



## chief executive officer's review of operations tinjauan operasi ketua pegawai eksekutif

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“Dua tahun yang lepas, kami membuat keputusan menubuhkan projek perkembangan harta yang ulung di Lembah Klang. Pandangan jauh kami, kini telah membawa kepulangan yang lumayan kerana penubuhan Kemuning Utama telah muncul sebagai perolehan utama bagi bahagian harta dan juga Kumpulan dengan jualan sebanyak 99% daripada semua pelancaran harta yang mengagumkan”.

The past 12 months' results have been extremely gratifying. Indeed, 2005 marks our best performance, thus far. More importantly, it vindicates our firm belief that we have the right operating model, the best brands and the best talents to grow our business.

Two years ago, we decided to establish our first property development project in the Klang Valley. Our foresight then is paying huge dividends today as the Kemuning Utama development has emerged as the main revenue earner for both the property division as well as the Group with impressive sales of up to 99% of all property launches. Our strong performance has earned us the distinction of being among the top 20 property developers in Malaysia by The Edge, a leading financial publication, in their Top Property Developers Award 2005. We achieved another major milestone when Paramount Property Holdings Sdn Bhd, the Group's investment holding company, was named the winner of the Specialised Project Category for its Sekolah Sri KDU

project at the Malaysia Property Award 2005. For the second consecutive year, the Group was one of the winners at this prestigious awards' annual event, held to honour the best of the best property developers. The first was in 2004, when Bandar Laguna Merbok, our residential development in Sungai Petani, was judged the Best Residential Development Category.

Our educational services division also saw positive growth during the year. Our primary and secondary school continued to register strong growth in enrolments. Our tertiary education, after two years of market decline and flat growth, saw a marked improvement in enrolment. We believe that, with increased parental involvement and as students become more knowledgeable, there is a greater demand for trusted educational brands with a proven track record of academic excellence. Our executive and continuing education and our language centre, however, recorded dismal performances that have led to firm action being taken to address the related products, marketing and organizational issues.



Keputusan sepanjang 12 bulan yang lalu amat memuaskan. 2005 memang memaparkan prestasi yang terbaik. Lebih penting lagi, ia membuktikan kepercayaan kami bahawa kami mempunyai model operasi yang betul, jenama terkenal dan bakat yang terbaik untuk memperkembangkan bisnes kami.

Dua tahun yang lepas, kami membuat keputusan menubuhkan projek perkembangan harta yang ulung di Lembah Klang. Pandangan jauh kami, kini telah membawa pulangan yang lumayan kerana penubuhan Kemuning Utama telah muncul sebagai perolehan utama bagi bahagian harta dan juga Kumpulan dengan jualan sebanyak 99% daripada semua pelancaran harta yang mengagumkan. Kami juga disenaraikan antara 20 pemaju harta tanah utama dalam anugerah "Top Property Developers Award 2005", anjuran "The Edge", sebuah syarikat penerbitan kewangan yang utama. Kami juga mencapai satu lagi pengiktirafan apabila Paramount Property Holdings Sdn Bhd, syarikat pelaburan Kumpulan, dinamakan pemenang "Specialised Project Category" untuk projek Sekolah Sri KDU di Malaysia "Property Award 2005". Bagi dua tahun yang berturut-

turut, Kumpulan diisytiharkan sebagai pemenang di upacara tahunan berprestij yang dilangsungkan untuk memberi penghormatan kepada pemaju harta tanah yang terbaik. Pada tahun 2004, Bandar Laguna Merbok, perkembangan harta kediaman kami di Sungai Petani telah dianugerahkan sebagai pemenang dalam "Best Residential Category" untuk kali pertama.

Bahagian perkhidmatan pendidikan kami juga mencapai pertumbuhan yang positif pada tahun tersebut. Sekolah rendah dan menengah kami terus mencapai penambahan enrolmen. Pendidikan tertier kami, selepas dua tahun kemerosotan pasaran dan pertumbuhan mendatar, menyaksikan peningkatan enrolmen yang hebat. Kami percaya, dengan penambahan penglibatan ibu-bapa dan pengeluaian pengetahuan pelajar, permintaan terhadap jenama pendidikan yang boleh dipercayai serta rekod prestasi akademik yang cemerlang, akan meningkat. Walaubagaimana pun, pendidikan eksekutif dan profesional dan pusat bahasa kami mencatat rekod prestasi yang kurang memuaskan. Tindakan sewajarnya telah diambil untuk memperbaiki isu produk, pasaran dan organisasi.

## PROPERTY

### Property Development

Of all the positive performances within the Group, the most spectacular was that of the property development sector given the progressive billings on the advance stages of construction as a result of the overwhelming response to sales launches held in 2004 and 2005 for its Kemuning Utama project, a guard-gated mix development township located in Shah Alam.

Thus far, 1,459 units with a value amounting to RM621 million have been sold; representing 99% of total sales. Of this total, 391 units with a value of RM168 million were sold in 2005 and 1,068 units with a value of RM453 million were sold in 2004. The overwhelming response to our sales launches speaks volumes about our reputation as a reliable developer and the growing demand for our homes as evidenced by queues of up to five days at every launch. Even our latest launch on Phase

2C Palma II (35' X 70') of 68 units of 2-storey link semi-detached houses at prices from RM468,000 that was limited to priority registrants only, recorded 99% sales.

It is envisaged that Kemuning Utama will continue to contribute to group profits over the next four to seven years.

The Group's other property development, Bandar Laguna Merbok, an upmarket resort residential township development located in Sungai Petani, Kedah, achieved consistent sales of 319 units with a value of RM64 million during the year under review.

Bandar Laguna Merbok remains the market leader with its niche in upmarket residential properties. Riding on its success as the winner of the Best Residential Development in the FIABCI Award 2004, an award given for the first time to a development outside the Klang Valley, demand for its properties remains strong. In fact, Bandar Laguna Merbok created a record in the township when house buyers were willing to queue up to seven days



## HARTA

### Pembangunan Harta

Antara semua prestasi positif dalam Kumpulan yang amat menakjubkan ialah sektor perbangunan harta yang telah mendapat jualan progresif dari tahap permulaan pembinaan akibat respon yang amat baik terhadap pelancaran-pelancaran jualan pada 2004 dan 2005 untuk projek Kemuning Utama, sebuah perkembangan bandar campuran dan berpintu di Shah Alam.

Kini, 1,459 unit dengan jumlah nilai RM621 juta telah dijual; mewakili 99% daripada jumlah jualan. Antara jumlah ini, 391 unit bernilai RM168 juta telah dijual pada 2005 dan 1,068 unit bernilai RM453 juta telah dijual pada 2004. Respon yang amat menggalakkan dari pelancaran-pelancaran jualan kami membuktikan reputasi kami sebagai pemaju harta yang boleh dipercayai sehingga bakal pelanggan sanggup beratur selama lima hari pada setiap pelancaran. Pelancaran

kami yang terkini untuk Fasa 2C Palma II (35' x 70') merangkumi 68 unit rumah berkembar 2 tingkat dengan harga dari RM468,000/- yang dihad kepada pendaftar terpilih, merekod jualan 99%.

Adalah dijangkakan bahawa Kemuning Utama akan terus menyumbangkan keuntungan kepada Kumpulan untuk empat hingga tujuh tahun yang akan datang.

Perkembangan harta Kumpulan yang lain, Bandar Laguna Merbok, di Sungai Petani, Kedah, perkembangan bandar kediaman istirehat, telah mencapai jualan konsisten sebanyak 319 unit bernilai RM64 juta pada tahun yang ditinjau.

Bandar Laguna Merbok kekal kedudukan utamanya dalam kategori harta kediaman mewah. Sebagai pemenang "Best Residential Development" di "FIABCI Award 2004", anugerah yang diberi kali pertama kepada pemaju harta di luar Lembah Klang, permintaannya amat kukuh. Sebenarnya, Bandar Laguna Merbok mencatatkan







just to select their choice units at one of the sales launch. To-date, Bandar Laguna Merbok has sold 2,851 units with a total value of RM505.6 million and handed over 2,623 units to happy homeowners.

It is envisaged that Bandar Laguna Merbok will continue to provide consistent returns over the next four to five years depending on market conditions.

We believe the demand for our houses stems from our reputation as a developer of quality homes and our commitment to constantly innovate to ensure that our products are in tune with the times as homeowners' lifestyles continue to evolve. We will continue to win the confidence of customers through distinct product differentiations – extensive recreational amenities, appealing streetscapes, attractive landscaping and preserved natural features – as they help increase the value of the homes we sell. Over time, our vision is to

broaden our product capabilities to address the growing needs of buyer segments in a given market. Hence while we are aggressively pursuing avenues to secure more land that is already in acute shortage, we have to be equally creative in delivering customized products that meet changing market dynamics.

### Property Investment

The property investment sector comprising Regency Tower, the primary and secondary school and KDU College Sdn Bhd's Petaling Jaya campus continued to provide us with consistent returns during the year under review.

The occupancy rates for Regency Tower, our 23-storey condominium comprising 76 units of luxury apartments, located in the Golden Triangle of Kuala Lumpur ranged from 97% to full occupancy.



rekod apabila pembeli rumah sanggup beratur selama tujuh hari agar dapat memilih unit yang disukai pada setiap pelancaran. Kini, Bandar Laguna Merbok telah menjual 2,851 unit dengan jumlah nilai RM505.6 juta dan menyerahkan 2,623 unit kepada pemilik rumah yang puashati.

Adalah dijangkakan bahawa Bandar Laguna Merbok akan terus menyumbangkan keuntungan yang konsisten kepada Kumpulan untuk empat hingga lima tahun yang akan datang, bergantung kepada situasi pasaran.

