	42,205
	443,680	386,320
Less: Progress billings	(444,036)	(388,422)
	(356)	(2,102)
Due from customers on contracts (Note 19)	4,165	1,712
Due to customers on contracts (Note 26)	(4,521)	(3,814)
	(356)	(2,102)
Contract costs recognised as an expense	81,279	116,743

The cost incurred to date on construction contracts includes the hire of plant and machinery amounting to RM1,911,000 (2002 : RM1,618,000).

22. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

23. CASH AND CASH EQUIVALENTS

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Cash on hand and at banks	6,955	4,524	16	16
Deposits with:				
Licensed banks	14,449	23,504	802	8,320
Licensed finance companies	–	1,684	–	–
Cash and bank balances	21,404	29,712	818	8,336
Less: Bank overdrafts (Note 24)	(32,959)	(629)	(23,865)	(182)
Cash and cash equivalents	(11,555)	29,083	(23,047)	8,154

Included in deposits of the Group are monies maintained in the Housing Development Accounts (opened and maintained under Section 7A of the Housing Developers Regulations 1991) amounting to RM8,790,000 (2002 : RM4,996,000).

Included in deposits of the Group is an amount of RM270,000 (2002 : RM290,000) which has been pledged as security for bank guarantee facilities granted by the banks.

24. BORROWINGS

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts	9,094	–	–	–
Revolving credit	4,900	5,000	–	–
Bankers' acceptances	1,228	2,090	–	–
Term loans	2,250	–	–	–
Hire purchase payables (Note 25)	28	–	–	–
	17,500	7,090	–	–
Unsecured:				
Bank overdrafts	23,865	629	23,865	182
Revolving credit	5,000	–	5,000	–
Term loans	1,245	2,500	1,245	2,500
	30,110	3,129	30,110	2,682
	47,610	10,219	30,110	2,682

24. BORROWINGS (CONTD.)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Long Term Borrowings				
Secured				
Term loans	35,076	18,440	–	–
Hire purchase payables (Note 25)	122	–	–	–
	35,198	18,440	–	–
Unsecured				
Term loans	8,755	–	8,755	–
	43,953	18,440	8,755	–
Total Borrowings				
Bank overdrafts (Note 23)	32,959	629	23,865	182
Revolving credit	9,900	5,000	5,000	–
Bankers' acceptances	1,228	2,090	–	–
Term loans	47,326	20,940	10,000	2,500
Hire purchase payables (Note 25)	150	–	–	–
	91,563	28,659	38,865	2,682
Maturity of borrowings (excluding hire purchase)				
Within one year	48,522	10,219	30,110	2,682
More than 1 year and less than 2 years	8,539	4,250	1,660	–
More than 2 years and less than 5 years	31,487	14,190	4,980	–
More than 5 years	2,865	–	2,115	–
	91,413	28,659	38,865	2,682

The weighted average effective interest rates during the financial year for borrowings were as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Bank overdrafts	6.9	7.4	6.9	7.4
Revolving credit	5.9	6.5	5.0	–
Bankers' acceptances	3.2	3.4	–	–
Term loans	7.0	7.2	6.8	7.9
Hire purchase payables	9.4	–	–	–

24. BORROWINGS (CONTD.)

(a) The secured revolving credit and bankers' acceptances of the Group are secured by corporate guarantees of the Company. Certain subsidiaries' bank overdrafts are secured by corporate guarantees from the Company.

(b) The term loans of the Group are secured by the following:

(i) First legal charge over the freehold land and buildings and long term leasehold land and buildings of the Group as disclosed in Note 11 and Note 12.

(ii) Assignment of rental proceeds from long term leasehold land and buildings of a subsidiary;

(iii) Assignment of entire sales proceeds of a subsidiary's development project; and

(iv) Corporate guarantee by the Company.

25. HIRE PURCHASE PAYABLES

	Group	
	2003 RM	**2002 RM**
Minimum payments:		
Not later than 1 year	33	–
Later than 1 year and not later than 2 years	33	–
Later than 2 years and not later than 5 years	98	–
	164	–
Less : Future finance charges	(14)	–
Present value of finance liabilities	150	–
Present value of finance liabilities:		
Not later than 1 year	28	–
Later than 1 year and not later than 2 years	29	–
Later than 2 years and not later than 5 years	93	–
	150	–
Analysed as:		
Due within 12 months (Note 24)	28	–
Due after 12 months (Note 24)	122	–
	150	–

26. TRADE PAYABLES

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Trade payables	16,960	19,233	–	–
Due to customers on contracts (Note 21)	4,521	3,814	–	–
Retention sums on contracts	5,089	6,062	–	–
	26,570	29,109	–	–

The normal trade credit term granted to the Group ranges from 30 to 90 days.