Kami percaya permintaan untuk rumah-rumah kami adalah disebabkan oleh reputasi kami sebagai pemaju rumah kediaman yang berkualiti serta komitmen kami sentiasa berinovatif agar produk kami sejajar dengan masa dan gaya hidup pemilik rumah. Kami akan terus menawan keyakinan pelanggan kami melalui - pembezaan produk yang jelas, kemudahan rekreasi, lanskap yang menarik serta memelihara ciri semulajadi

kerana mereka juga membantu menambah nilai rumah yang kami jual. Misi kami ialah meluaskan keupayaan produk agar memenuhi keperluan pembeli dalam sesuatu segmen pasaran. Sementara kita sedang mencari jalan baru untuk mendapat tanah baru, kami sentiasa kreatif dalam membekalkan produk yang memenuhi dinamik pasaran yang kian berubah.

### Pelaburan Harta

Sektor pelaburan harta yang merangkumi Regency Tower, sekolah rendah dan menengah dan kampus Petaling Jaya, KDU College Sdn Bhd terus membekalkan kami dengan keuntungan yang konsisten pada tahun yang ditinjau.

Kadar kediaman Regency Tower, kondominium 23-tingkat kami yang merangkumi 76 unit apartmen mewah, bertempat di Golden Triangle di Kuala Lumpur, adalah di antara 97% hingga penuh.

In line with our objective to divest non-core assets with a view to improving our cash resources and strengthen our financial position in order to take advantage of alternative opportunities to enhance earnings on our assets, the Group entered into a conditional Sale and Purchase agreement (SPA) with HKH Holdings Sdn Bhd, a wholly-owned subsidiary of Keck Seng (Malaysia) Berhad, on 31 March 2006 to dispose of Regency Tower for a total cash consideration of RM62.5 million. The disposal, which is subject to the approvals of the Foreign Investment Committee and the State Authority, is expected to be completed within a period of five months from the date of the SPA. In the meanwhile, proceeds from the sale will be utilized to reduce bank borrowings.

### Construction

Our construction sector, despite operating in an intensely competitive environment exacerbated by a dearth of new projects and low margins, high construction cost and

shortage of skilled labour, grew in tandem with the Kemuning Utama project which accounted for approximately 60% of its total contracts.

During the year, the sector also formed a joint venture with TPPT Sdn Bhd, an associate company of Bank Negara Malaysia, to develop a 49-acre land in Sungai Dua, Seberang Perai Utara, Penang. This joint venture development will generate a total gross development sales value of more than RM100 million over the next three years.

As at 31 December 2005, the division has secured projects worth RM460.8 million, of which 55% are in respect of contracts from the Kemuning Utama project.

Given our competency and reputation in the construction industry as well as our ability to timely deliver quality products, the construction sector is confident of securing more new contracts in the future, particularly in the Northern region.



Selaras dengan objektif kami untuk menjual aset yang bukan teras agar memperbaiki resos tunai dan menguatkan kedudukan kewangan untuk memberi Kumpulan peluang pelaburan yang lain supaya menambah keuntungan dari asetnya, Kumpulan telah menandatangani Perjanjian Jualan dan Belian (SPA) bersyarat dengan HKH Holdings Sdn Bhd, subsidiari penuh milik Keck Seng (Malaysia) Bhd, pada 31 Mac 2006 untuk menjual Regency Tower bagi jumlah harga wang tunai sebanyak RM62.5 juta. Jualan ini yang tertakluk kepada kelulusan "Foreign Investment Committee" dan "State Authority", dijangka akan diselesaikan dalam jangka masa lima bulan dari tarikh SPA. Hasil dari jualan akan digunakan untuk mengurangkan pinjaman bank.

### Pembinaan

Walaupun sektor pembinaan kami beroperasi dalam persekitaran yang bersaing sengit, kekurangan projek baru serta keuntungan rendah dan kos pembinaan yang tinggi dan kekurangan tenaga mahir, hanya berkembang

selari dengan projek Kemuning Utama yang merupakan 60% daripada jumlah kontrak.

Pada tahun tersebut, sektor ini juga menjalin usahasama dengan TPPT Sdn Bhd, syarikat gabungan Bank Negara Malaysia, untuk memajukan sebuah tanah seluas 49-ekar di Sungai Dua, Seberang Perai Utara, Pulau Pinang. Perkembangan usahasama ini akan menjana jumlah nilai jualan kasar lebih daripada RM100 juta untuk tiga tahun akan datang.

Pada 31 Disember 2005, bahagian ini telah memperolehi projek bernilai RM460.8 juta, di mana 55% adalah kontrak dari projek Kemuning Utama.

Berdasarkan kompetensi dan reputasi kami dalam industri pembinaan, serta kebolehan kami menyampaikan produk berkualiti dalam masa yang tepat, sektor pembinaan yakin akan memperolehi lebih banyak kontrak baru pada masa depan, khususnya di kawasan Utara.









## EDUCATIONAL SERVICES

### Primary and Secondary School

The primary and secondary school, Sekolah Sri KDU, opened the secondary school block in 2005 to accommodate the growing number of students. Leveraging on our increased size and scale to improve the operating cost structure and by implementing best practices to enhance operational efficiency, Sekolah Sri KDU's losses were only marginally higher than that of 2004 despite having to bear the operational cost of the new secondary school block.

Student enrolment grew from 1,152 in 2004 to 1,730 in 2005. Enrolment in 2006 is fast approaching 2,100 and this is testimony of parents' growing confidence in the school's high academic standards and holistic approach.

The school continued to show improvements in the academic performance of its students in the UPSR and PMR examinations with the percentage of distinctions in

both public examinations increasing in almost all subjects, particularly for English, Mathematics and Science. The SPM results of the first batch of students were impressive, with 20% scoring 10A's and above.

We are confident that Sekolah Sri KDU will be profitable in the near future.

### Tertiary Education

The tertiary education market has not only grown more competitive with private colleges aggressively targeting a common pool of local and international students but so has the opportunities for more students to continue their studies in government schools and public universities. Against this background, the tertiary education sector turned in an impressive performance with enrolment growing from 3,730 students in 2004 to 4,066 students in 2005.

As mentioned in my review last year, in the second half of 2004 the college managed to secure approvals for most of its long awaited licenses to conduct core as well as new



## PERKHIDMATAN PENDIDIKAN

### Sekolah Rendah dan Menengah

Sekolah rendah dan menengah, Sekolah Sri KDU, membuka blok sekolah menengah pada 2005 untuk memuatkan bilangan pelajar yang kian bertambah. Berasaskan saiz dan skala yang besar, setelah memperbaiki struktur kos operasi serta melaksanakan amalan terbaik agar menambah efisiensi operasi, kerugian Sekolah Sri KDU adalah sedikit lebih tinggi dari 2004 kerana terpaksa menanggung kos operasi blok baru sekolah menengah.

Enrolmen pelajar bertambah dari 1,152 pada 2004 ke 1,730 pada 2005. Enrolmen pada 2006 akan mencapai 2,100 dan ini membuktikan keyakinan ibu-bapa terhadap mutu akademik yang tinggi serta pendekatan holistik sekolah kami.

Sekolah terus menunjukkan kemajuan dalam prestasi akademik pelajarannya dalam peperiksaan UPSR and PMR

dengan peratus kecemerlangan dalam kedua-dua peperiksaan awam bertambah, hampir dalam semua matapelajaran, khususnya Bahasa Inggeris, Matematik and Sains. Keputusan SPM pelajar kohort pertama amat mengagumkan, dengan 20% berjaya mendapat 10 A dan ke atas.

Kami yakin Sekolah Sri KDU akan membekal keuntungan dalam masa depan yang akan datang.

### Pendidikan Tertier

Pasaran pendidikan tertier bukan sahaja mengalami persaingan yang lebih sengit dengan kolej swasta mensasarkan kumpulan pelajar tempatan dan antarabangsa yang sama bahkan peluang bagi pelajar melanjutkan pelajaran mereka di sekolah kerajaan dan universiti awam juga diluaskan. Berlandaskan ini, sektor pendidikan tertier mencatat rekod yang mengagumkan dengan enrolmen meningkat dari 3,730 pelajar pada 2004 ke 4,066 pelajar pada 2005.

degree and diploma programmes. Needless to say, the delay in approvals eroded our competitive edge. However, with our new partnerships with high ranking universities in place, the college was able to regain its market share.

In line with our aim of imparting effective and meaningful knowledge and to enhance students' learning experience at the college that will help them in their chosen career fields, there are on-going efforts to improve the learning environment in the college. This is because we believe that the way forward in the field of academic excellence is the transformation to that of a SMART COLLEGE. To operate in such an environment, all lecturers are required to undergo pedagogy training to enable them to gain a better understanding on the approach of teaching and learning. It is envisaged that KDU SMART COLLEGE will transform the Malaysian tertiary education, shifting the current practice of traditional mode of rote learning to that of student centric learning placing emphasis on application of knowledge in a meaningful context.

We further improved the learning environment through the availability of a better library management system, on-line databases that specifically cater to the needs of specialization of programmes, and facilities in the college. A new “competition standard” kitchen was also added to cater to the needs of chef students specializing in culinary Arts and Asian culinary. Three new engineering laboratories were also set up, existing laboratories renovated to match industry needs and the dynamism in electrical and electronic industry. Three new computer laboratories were also set up to enable on-line learning.

To stay ahead of the learning curve, we must constantly strive to meet the ever-changing needs of our students and hence the need to develop new and relevant programmes. We also maintain a close link with the industry to seek inputs in order to tailor programmes that best address manpower skills requirements.



Seperti diterangkan pada tinjauan tahun lepas, pada setengah tahun kedua 2004 kolej berjaya mendapat kelulusan untuk kebanyakan lesen menjalankan program teras serta program baru untuk ijazah dan diploma. Kelewatan kelulusan telah menjejaskan kelebihan bersaing kami. Walaubagaimana pun, perkongsian kami dengan beberapa universiti terkenal telah membolehkan kolej berjaya mengekalkan bahagian pasarannya.

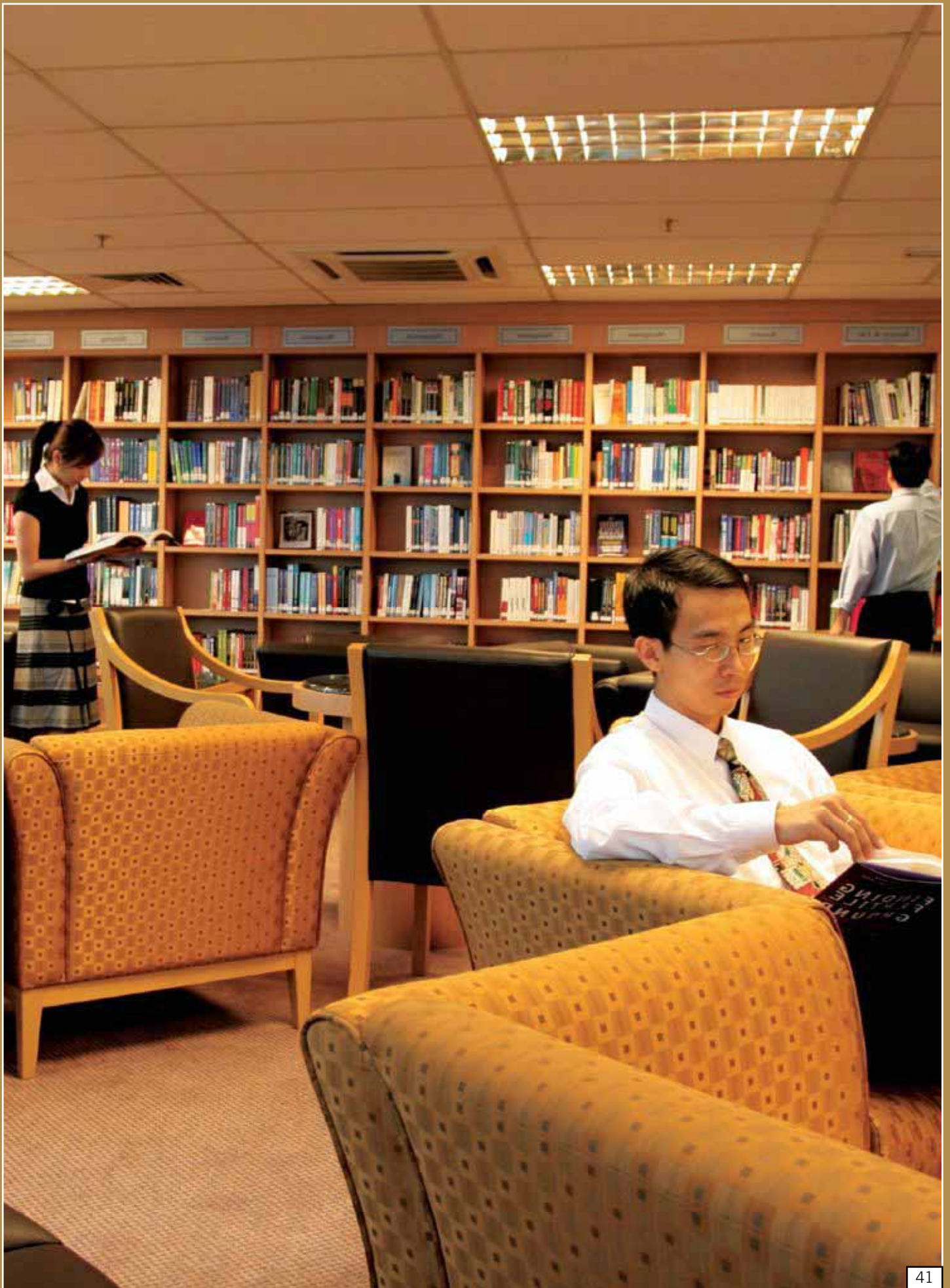
Selaras dengan tujuan kami untuk membekalkan pengetahuan yang berkesan dan bermakna serta menambah pengalaman pembelajaran pelajar di kolej yang akan membantu mereka dalam bidang kerjaya, usaha berterusan memperbaiki persekitaran pembelajaran di kolej sedang dijalankan. Ini adalah kerana kami percaya bahawa cara ke hadapan ke pendidikan cemerlang ialah transformasi ke “SMART COLLEGE”. Untuk beroperasi dalam persekitaran ini, semua pensyarah dikehendaki mengalami latihan pedagogi untuk membolehkan mereka memperoleh kefahaman yang lebih baik tentang kaedah pengajaran dan pembelajaran. Adalah dijangkakan “KDU SMART

COLLEGE” akan mengubah pendidikan tertier di Malaysia, dari peranan tradisional menghafal fakta, kini ke pembelajaran berpusatkan pelajar memberi tumpuan kepada aplikasi pengetahuan dalam konteks yang bermakna.

Kami membaiki lagi persekitaran pembelajaran dengan adanya sistem pengurusan perpustakaan, pangkalan data online yang khusus untuk pengkhususan program, dan kemudahan lain di kolej. Dapur baru “bertaraf pertandingan” juga dibina untuk kemudahan pelajar bidang pemasakan. Tiga makmal baru kejuruteraan telah dibina, makmal yang sedia ada diperbaiki selaras dengan keperluan industri khususnya dalam kejuruteraan elektrik dan elektronik yang begitu dinamik. Tiga lagi buah makmal komputer juga dibina untuk membolehkan pembelajaran online.

Untuk sentiasa maju dalam bidang pembelajaran, kami perlu sentiasa memenuhi keperluan pelajar. Oleh yang demikian, kami perlu memperkembangkan program baru dan relevan. Kami juga perlu mengekalkan hubungan







That our graduates enjoy a very high employment success rate is ample testimony of our delivery models, diverse academic programmes, college-wide commitment to our students and ability to prepare them to gain ready employment in a field of their choice.

With proven academic experience and, excellent infrastructure in place, we believe we are well-positioned to meet the growing challenges of the industry.

### **Executive Education and Professional Development Centre**

The number of registrations for KDU Management Development Centre (KMDC)'s programmes rose from 625 in 2004 to 1,472 at the end of 2005, but fell short of the overall target mainly due to lower registrations during the initial intakes of its executive programmes and professional certification programmes. In addition, the high cost of operations, particularly its advertising and promotion expenses to create awareness about the Wharton Executive Series, and the maintenance of a

state-of-the-art executive learning facility at KL Sentral negated KMDC's bottomline causing it to record higher losses during the year. Nevertheless, KMDC will continue to focus on generating revenue and creating value through offering quality executive and development programmes with top tier partners and delivering highly customized management development solutions to corporate clients.

KMDC's niche lies in its portfolio of highly acclaimed brands that place greater emphasis on brand reputation and the reliability of educational products and services. KMDC successfully launched the Wharton Executive Series in March, 2005. By collaborating with The Wharton School and other similar partnerships, KMDC will be able to provide senior level management development solutions to both local and regional clients. In mid-2005, KMDC established an exclusive partnership with ETS to offer the Test of English for International Communication (TOEIC). KMDC maintained its position as a leading provider for the Certified Financial Planner (CFP) Certification. Through its collaboration with



yang rapat dengan industri untuk mendapat input supaya boleh menyelaraskan program dengan keperluan daya tenaga.

Graduan kami yang berjaya mencapai kadar pekerjaan yang tinggi membuktikan kejayaan model penyampaian kami iaitu, program akademik yang luas, komitmen kepada pelajar dan kebolehan menyediakan pelajar untuk kerjaya yang dipilih.

Dengan pengalaman akademik yang terbukti dan infrastruktur terbaik, kami percaya kami berada dalam kedudukan yang baik untuk menandingi industri yang kian mencabar.

### **Pusat Pendidikan Eksekutif dan Perkembangan Profesional**

Bilangan pendaftaran bagi program KDU Management Development Centre (KMDC) meningkat dari 625 pada tahun 2004 ke 1,472 pada akhir tahun 2005, tetapi tidak mencapai sasaran oleh kerana pendaftaran yang rendah pada peringkat permulaan pengambilan untuk

program eksekutif dan sijil profesional. Tambahan lagi kos operasi yang tinggi, khususnya perbelanjaan pengiklanan dan promosi untuk menyedarkan "Wharton Executive Series", serta penyelenggaraan kemudahan canggih di KL Sentral telah mengakibatkan KMDC mengalami kerugian yang tinggi pada tahun tersebut. Namun demikian, KMDC akan terus fokus kepada penajaan perolehan dan menambah nilai melalui tawaran program kualiti eksekutif dan pembangunan bersama dengan rakan-rakan terkemuka serta menawarkan program perkembangan pengurusan tempahan khas .

Kekuatan KMDC adalah dalam portfolio jenama tertinggi yang menitikberatkan reputasi jenama dan kebolehpercayaan produk dan perkhidmatan pendidikan. KMDC berjaya melancarkan "Wharton Executive Series" pada Mac, 2005. Kolaborasi dengan The Wharton School dan rakan-rakan kongsi yang serupa membenarkan KMDC untuk menawarkan program-program perkembangan pengurusan peringkat tinggi kepada pelanggan tempatan dan wilayah. Pada pertengahan 2005, KMDC telah

Middlesex University, KMDC continued to provide work based learning (WBL) to working adults.

KMDC's range of products and services will be increased by developing them with current and future partners based on the needs of the market. Simultaneously, non-strategic products and services will be discontinued. Marketing efforts will be intensified with a view to creating in-roads into the corporate sector. The entire focus will be on client centricity and, where possible, KMDC's products and services will be tailored to the requirements of the clients. The objective is to develop strategic accounts through relevant and practical products and services and hence achieve a cluster of long-term clients.

We believe that lifelong education, from childhood through our working lives and well into our retirement, will be one of the great growth industries of the 21st century. This is because as the economy grows there will be a need for workers with brain rather than brawn.