27. OTHER PAYABLES

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
Short-term accumulating absences	852	–	101	–
Other payables	9,196	18,098	1,341	1,064
Tuition fees paid in advance	7,253	4,702	–	–
Tenants deposits	3,198	1,756	–	–
Refundable deposits	5,043	3,082	–	–
Provision for retirement benefits (Note 31)	12	–	–	–
Payable to a local authority (Note 32)	750	–	–	–
	26,304	27,638	1,442	1,064

Included in other payables of the Group are:

(i) advances received on construction contracts in prior year amounting to RM2,599,000;

(ii) a warranty payable in prior year of RM2,209,000 by a subsidiary arising from the merger of its insurance business in December 1999.

28. DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

29. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each 2003 '000	Number of Ordinary Shares of RM1.00 Each 2002 '000	Amount 2003 RM'000	Amount 2002 RM'000
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid:				
At 1 January	101,301	100,199	101,301	100,199
Issued under ESOS	2,251	1,102	2,251	1,102
At 31 December	103,552	101,301	103,552	101,301

29. SHARE CAPITAL (CONTD.)

The movements in the ESOS to take up unissued new ordinary shares of RM1.00 each and the option prices are as follows:

	Number of Ordinary Shares of RM1.00 Each Under Option '000	Option Price RM
As at 1 January 2003	1,474	1.00
Exercised	(1,127)	1.00
Cancelled	(347)	1.00
At 31 December 2003	–	
As at 1 January 2003	250	1.31
Exercised	(76)	1.31
Cancelled	(174)	1.31
At 31 December 2003	–	
As at 1 January 2003	178	1.52
Exercised	–	1.52
Cancelled	(178)	1.52
At 31 December 2003	–	
As at 1 January 2003	230	1.18
Exercised	(124)	1.18
Cancelled	(106)	1.18
At 31 December 2003	–	
As at 1 January 2003	219	1.73
Exercised	–	1.73
Cancelled	(219)	1.73
At 31 December 2003	–	
Upon offer	1,946	1.38
Exercised	(924)	1.38
Cancelled	(1,022)	1.38
At 31 December 2003	–	

30. DEFERRED TAXATION

	Group 2003 RM'000	Group 2002 RM'000	Company 2003 RM'000	Company 2002 RM'000
At 1 January	2,413	2,413	–	–
Recognised in the income statement (Note 8)	169	–	–	–
At 31 December	2,582	2,413	–	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	(1,819)	–	–	–
Deferred tax liabilities	4,401	2,413	–	–
	2,582	2,413	–	–

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	At 1 January 2003 RM'000	Recognised in the income statement RM'000	At 31 December 2003 RM'000
Deferred Tax Liabilities of the Group:			
Accelerated capital allowances	2,491	3,438	5,929
Deferred Tax Assets of the Group:			
Accelerated capital allowances	–	(147)	(147)
Retirement benefit obligations	(78)	(273)	(351)
Tax losses and unabsorbed capital allowances	–	(2,370)	(2,370)
Others	–	(479)	(479)
	(78)	(3,269)	(3,347)
Deferred Tax Liabilities of the Company:			
Accelerated capital allowances	–	169	169
Deferred Tax Assets of the Company:			
Tax losses and unabsorbed capital allowances	–	(169)	(169)
	–	(169)	(169)

30. DEFERRED TAXATION (CONTD.)

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unused tax losses	30,359	25,070	7,042	3,148
Unabsorbed capital allowances	9,323	9,387	3,188	3,137
Others	497	576	497	328
	40,179	35,033	10,727	6,613

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

31. PROVISION FOR RETIREMENT BENEFITS

The Group operates an unfunded defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits on attainment of the retirement age of 55.

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Present value of unfunded defined benefit obligations	1,785	782	439	328
Unrecognised transitional obligation	(530)	–	(43)	–
Net liability	1,255	782	396	328
Analysed as:				
Current (Note 26)	12	–	–	–
Non-current				
Later than 1 year but not later than 2 years	2	215	–	180
Later than 2 years but not later than 5 years	132	24	43	–
Later than 5 years	1,109	543	353	148
	1,243	782	396	328
	1,255	782	396	328

31. PROVISION FOR RETIREMENT BENEFITS (CONTD.)

The amount recognised in the income statement are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current service cost	286	169	30	54
Interest costs	99	79	27	44
Amortisation of transitional obligation	132	–	11	–
Total, included in staff costs	517	248	68	98

Movements in the net liability in the current year were as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 January	782	577	328	250
Amount recognised in the income statement	517	248	68	98
Utilisation of provision during the year	(44)	(43)	–	(20)
At 31 December	1,255	782	396	328

Principal actuarial assumptions used:

	2003 %	2002 %
Discount rate	7	7
Expected rate of salary increases	5	5

32. LONG TERM PAYABLES

	Group	
	2003 RM'000	2002 RM'000
Payable to a local authority	7,174	–
Less: Payable within 12 months (Note 27)	(750)	–
	6,424	–
Amount payable for acquisition of land	118,394	–
	124,818	–

(a) The amount payable to local authority is in respect of extension of leasehold land of a subsidiary from 30 years to 99 years which is to be repaid in five instalments.