“WE BELIEVE THAT LIFELONG EDUCATION, FROM CHILDHOOD THROUGH OUR WORKING LIVES AND WELL INTO OUR RETIREMENT, WILL BE ONE OF THE GREAT GROWTH INDUSTRIES OF THE 21ST CENTURY.”

“KAMI PERCAYA BAHAWA PENDIDIKAN SEUMUR HIDUP, IAITU DARI MASA KANAK-KANAK HINGGA KE MASA BEKERJA SAMPAI MASA BERSARA, MERUPAKAN SUATU INDUSTRI YANG AKAN BERKEMBANG DALAM ABAD KE-21.”

menubuhkan perkongsian eksklusif dengan ETS untuk menawarkan “Test of English for International Communication (TOEIC)”. KMDC berjaya mengekalkan kedudukannya sebagai pembekal utama untuk “Certified Financial Planner (CFP) Certification”. Melalui kolaborasi dengan Middlesex University, KMDC terus membekalkan “Work Based Learning (WBL)” kepada pelanggan dewasa yang sedang bekerja.

Jenis produk dan perkhidmatan KMDC akan bertambah dengan melalui kerjasama rakan-rakan kini dan rakan-rakan baru berdasarkan keperluan pasaran. Pada masa yang sama, produk dan perkhidmatan yang tidak strategik akan ditamatkan. Usaha pemasaran akan diperkuatkan untuk memasuki sektor korporat. Fokus akan diberi kepada pelanggan-pelanggan dan, jika boleh, produk dan perkhidmatan KMDC akan disesuaikan khusus untuk keperluan pelanggan-pelanggan. Objektifnya ialah untuk membina akaun strategik melalui produk dan perkhidmatan yang relevan dan seterusnya mendapatkan kumpulan pelanggan-pelanggan jangka panjang.

## Overseas English Language Centre

KDU International Language Training School (KILTS), which commenced operations in Chongqing, China in the fourth quarter of 2004, achieved an enrolment of 647 students in 2005. Due to intense competition from local as well as foreign operators, KILTS did not meet its targeted enrolment and recorded higher than expected losses. KILTS has since taken a more pragmatic approach by focusing on the corporate sector. It is a decision that is beginning to bear fruits as KILTS has todate secured several large multinational clients and institutions.

With the demand for English from China's growing young population and given the school's wide range of offering and state-of-the-art facilities, we believe that KILTS is on the right track for growth.

Kami percaya bahawa pendidikan seumur hidup, iaitu dari masa kanak-kanak hingga ke masa bekerja sampai masa bersara, merupakan suatu industri yang akan berkembang dalam abad ke-21. Ini adalah kerana apabila ekonomi berkembang kita memerlukan pekerja-pekerja yang mempunyai pengetahuan dan bukan kekuatan tenaga sahaja.

## Pusat Bahasa Inggeris Luar Negeri

KDU International Language Training School (KILTS), yang telah mula beroperasi di Chongqing, China pada suku keempat 2004, mencapai enrolmen sebanyak 647 pelajar pada 2005. Oleh kerana persaingan yang hebat dari pembekal tempatan dan asing, KILTS tidak mencapai sasaran enrolmen dan mencatat kerugian lebih daripada yang dijangkakan. KILTS telah mengambil kaedah yang lebih pragmatik dengan memfokuskan kepada sektor korporat. Keputusan ini mula memberi manfaat kerana kini KILTS berjaya memperoleh beberapa pelanggan dan institusi multinational.

## INVESTMENT AND OTHERS

Despite recording a higher underwriting performance, contribution from the Group's 20% investment in Jerneh Insurance Berhad, was lower due to higher operating expenses and lower investment income.

However, we remain confident that our investment will continue to provide a steady stream of income to the Group's profitability in the long term.

## CORPORATE SOCIAL RESPONSIBILITY

The Group has a sustained commitment to support specific philanthropic causes that support the communities in which we live and operate. And this is reflected through the donations, both in cash and kind and many man-hours of volunteer time. Over the years,

numerous charitable organizations, schools and individuals have benefited from the generosity of the Group and its employees. In 2005 alone, the educational services division gave scholarship awards of close to RM1 million to deserving students while the property division contributed close to RM500,000 to various charities. We believe that we should also conduct our business activities in a responsible manner. Towards this end, we maintain high health safety and environmental standards in order to ensure that there is minimum impact on the environment and the communities that we serve.

## OUR PEOPLE, OUR STRENGTH

It is important that we recognize the efforts of our employees for the many accomplishments we have achieved, thus far, and the goals we hope to achieve in the future. Thus, it is my pleasure to place on record my

“THE GROUP HAS A SUSTAINED COMMITMENT TO SUPPORT SPECIFIC PHILANTHROPIC CAUSES THAT SUPPORT THE COMMUNITIES IN WHICH WE LIVE AND OPERATE. AND THIS IS REFLECTED THROUGH THE DONATIONS, BOTH IN CASH AND KIND AND MANY MAN-HOURS OF VOLUNTEER TIME.”

“KUMPULAN MEMPUYAI KOMITMEN KEKAL TERHADAP SIFAT DERMAWAN KHUSUS YANG MENYOKONG MASYARAKAT DI MANA KITA HIDUP. INI DICERMINKAN DALAM SUMBANGAN, DALAM BENTUK TUNAI DAN BARANGAN DAN TENAGA SUKARELA.”



Dengan permintaan mempelajari Bahasa Inggeris dari penduduk China yang kian bertambah dan tawaran program yang luas serta kemudahan yang canggih, kami percaya KILTS akan berkembang dengan baik.

## PELABURAN DAN LAIN-LAIN

Walaupun prestasi jaminan jualan adalah tinggi, sumbangan dari 20% pelaburan Kumpulan dalam Jerneh Insurance Berhad adalah lebih rendah kerana perbelanjaan operasi yang tinggi dan pendapatan pelaburan yang rendah.

Namun demikian, kami yakin pelaburan kami akan terus membekalkan perolehan yang stabil kepada keuntungan Kumpulan pada masa jangka masa panjang.

## TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan mempunyai komitmen kekal terhadap sifat dermawan khusus yang menyokong masyarakat di mana kita hidup. Ini dicerminkan dalam sumbangan, dalam bentuk tunai dan barangan dan tenaga sukarela. Sejak beberapa tahun yang lalu, beberapa organisasi amal, sekolah dan individu telah mendapat manfaat dari kedermawanan Kumpulan dan kakitangannya. Pada 2005 sahaja, bahagian perkhidmatan pendidikan telah menawarkan biasiswa yang bernilai hampir RM1.0 juta kepada pelajar yang patut terima. Manakala bahagian harta telah menyumbang hampir RM500,000/- kepada pelbagai badan amal. Kami percaya kami patut menjalankan aktiviti bisnes kami secara bertanggungjawab. Ke arah ini, kami mengekalkan mutu kesihatan dan keselamatan persekitaran yang tinggi agar memastikan impak ke atas persekitaran dan masyarakat yang kami berkhidmat adalah secara minimum.

sincere thanks and appreciation for the hard work and commitment shown by everyone in the Group over the last year. On our part, we will continue to invest substantially in training and development to groom future talents as well as create a succession plan to ensure we have the necessary competencies to achieve our goals. We will also continue to improve our remuneration scheme to reward and retain employees.

In 2005, we implemented the Employees' Share Option Scheme (ESOS), to motivate and encourage employees of the Group to elicit greater dedication and loyalty and enhanced productivity; reward and retain employees whose services are vital to the Group's businesses, continued growth and future expansion; allow employees to participate in the equity of the Company and to relate directly to the overall performance of the Group; and to provide a valuable incentive to employees without adversely affecting the Group's cash flow.



## SUMBER MANUSIA KEKUATAN KAMI

Amat penting bagi kami mengenang usaha kakitangan kami terhadap semua kejayaan yang dicapai sejauh ini dan matlamat yang kami ingin capai pada masa depan. Maka, saya dengan sukacitanya ingin merekodkan terima kasih dan penghargaan atas usaha kuat dan komitmen yang ditunjukkan oleh semua dalam Kumpulan sepanjang tahun lepas. Pihak pengurusan akan melabur lebih banyak lagi dalam latihan dan perkembangan bagi bakat masa depan serta membentukkan pelan penggantian agar mempunyai kompetensi untuk mencapai matlamat kami. Kami akan terus membaiki lagi skim imbuhan supaya mengajarkan dan mengekalkan kakitangan.

Pada 2005, kami melaksanakan "Employees' Share Option Scheme (ESOS)", untuk memotivasikan dan menggalakkan kakitangan Kumpulan mencungkil dedikasi dan kesetiaan serta meningkatkan produktiviti; mengganjar dan mengekal kakitangan yang perkhidmatannya diperlukan untuk bisnes Kumpulan,

While we are proud of our financial results in 2005, it is important that we should not be lulled into complacency as each business unit is capable of delivering much more. Also, we should capitalize on our long-term prospects that look promising. We have a clear consistent strategy and a growing market share. Thus, we are very focused on maximizing the full potential of our brands, market positions and technology to drive sustainable long term growth for the benefit of our customers and shareholders alike.

## DATO' TEO CHIANG QUAN

Group Managing Director & Group Chief Executive Officer



perkembangan masa depan; membenarkan kakitangan mengambil bahagian dalam ekuiti Syarikat dan berkait secara langsung dengan prestasi keseluruhan Kumpulan serta memberi insentif yang berharga kepada kakitangan tanpa menjejaskan aliran tunai Kumpulan.

Walaupun kami bangga dengan keputusan kewangan pada 2005, adalah amat penting kita tidak merasa terlalu puas hati kerana setiap unit bisnes boleh menyumbang lebih lagi. Juga, kami harus mengambil kesempatan prospek jangka panjang yang cerah. Kami mempunyai strategi yang konsisten dan jelas serta perkongsian pasaran yang berkembang. Oleh itu, kami amat fokus kepada memaksimumkan potensi jenama kami, kedudukan pasaran dan teknologi untuk mengejar penumbuhan yang kekal dan berjangka panjang supaya memanfaatkan pelanggan dan pemegang saham kami.

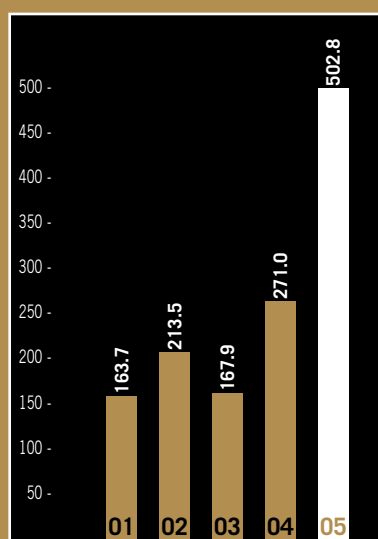
## DATO' TEO CHIANG QUAN

Ketua Pengarah Urusan & Ketua Pegawai Eksekutif Kumpulan

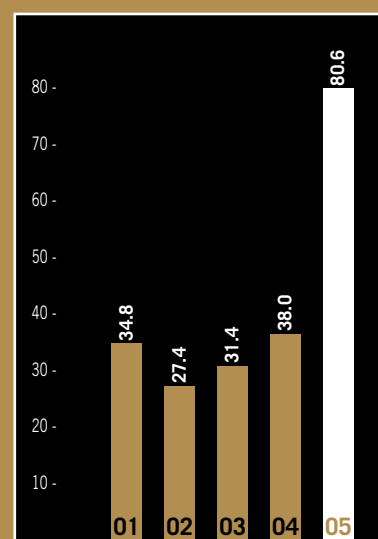


# five year group financial highlights

	Year 31 Dec 2005 RM'000	Year 31 Dec 2004 RM'000	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000	Year 31 Dec 2001 RM'000
<b>REVENUE</b>	502,819	270,984	167,905	213,517	163,695
<b>EARNINGS</b>					
Profit from operations	74,699	31,227	30,841	24,565	29,372
Share of profit of associated companies	5,930	6,729	590	2,862	5,408
Profit before taxation	80,629	37,956	31,431	27,427	34,780
Taxation	(24,788)	(14,608)	(9,143)	(11,188)	(11,485)
Profit after taxation	55,841	23,348	22,288	16,239	23,295
Minority Interests	(169)	223	(34)	(233)	(1,017)
Net profit	55,672	23,571	22,254	16,006	22,278
Retained profits brought forward	141,726	125,507	110,048	100,340	79,861
Profits attributable to members of the Company	197,398	149,078	132,302	116,346	102,139
Net dividends	(11,660)	(7,352)	(6,795)	(6,298)	(1,799)
Retained profits carried forward	185,738	141,726	125,507	110,048	100,340



**REVENUE**  
RM'Million



**PROFIT BEFORE TAX**  
RM'Million

Year  
31 Dec 2005  
RM'000

Year  
31 Dec 2004  
RM'000

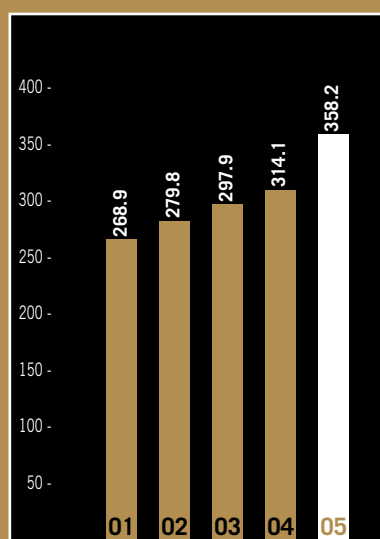
Year  
31 Dec 2003  
RM'000

Year  
31 Dec 2002  
RM'000

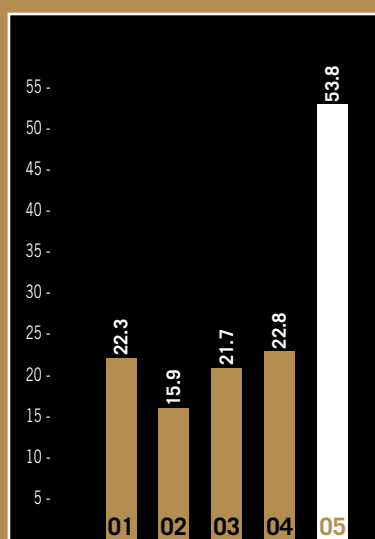
Year  
31 Dec 2001  
RM'000

## ASSETS EMPLOYED

Property, plant and equipment	226,759	222,039	201,297	189,914	162,621
Investment in associates	35,335	33,723	31,462	36,544	27,266
Other investments	397	370	252	271	9,843
Land held for property development	143,982	164,166	221,529	40,283	42,335
Deferred tax assets	2,139	1,581	1,819	0	0
Net current assets	67,325	67,229	19,689	38,533	36,681
Long term borrowings	(65,847)	(85,775)	(43,953)	(18,440)	(2,500)
Deferred tax liabilities	(7,130)	(5,977)	(4,401)	(2,413)	(2,413)
Provision for retirement benefits	(2,190)	(1,920)	(1,243)	(782)	(577)
Long term payables	(38,901)	(77,802)	(124,818)	0	0
Minority interests	(3,659)	(3,490)	(3,713)	(4,102)	(4,326)
Net assets	358,210	314,144	297,920	279,808	268,930



SHAREHOLDERS' FUND  
RM'Million



EARNINGS PER SHARE  
SEN

Year 31 Dec 2005 RM'000	Year 31 Dec 2004 RM'000	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000	Year 31 Dec 2001 RM'000
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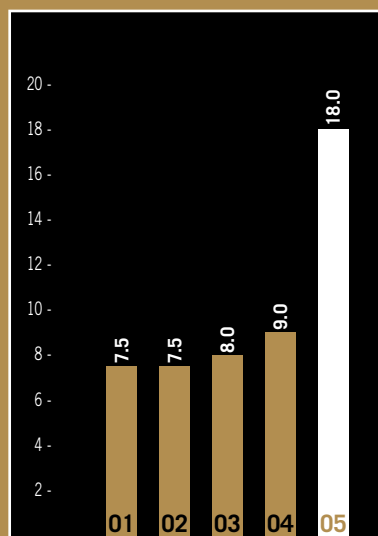
## FINANCED BY

Share capital	103,579	103,552	103,552	101,301	100,199
Capital reserves	4,713	4,713	4,708	4,703	4,726
Share premium	64,180	64,153	64,153	63,756	63,665
Retained profits	185,738	141,726	125,507	110,048	100,340
Shareholders' funds	358,210	314,144	297,920	279,808	268,930

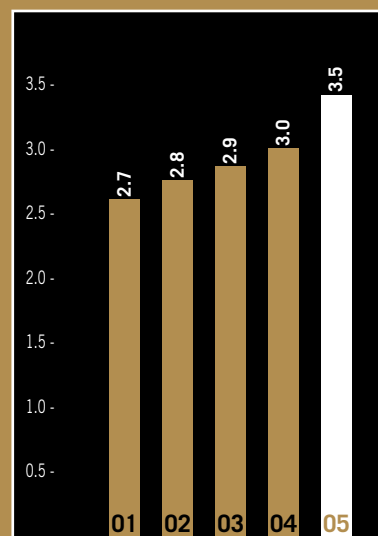
## FINANCIAL STATISTICS

(Per ordinary share of RM1 each)

Earnings before taxation (sen)	77.86	36.65	30.69	27.22	34.79
Earnings after taxation (sen)	53.76	22.76	21.73	15.88	22.28
Dividends gross (sen)	18.00	9.00	8.00	7.50	7.50
Dividend cover (times)	5	3	3	3	12
Net assets (RM)	3.46	3.03	2.88	2.76	2.68



**DIVIDENDS**  
SEN



**NET ASSETS PER SHARE**  
RM

# 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 12 to 15.

Dato' Md Taib bin Abdul Hamid, an independent non-executive director, chairs the Board and the Group Managing Director & Group Chief Executive Officer is Dato' 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
Dato' 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	4 out of 5
Rohana Tan Sri Mahmood	5 out of 5
Geh Cheng Hooi	2 out of 5
Dr 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.

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge 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.

During the financial year ended 31 December 2005, the following three in-house seminars were organized for the directors and senior management:

- i. Overview of Government Service Tax;
- ii. Formulating and implementing a successful Business Strategy; and
- iii. Financial Reporting Standards - update.

The Board conducts a critical evaluation of its effectiveness once in every three years. The Board met and, using a framework outlining the salient list of evaluation criteria, had an open discussion to deal with views of Directors and responses and agree on corrective measures.

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 four 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 53 and 54 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. Geh has ceased to be a member following his vacation of office as a Director on 7 March 2006. 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.

#### **Employees' Share Option Scheme (ESOS) Committee**

The ESOS Committee comprises exclusively of the Deputy Group Managing Director & Deputy Chief Executive Officer, who is the Chairman of the Committee, the Finance Director, the Human Resource Director, and the Corporate Affairs Director.

The ESOS Committee is entrusted with the task of administering the ESOS of the Group in accordance with the By-Laws thereof and to exercise any discretion under the By-Laws with regard to the eligibility of employees to participate in the ESOS, option offers and option allocations (after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group) and also to take all necessary actions to give effect to the ESOS By-Laws and to ensure effective administration of the Scheme.

The ESOS Committee meets as and when necessary.