(b) The amount payable for acquisition of land relates to acquisition of freehold land held for development as disclosed in Note 12 and Note 33(a). Included in this amount is an amount of RM40,592,000 which is due within 12 months, but is classified as a long term payable as the amount will be refinanced by long term loan as and when it is due.

33. SIGNIFICANT EVENTS

During the year,

(a) The Company's subsidiary, Paramount Property Development Sdn. Bhd., entered into a conditional Sale and Purchase Agreement with Syarikat Pembangunan Hartanah Guthrie Sdn. Bhd., a wholly-owned subsidiary of Guthrie Property Development Holdings Sdn. Bhd., which in turn is a subsidiary of Kumpulan Guthrie Berhad, to acquire approximately 524.70336 acres of land located in the Mukim of Klang, Shah Alam, Selangor Darul Ehsan for a total cash consideration of RM169,102,000. The acquisition was completed on 26 June 2003.

(b) The Company increased its issued and paid-up capital from RM101,300,949 to RM103,551,949 via an issuance of 2,251,000 new ordinary shares of RM1.00 each pursuant to the exercise of the ESOS as disclosed in Note 29.

(c) On 15 August 2003, the Company entered into Sales and Purchase Agreements with Merrida Properties Sdn. Bhd., Greenson Properties Sdn. Bhd. and Bandar Baru Pantai Sdn. Bhd. to dispose 1,700.90 acres of oil palm estate land known as Dindings Oil Palm Estate for a total cash consideration of RM24,885,000. The disposal which was completed on 23 December 2003 resulted in a gain of RM16,912,000.

34. COMMITMENTS

	Group	
	2003 RM'000	**2002 RM'000**
Capital expenditure:		
– approved and contracted for	37,269	11,713
– approved but not contracted for	7,654	11,319
Leasing commitments:		
– due within 12 months	1,700	614
– due after 12 months	1,400	26
	48,023	23,672

35. CONTINGENT LIABILITIES

	Company	
	2003 RM'000	**2002 RM'000**
Unsecured:		
Guarantees extended in support of banking and other credit facilities granted to subsidiaries	271,992	44,750
Performance guarantees extended to developers for contracts awarded to subsidiary	6,022	4,022
	278,014	48,772

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Purchases of computers and peripherals from ECS KU Sdn. Bhd. and its subsidiaries, a group of companies in which Mr. Teo Chiang Quan, a director of the Company, has substantial interests	1,392	3,558	72	87
Consultancy fees charged by Tarrenz, Inc, a wholly owned corporation of Dr. Brian Shoy Teng To, a director of the Company	991	2,677	991	1,639
Insurance premium charged by Jerneh Insurance Berhad, an associated company	911	856	226	174
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Mr. Teo Chiang Quan has financial interest	672	666	427	316
Security services rendered by Strong Legacy Sdn. Bhd., a company in which a brother of Mr. Teo Chiang Quan and Dato' Md. Taib bin Abdul Hamid, also a director of the Company, has financial interest	345	65	–	–

The directors are of the opinion that all the transactions above have been entered into 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.

37. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exposure, liquidity and credit risks. The Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as the Group has no long-term interest-bearing assets as at 31 December 2003. The investment in financial assets are short-term in nature and they are not held for speculative purposes but have mostly been placed in fixed deposits.

(c) Foreign Exchange Risk

The Group's exposures to foreign exchange risk primarily arises from its investment in foreign subsidiaries and an associated company. Functional currencies in foreign subsidiaries and an associated company are mainly United States Dollar, Singapore Dollar and Hong Kong Dollar, giving rise to conversion exposure.

The Group is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia.

37. FINANCIAL INSTRUMENTS (CONTD.)

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of the funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash resources to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

The carrying amounts of the Group's and the Company's financial assets and liabilities approximate their fair values.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings

The fair value of borrowings is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

38. SEGMENTAL REPORTING

(a) Business segments:

The Group is organised into four major business segments:

(i) Property investment - the rental of residential and commercial properties;
(ii) Property development - the development of residential and commercial properties;
(iii) Construction - the construction of buildings and provision for engineering services;
(iv) Education - the operation of private educational institutions.

Other business segments include investment and management services, none of which are of a sufficient size to be reported separately.

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

38. SEGMENTAL REPORTING (CONTD.)

(b) Geographical Segments:

No segmental information is provided on a geographical basis as the Group's activities are carried out predominantly in Malaysia.

Business Segments:

2003	Property Investment RM'000	Property Development RM'000	Construction RM'000	Education RM'000	Investment and Others RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE AND EXPENSES								
Revenue								
External sales	6,805	62,784	51,532	46,152	632	167,905		167,905
Inter-segment sales	4,946	–	45,145	–	7,231	57,322	(57,322)	–
Total revenue	11,751	62,784	96,677	46,152	7,863	225,227		167,905
Result								
Profit from operations	7,975	11,923	6,238	(145)	384	26,375	7,234	33,609
Finance (costs)/income, net	(3,474)	180	(78)	(858)	1,462	(2,768)		(2,768)
Share of results of associated companies	–	–	–	–	590	590		590
Taxation								(9,143)
Profit after taxation								22,288
ASSETS AND LIABILITIES								
Segment assets	112,550	297,130	40,391	60,452	35,716	546,239		546,239
Investment in equity method of associates	–	–	–	–	31,462	31,462		31,462
								577,701
Segment liabilities	37,469	131,104	29,085	37,655	44,468	279,781		279,781
OTHER INFORMATION								
Capital expenditure	16,621	4,274	409	8,902	835	31,041		31,041
Depreciation	1,924	980	502	6,071	1,343	10,820		10,820
Amortisation of goodwill	–	–	–	–	814	814		814
Impairment of goodwill	–	–	–	–	1,244	1,244		1,244
Non-cash expenses other than depreciation, amortisation and impairment losses	(121)	(47)	324	1,541	(16,818)	(15,121)		(15,121)

38. SEGMENTAL REPORTING (CONTD.)

Business Segments (contd.):

2002	Property Investment RM'000	Property Development RM'000	Construction RM'000	Education RM'000	Investment and Others RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE AND EXPENSES								
Revenue								
External sales	6,555	61,100	97,760	45,992	2,110	213,517		213,517
Inter-segment sales	2,826	–	40,963	–	16,224	60,013	(60,013)	–
Total revenue	9,381	61,100	138,723	45,992	18,334	273,530		213,517
Result								
Profit from operations	5,816	15,158	6,584	5,330	5,226	38,114	(12,991)	25,123
Finance (costs)/income, net	(2,786)	436	(99)	(160)	2,051	(558)		(558)
Share of results of associated companies	–	–	–	–	2,862	2,862		2,862
Taxation								(11,188)
Profit after taxation								16,239
ASSETS AND LIABILITIES								
Segment assets	97,743	102,478	51,274	57,248	28,475	337,218		337,218
Investment in equity method of associates	–	–	–	–	36,544	36,544		36,544
								373,762
Segment liabilities	16,195	3,336	34,525	29,352	10,546	93,954		93,954
OTHER INFORMATION								
Capital expenditure	15,038	3,607	638	15,864	584	35,731		35,731
Depreciation	1,400	496	453	4,807	1,084	8,240		8,240
Amortisation of goodwill	–	–	–	–	662	662		662
Non-cash expenses other than depreciation, amortisation and impairment losses	27	12	1,604	303	99	2,045		2,045

PROXY FORM

PARAMOUNT℠
CORPORATION BERHAD
(8578-A)

I/We ____

of ____

being a Member/Members of Paramount Corporation Berhad hereby appoint ______________________

of ____

____

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at Topas Room, Ground Floor, Hyatt Regency Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Wednesday, 16 June 2004 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 3) for or against the resolutions to be proposed at the meeting as hereunder indicated.

		For	Against
Resolution 1	Reports and Accounts		
Resolution 2	Final Dividend		
Resolution 3	Directors' Fees		
Re-election and re-appointment of Directors:			
Resolution 4	Rohana Tan Sri Mahmood		
Resolution 5	Geh Cheng Hooi		
Resolution 6	Tan Sri Dato' Ahmad Sabki Bin Jahidin		
Resolution 7	Re-appointment of Auditors and to fix their remuneration		
Resolution 8	Authority to Directors to issue shares		

Dated this______________________ day of ______________________ 2004.

NO. OF SHARES HELD

Signature/Common Seal

NOTES

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.
2. The proxy form must be signed by the appointer or his attorney duly authorised in writing or, if the Member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below. In the case of joint members, the signature of any one joint member is sufficient.
3. Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1 Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Fold along this line (1)

Please
Affix
30 sen Stamp

The Company Secretary
PARAMOUNT CORPORATION BERHAD (8578-A)
Level 8, Uptown 1
1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Fold along this line (2)

PARAMOUNT CORPORATION BERHAD

Level 8, Uptown 1
1 Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03–7726 3000
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