## 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. Geh has ceased to be a member following his vacation of office as a Director on 7 March 2006. 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, bonus 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. On 29 August 2005, the Company has implemented a new five-year Employees' Share Option Scheme, which will expire on 28 August 2010. Under the scheme, all employees, who are in permanent full-time employment of the Group for a period of at least one (1) year of continuous service are 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 as follows:

Director	Basic Salary (RM'000)	Bonus (RM'000)	Professional fees (RM'000)	Directors fees (RM'000)	Benefits in-kind (RM'000)
Dato' Md Taib bin Abdul Hamid	—	—	—	64	—
Dato' Teo Chiang Quan	972	451	—	65	74
Ong Keng Siew	365	226	—	56	36
Tan Sri Dato' Ahmad Sabki bin Jahidin	—	—	—	50	—
Dato' Haji Azlan bin Hashim	—	—	—	55	—
Rohana Tan Sri Mahmood	—	—	198	45	25
Geh Cheng Hooi	—	—	—	50	—
Dr Brian Shoy Teng To	—	—	—	40	—

## 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 analyst and fund managers for company visits and briefings, and at least once every year a scheduled company briefing is held, coinciding with the release of the Group's final quarter results. The Group's web-site at [www.pcb.com.my](http://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 presents to shareholders an overview of the Group's performance during the year at Annual General 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.

### Risk Management

During the year, a process for identifying, evaluating and managing principal risks faced by the Group was established. The process is embedded in the business, with risk assessment and evaluation incorporated into the key business processes from strategic to tactical and operational execution. The process is reviewed periodically by the Audit Committee on behalf of the Board.

### 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 the Audit Committee set out on pages 53 and 54.

# report of the audit committee

The Board of Directors of Paramount Corporation Berhad (Paramount or the Company) is pleased to issue the following Audit Committee Report and its activities for the year ended 31 December 2005.

## MEMBERS AND MEETINGS

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

Four 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	4 out of 4 meetings
Ong Keng Siew	Deputy 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

\* Geh has ceased to be a member following his vacation of office as a Director on 7 March 2006.

## TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

### Membership

The members shall be appointed by the board and the committee shall consist of at least three (3) 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 or is appropriately qualified as an accountant.

Any vacancy in the committee resulting in non-compliance of the said requirements must be filled within three (3) months.

No alternate director shall be appointed as a member of the Audit 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 non-executive directors.

The committee shall meet with the external auditors without the presence of executive board members as and when required.

Other directors and employees may attend any particular Audit 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 Audit Committee is hereby authorised by the board to:

- investigate any matter within its terms of reference;
- have resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company and the Paramount group of companies (the Group);
- have direct communication channels with the external auditors and internal auditor; and
- 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 Bursa Malaysia Securities Berhad's Listing Requirements, the committee shall promptly report such matter to Bursa Malaysia Securities Berhad.



### **Duties of the committee**

The duties of the committee shall be as follows:

- i) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
  - ii) To discuss with the external auditors 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; and
    - d) Compliance with accounting standards and other legal requirements.
  - iv) To discuss problems and reservations arising from interim and final audits, and any matter the external auditor may wish to discuss;
  - v) To review the external auditors' 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; and
  - x) To consider other topics deemed fit by the committee within its terms of reference and/or as defined by the board.
- iv) Reviewed the external auditors' audit fee and proposed the same to the board for its approval; and
  - v) Considered the intention of the external auditors, Messrs Ernst & Young, to be re-appointed and to propose the re-appointment to the board accordingly.

### **b) Internal Controls**

- i) Reviewed internal audit plans with the internal auditors covering the adequacy of scope, functions and resources of internal audit function;
- ii) Discussed results of internal audit process and deliberated on highlighted issues of concern;
- iii) Considered related party transactions that arose and advised the board on the appropriate actions to be taken;
- iv) Advised the board on the state of internal control of the Group and the issuance of the Statement on Internal Control;
- v) Discussed the Report of the Audit Committee and proposed the report to the board for its approval; and
- vi) Reviewed the organizational structure of finance departments within the Group and advised the board on its strengths and appropriateness.

### **c) Employees' Share Option Scheme**

- i) Reviewed the implementation and allocation of options of Paramount's Employees' Share Option Scheme during the year 2005 pursuant to Bursa Malaysia Securities Berhad's Listing Requirements and to ensure compliance with the By-Laws of the scheme.

### **ACTIVITIES OF THE AUDIT COMMITTEE**

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

#### **a) Financial Statements**

- i) Reviewed the quarterly and year-end financial statements prior to board's approval for release to Bursa Malaysia Securities Berhad and the press;
- ii) Discussed audit plans with the external auditors before commencement of audit;
- iii) Reviewed the external auditors' management letter and management's response;

### **INTERNAL AUDIT FUNCTION**

The internal audit department reports functionally and independently to the committee and is independent of management and 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 the committee.

The purpose, authority and responsibility of the internal audit function as identified by the Audit Committee in the form of audit charter includes furnishing the committee with audit reports which include independent analyses, appraisals, counsel and information on the activities reviewed. Special assignments and investigations are conducted on ad hoc basis as and when requested by the board, Audit Committee and management.

# statement on internal control

## BOARD'S RESPONSIBILITY

The Board acknowledges overall responsibility of maintaining a sound and reliable internal control system for the Paramount Corporation Berhad (Paramount or the Company) group of companies (the Group) to safeguard shareholders' investments and the Group's businesses and assets.

The Board, through the Audit Committee, reviews and monitors the adequacy and integrity of the internal control system and is aware that such system can only provide reasonable but not absolute assurance. The internal control framework is designed to manage rather than to eliminate the risk of failure to achieve set business objectives.

The Board's review does not cover the internal control system of Paramount's associate companies as it does not have any direct control over their operations. However, Board representations in Paramount's associate companies do provide vital information necessary for decisions on the investments and the safeguarding of Group's interest.

## RISK MANAGEMENT/ STRATEGIC PLANS

The existing risk framework allows the Board to identify and manage principal risks of the Group through assessments and reviews of the strategic plans and direction of the Group where current and future business objectives are approved by the Board.

The above process is further augmented by the Board's evaluation of identified risks relating to new major investment projects throughout the year.

## INTERNAL AUDIT FUNCTION

The Board through the Audit Committee endorsed and approved the scope of the internal audit function through detail review of its five years audit plan. The Board emphasizes on the independence of the internal audit function and provides necessary support to ensure that the internal audit function has the right resources to assist the Board to effectively monitor the internal control system of the Group.

The Audit Committee receives regular audit reports from the internal audit function for deliberation and action. The internal audit function reports directly to the Chairman of the Audit Committee who ensures its impartiality, proficiency and professionalism.

## INFORMATION SYSTEMS

The Group holds monthly finance committee meetings for management's review and assessment of comprehensive financial results by comparing performance against detailed budget which had been approved by the Board at the start of the financial year. The monthly financial results and management reviews are then collated together with updated forecasts and presented to the Board for their 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:

- Continuous upgrading and development of internal control system upon reported recommendations by both external and internal auditors highlighted at the Audit Committee and Board levels.
- Clearly defined areas of responsibilities for all committees of the Board and clear lines of accountability for various levels of management.
- 5-year Group strategic planning process including detailed budgeting and monitoring, reviewed by the Board on an annual basis.
- 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.
- Good management culture practiced throughout the Group and expected code of conduct from management staff.

For the financial year under review, the Audit Committee and the Board are satisfied that the review and monitoring of the internal control system gives reasonable assurance that the internal controls in place are adequate.

Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken.

# analysis of shareholdings

## as at 31 March 2006

### SHARE CAPITAL

Authorised capital : RM200,000,000  
 Issued and fully paid-up : RM103,578,949  
 Class of shares : Ordinary shares of RM1.00 each  
 Voting rights : 1 vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	52	1.35	1,209	0.00
100 – 1,000	1,407	36.40	1,300,004	1.26
1,001 – 10,000	2,043	52.86	8,116,316	7.84
10,001 – 100,000	309	7.99	8,373,101	8.08
100,001 – 5,178,946*	51	1.32	38,305,319	36.98
5,178,947 and above**	3	0.08	47,483,000	45.84
<b>Total</b>	<b>3,865</b>	<b>100.00</b>	<b>103,578,949</b>	<b>100.00</b>

\* 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	30.24
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 <i>Deutsche Bank AG Singapore PBD for Gemwood Limited</i>	4,821,750	4.66
5. Bunga Indah (M) Sdn Bhd	3,309,391	3.20
6. Southern Realty (M) Sdn Bhd	2,999,000	2.90
7. Allianz Life Insurance Malaysia Berhad <i>MBA Life Assurance Berhad</i>	2,670,100	2.58
8. Thye Heng (How Kee) Company Sdn Bhd	2,325,900	2.25
9. Angsana Sutera Sdn Bhd	1,924,000	1.86
10. Allianz Life Insurance Malaysia Berhad	1,891,900	1.83
11. Allianz General Insurance Malaysia Berhad	1,851,300	1.79
12. Universal Trustee (Malaysia) Berhad <i>SBB Emerging Companies Growth Fund</i>	1,766,100	1.71
13. Amanah Raya Berhad <i>SBB Value Fund</i>	1,280,800	1.24
14. Thye Heng (How Kee) Company Sdn Bhd	1,239,800	1.20
15. Kenanga Nominees (Asing) Sdn Bhd <i>DMG &amp; Partners Securities Pte Ltd for Teo Pek Swan</i>	1,190,000	1.15

Name of Shareholders	No. of Shareholdings	%
16. Yayasan Kelantan Darulnaim	958,000	0.93
17. Glamour Partnership Sdn Bhd	868,700	0.84
18. Thye Heng (How Kee) Company Sdn Bhd	723,200	0.70
19. Cheong Hon Keong	568,500	0.55
20. Asia Life (M) Berhad <i>As Beneficial Owner (PF)</i>	562,600	0.54
21. Goh Beng Choo	526,000	0.51
22. Dato' Teo Chiang Quan	508,000	0.49
23. Allianz Life Insurance Malaysia Berhad	444,800	0.43
24. Ong Keng Siew	363,000	0.35
25. Tay Lee Kong	337,500	0.33
26. Southern Edible Oil Industries (M) Sdn Bhd	333,000	0.32
27. Ghee Thong Sdn Bhd	321,000	0.31
28. Sin Heap Lee Equities Sdn Bhd	275,140	0.27
29. Yeo Kee Huat	258,000	0.25
30. Tan Jin Tuan	205,550	0.20

#### SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2006

Name	No. of Ordinary shares of RM1.00 each		Percentage of issued share capital %
	Direct	Indirect	
Paramount Equities Sdn Bhd	31,325,000	–	30.24
Dato' Teo Chiang Quan	508,000	31,654,888 (1)	31.05
Southern Acids (M) Berhad	5,519,000	–	5.33
Serata Kaya Sdn Bhd	10,639,000	5,519,000 (2)	15.60
Southern Palm Industries Sdn Bhd	333,000	16,158,000 (3)	15.92
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
Allianz General Insurance Malaysia Berhad	1,851,300	5,006,800 (7)	6.62
Allianz Aktiengesellschaft	–	6,858,100 (8)	6.62

#### Notes:

- By virtue of his deemed interest in Paramount Equities Sdn Bhd, Teo Soo Pin Sdn Berhad and Qualipro Corporation Sdn Bhd.
- By virtue of its deemed interest in Southern Acids (M) Berhad.
- By virtue of its deemed interest in Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
- By virtue of its deemed interest in Southern Palm Industries Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
- By virtue of its deemed interest in Southern Realty (M) Sdn Bhd, Southern Palm Industries Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
- By virtue of his deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty (M) Sdn Bhd, Southern Palm Industries Sdn Bhd, Serata Kaya Sdn Bhd and Southern Acids (M) Berhad.
- By virtue of its deemed interest in Alliance Life Insurance Malaysia Berhad.
- By virtue of its deemed interest in Alliance Life Insurance Malaysia Berhad and Alliance General Insurance Malaysia Berhad.

## DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2006

### In Paramount Corporation Berhad

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Dato' Teo Chiang Quan	508,000	0.49	31,654,888	30.56
Ong Keng Siew	363,000	0.35	–	–
Dato' Md Taib bin Abdul Hamid	–	–	50,000	0.05

### In Related Corporations:

	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
<b>KDU College Sdn Bhd</b>				
Rohana Tan Sri Mahmood	–	–	353,000	15
<b>Paramount Corporation Limited</b>				
Dato' Teo Chiang Quan*	1	0.001	–	–

\* Held in trust for Paramount Corporation Berhad

By virtue of his interest in the Company, Dato' 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.

## DIRECTORS' OPTIONS TO SUBSCRIBE FOR SHARES AS AT 31 MARCH 2006

### In Paramount Corporation Berhad

	No. of Options over Ordinary Shares of RM1.00 each
Dato' Teo Chiang Quan	619,000
Ong Keng Siew	413,000



# 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 31.12.2005 (RM'000)
16.11.1990 (21.03.2006)	8, Jalan Ceylon 50200 Kuala Lumpur Wilayah Persekutuan	Land with 23-storey residential condominium block comprising 76 units of luxury apartments known as Regency Tower (Available for Tenancy)	17 years	Freehold	40,238	47,527
19.12.1978 (10.09.2001)	43, Jalan SS22/41 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Land with private institutional buildings comprising 2 blocks of 5-storey and 1 block of 4-storey (College campus – KDU Petaling Jaya campus)	23 years	Freehold	123,900	8,177
28.04.2000 (16.06.2003)	No 3, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with Sports Complex (Sekolah Sri KDU)	3 years	99 years lease commencing 02-11-2000	160,911	9,366
28.04.2000 (16.06.2003)	No 5, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with private institutional buildings comprising a 3-storey block and a 4-storey block (Sekolah Sri KDU – Primary Block)	4 years	99 years lease commencing 02-11-2000	169,318	24,302
28.04.2000 (16.06.2003)	No 7, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with private institutional building comprising a 3-storey block (Sekolah Sri KDU – Secondary Block)	1 year	99 years lease commencing 02-11-2000	190,314	30,964
13.06.2001 (16.06.2003)	Block B, Gugusan Teratai (Mawaria), Jalan Cecawi 6/30 Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with a 5-storey block comprising 60 units of apartments (KDU Hostel apartments)	3 years	Leasehold (under master title)	Strara Title	3,882
11.03.1998	A11-1, Bandar Sri Damansara Mukim of Sungai Buloh Petaling Jaya Selangor Darul Ehsan	Land with a 4-storey shopoffice (Tenanted)	9 years	Freehold	1,760	631
25.10.2005	PT 11042 & PT 11043 Town of Serendah District of Ulu Selangor Selangor	2 parcels of residential development land (Vacant)	–	Freehold	1,131,796	5,700

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2005 (RM'000)
08.04.1982	Lots 11882 to 11886 HS(D) 13157 to 13161 T/K Jalan Batu Tiga Klang	Vacant Land	–	Freehold	6,698	3
26.06.2003	Lots 138, 1327-1329, 2190, 2849, 2850, 3397, 3398, 11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129, Seksyen 32 & 33, Shah Alam Mukim of Daerah Klang Selangor Darul Ehsan.	Land approved for commercial and residential development – Kemuning Utama (Held for future development)	–	Freehold	15,162,382	98,774
23.06.2003	Lots 138, 1327-1329, 2190, 2849, 2850, 3397, 3398, 11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129, Seksyen 32 & 33 Shah Alam Mukim of Daerah Klang Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Under development)	–	Freehold	7,689,203	50,709
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	168,458	246
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	2,946,923	19,905
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	6,711,294	30,713
15.05.2001	1 Lorong BLM 1/1 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Land with a 2/3-storey shopoffice (Office Premise occupied by Paramount Property (Utara) Sdn Bhd and Paramount Engineering & Construction Sdn Bhd)	5 years	Freehold	4,088	1,362
30.09.1994	Persiaran BLM 3 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)	4 years	Freehold	1,414,333	13,992

<b>Date of Acquisition (Date of Last Revaluation)</b>	<b>Location of Property</b>	<b>Description (Existing Use)</b>	<b>Age of Building</b>	<b>Tenure</b>	<b>Land Area (Sq. Ft.)</b>	<b>NBV as at 31.12.2005 (RM'000)</b>
04.07.2000	Geran 1711, Lot 1143 Mukim of Semiling District of Kuala Muda Kedah Darul Aman	Land approved for low cost development (Under development)	–	Freehold	644,453	1,440
10.01.1999	No 7 Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with a 2-storey shopoffice (Tenanted)	14 years	Freehold	1,680	170
10.01.1999	No 9 Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with a 2-storey shopoffice (Vacant)	14 years	Freehold	1,680	170
21.04.1993 (15.08.2002)	No 32, Jalan Anson 10400 Penang	Land with private institutional buildings comprising 1 block of 5-storey and 1 block of 8-storey (College Campus – KDU Penang Campus)	9 years	Freehold	90,966	31,962
28.07.1998	No 12, Jalan Khaw Sim Bee 10450 Penang	Land with a 4-storey block comprising 12 units of apartments (KDU Penang Campus hostel apartment)	11 years	Freehold	15,565	2,812
18.08.1999	No 16, Lorong Binajaya 3 Kawasan Perusahaan Ringan Usahajaya Permatang Tinggi 14000 Bukit Mertajam	Land with a 2-storey detached factory (Available for Tenancy)	7 years	Freehold	1,916	160
16.02.2000	Nos 2, 4, 6, 8, 10, 12, 14 & 16 Jalan Pala 12, Kawasan Ind. Ringan Permatang Tinggi 14000 Bukit Mertajam Penang	Land with 8 units of 2-storey semi-detached factories (Tenanted)	7 years	Freehold	52,000	2,446
30.12.1995 (11.09.2003)	Senai III Industrial Park Johor Bahru Johor Darul Takzim	Factory land & building (Tenanted)	9 years	30 years lease commencing 28-02-1996	164,221	6,294
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)	23 years	999 years lease commencing 20-05-1889	1,400	922

# 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.



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# 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 2005.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

There were no significant changes in the principal activities of the Group and of the Company 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	55,841	16,520
Minority interests	(169)	–
Net profit for the year	<u>55,672</u>	<u>16,520</u>

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.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
Final tax exempt dividend of 5.5% on 103,552,000 ordinary shares, paid on 27 July 2005	5,695
In respect of the financial year ended 31 December 2005:	
Interim dividend of 5.5% less 28% taxation on 103,552,000 ordinary shares, paid on 28 October 2005	4,101
Special dividend of 2.5% less 28% taxation on 103,552,000 ordinary shares, paid on 28 October 2005	1,864
	<u>11,660</u>

## **DIVIDENDS (CONT'D)**

At the forthcoming Annual General Meeting, a final dividend of 7.5% less 28% taxation and a special dividend of 2.5% less 28% taxation in respect of the financial year ended 31 December 2005 on 103,579,000 ordinary shares amounting to RM5,593,000 (5.4 sen net per ordinary share) and RM1,865,000 (1.8 sen net per ordinary share) respectively, 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 equity as an appropriation of retained profits in the financial year ending 31 December 2006.

## **ISSUE OF SHARES**

During the financial year the Company increased its issued and paid-up ordinary share capital from RM103,552,000 to RM103,579,000 by way of the issuance of 27,000 ordinary shares of RM1 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price of RM2.01 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

## **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  
Dato' 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 share option granted to Directors pursuant to the Employee Share Options Scheme.

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 fulltime employee of the Company) by reason of a contract made by the Company or a related corporation with any 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 35 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 in the Company and its related corporations during the financial year were as follows:

	<-----Number of Ordinary Shares of RM1 Each----->			
	At 1 January 2005	Bought	Sold	At 31 December 2005
<b>The Company</b>				
<b>Direct</b>				
Dato' Teo Chiang Quan	508,000	—	—	508,000
Ong Keng Siew	363,000	—	—	363,000
<b>Indirect</b>				
Dato' Teo Chiang Quan	31,654,888	—	—	31,654,888
Dato' Md Taib bin Abdul Hamid	50,000	—	—	50,000
<b>KDU College Sdn. Bhd.</b>				
<b>Indirect</b>				
Rohana Tan Sri Mahmood	353,000	—	—	353,000

	<-----Number of Ordinary Shares of HK1 Each----->			
	At 1 January 2005	Bought	Sold	At 31 December 2005
<b>Paramount Corporation Limited</b>				
Dato' Teo Chiang Quan*	1	—	—	1

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

Dato' Teo Chiang Quan and Ong Keng Siew's interest in options over ordinary shares of RM1 each of the Company are disclosed below.

Dato' 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.

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 OPTIONS SCHEME

The Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by Paramount Corporation Berhad's shareholders at an Extraordinary General Meeting held on 22 August 2005. The ESOS was implemented on 29 August 2005 and is to be in force for a period of 5 years from the date of implementation. On expiry, an extension of up to 5 years can be granted subject to the recommendation of the ESOS Committee and the approval of the shareholders of the Company and other regulatory authorities.

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

## EMPLOYEE SHARE OPTIONS SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 220,000 ordinary shares of RM1 each. The list of directors and employees granted options to subscribe for 220,000 or more ordinary shares of RM1 each during the financial year is as follows:

Name	Number of Share Options
Dato' Teo Chiang Quan	619,000
Ong Keng Siew	413,000
Liew Yin Chew	248,000
Teh Geok Lian	225,000
Lau Say Min, Claudia	225,000
Dr Tan Toh Wah	225,000
Chuan Yeong Ming	225,000

All the above options were granted on 15 September 2005 and will expire, if not exercised by 28 August 2010. The exercise price for these options is RM2.01 per ordinary share of RM1 each. None of the above exercised their options during the period ended 31 December 2005.

The terms of share options outstanding at 31 December 2005 are as follows:

Grant Date	Expiry Date	Exercise Price RM	Number of Options over Ordinary Shares of RM1 each			
			At 1 January 2005 '000	Granted '000	Exercised '000	At 31 December 2005 '000
15 September 2005	28 August 2010	2.01	–	10,169	(27)	10,142

## 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 values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company 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.



## OTHER STATUTORY INFORMATION (CONT'D)

- (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.
- (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 or 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 DURING THE FINANCIAL YEAR

The significant events are disclosed in Note 36 to the financial statements.

## EVENT SUBSEQUENT TO BALANCE SHEET DATE

The event subsequent to balance sheet date is disclosed in Note 37 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**

Petaling Jaya, Malaysia  
23 February 2006

**Dato' Teo Chiang Quan**

# statement by directors

pursuant to section 169(15) of the Companies Act, 1965

We, Dato' Md Taib Bin Abdul Hamid and Dato' 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 71 to 123 are drawn up in accordance with applicable MASB 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 2005 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**

Petaling Jaya, Malaysia  
23 February 2006

**Dato' Teo Chiang Quan**

# statutory declaration

pursuant to section 169(16) of the Companies Act, 1965

I, Siew Chee Choong, 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 71 to 123 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 Siew Chee Choong at  
Petaling Jaya in Selangor Darul Ehsan  
on 23 February 2006

**Siew Chee Choong**

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 financial statements set out on pages 71 to 123. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2005 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

Kuala Lumpur, Malaysia  
23 February 2006

**Wong Kang Hwee**  
No. 1116/01/08(J)  
Partner

# consolidated income statement

for the year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
Revenue	3	502,819	270,984
Other operating income		15,800	11,251
Property development costs	12(b)	(311,308)	(123,624)
Construction costs		(15,859)	(34,566)
Cost of inventories sold		(239)	–
Staff costs	4	(48,509)	(39,278)
Depreciation		(12,739)	(11,579)
Other operating expenses		(49,312)	(38,648)
Profit from operations	5	80,653	34,540
Finance costs, net	7	( 5,954)	( 3,313)
Share of results of associates		5,930	6,729
Profit before taxation		80,629	37,956
Taxation:	8		
Company and subsidiaries		(23,127)	(12,589)
Associates		(1,661)	(2,019)
		(24,788)	(14,608)
Profit after taxation		55,841	23,348
Minority interests		(169)	223
Net profit for the year		55,672	23,571
Earnings per share (sen)			
Basic	9 (a)	53.76	22.76
Net dividends paid per ordinary share during the year (sen)	10	11.26	7.10

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



# consolidated balance sheet

as at 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	226,759	222,039
Land held for property development	12(a)	143,982	164,166
Investments in associates	14	35,335	33,723
Other investments	16	397	370
Deferred tax assets	30	2,139	1,581
		<u>408,612</u>	<u>421,879</u>
<b>CURRENT ASSETS</b>			
Property development costs	12(b)	81,527	76,423
Inventories	17	310	438
Trade receivables	18	131,709	79,620
Other receivables	19	9,246	10,056
Tax recoverable		2,176	2,524
Cash and bank balances	22	60,380	48,775
		<u>285,348</u>	<u>217,836</u>
<b>CURRENT LIABILITIES</b>			
Provision for retirement benefits	31	302	9
Borrowings	23	61,497	54,139
Trade payables	25	101,914	50,999
Other payables	26	49,421	44,730
Tax payable		4,889	730
		<u>218,023</u>	<u>150,607</u>
<b>NET CURRENT ASSETS</b>			
		<u>67,325</u>	<u>67,229</u>
		<u>475,937</u>	<u>489,108</u>
<b>REPRESENTED BY:</b>			
Share capital	28	103,579	103,552
Reserves		254,631	210,592
		<u>358,210</u>	<u>314,144</u>
Shareholders' equity		3,659	3,490
Minority interests		<u>361,869</u>	<u>317,634</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	23	65,847	85,775
Deferred tax liabilities	30	7,130	5,977
Provision for retirement benefits	31	2,190	1,920
Long term payables	32	38,901	77,802
		<u>114,068</u>	<u>171,474</u>
		<u>475,937</u>	<u>489,108</u>

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

# consolidated statement of changes in equity

for the year ended 31 December 2005

	Share capital RM'000 (Note 28)	<-----Non-distributable----->			Distributable Retained profits RM'000	Total RM'000
		Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000		
<b>At 1 January 2004</b>	103,552	64,153	3,532	1,176	125,507	297,920
Currency translation differences	–	–	–	5	–	5
Net profit for the year	–	–	–	–	23,571	23,571
Dividends (Note 10)	–	–	–	–	(7,352)	(7,352)
<b>At 31 December 2004</b>	103,552	64,153	3,532	1,181	141,726	314,144
Currency translation differences	–	–	–	–	–	–
Net profit for the year	–	–	–	–	55,672	55,672
Dividends (Note 10)	–	–	–	–	(11,660)	(11,660)
Exercise of option under the ESOS	27	27	–	–	–	54
<b>At 31 December 2005</b>	103,579	64,180	3,532	1,181	185,738	358,210

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

# consolidated cash flow statement

for the year ended 31 December 2005

	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	80,629	37,956
Adjustments for:		
Depreciation	12,739	11,579
Property, plant and equipment written off	85	4
Provision for doubtful debts	5,931	651
Bad debts written off	1,713	–
Gain on disposal of property, plant and equipment	(364)	(310)
Gain on disposal of a subsidiary company	(24)	–
Loss on disposal of other investments	–	57
Provision for retirement benefits	623	679
Short term accumulating compensated absences	239	(81)
Share of results in associates	(5,930)	(6,729)
Amortisation of goodwill on associates	450	449
Write off of goodwill on a subsidiary	2	–
Interest expenses	6,816	3,932
Interest income	(862)	(619)
Operating profit before working capital changes	102,047	47,568
Increase in receivables	(59,556)	(26,091)
(Increase)/decrease in development properties	(5,105)	4,398
Decrease in inventories	128	154
Increase/(decrease) in payables	11,222	(7,868)
Cash generated from operations	48,736	18,161
Taxes paid	(18,025)	(11,606)
Retirement benefits paid	(60)	(5)
Interest paid	(6,816)	(3,932)
Interest received	862	619
Net cash generated from operating activities	24,697	3,237

# consolidated cash flow statement

for the year ended 31 December 2005 (cont'd)

	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in land held for development	20,184	(9,891)
Dividends received from an associate	2,160	2,000
Purchase of property, plant and equipment	(11,847)	(32,274)
Proceeds from disposal of property, plant and equipment	583	871
Proceeds from disposal of oil palm estate	–	22,396
Proceeds from disposal of other investments	–	30
Purchase of other investment	(27)	–
Proceeds from disposal of a subsidiary - net of cash disposed of	45	–
Proceeds from sale of shares to minority interest	16	–
Net cash generated from/(used in) investing activities	11,114	(16,868)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	54	–
Dividends paid	(11,660)	(7,352)
Drawdown of borrowings, net of repayment	(18,985)	48,122
Net cash (used in)/generated from financing activities	(30,591)	40,770
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,220	27,139
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	–	3
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	15,587	(11,555)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 22)</b>	20,807	15,587

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

# income statement

for the year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
Revenue	3	34,717	20,706
Other operating income		240	594
Staff costs	4	(3,841)	(3,300)
Depreciation		(500)	(551)
Other operating expenses		(4,883)	(4,230)
Profit from operations	5	25,733	13,219
Finance costs	7	(2,485)	(2,167)
Profit before taxation		23,248	11,052
Taxation	8	(6,728)	(1,649)
Profit for the year		16,520	9,403
Net dividends paid per ordinary share during the year (sen)	10	11.26	7.10

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



# balance sheet

as at 31 December 2005

	Note	2005 RM'000	2004 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,208	1,444
Investments in subsidiaries	13	145,099	144,999
Investments in associates	14	49	98
Due from a subsidiary	15	35,000	35,000
Other investments	16	165	165
		<hr/>	<hr/>
		181,521	181,706
<b>CURRENT ASSETS</b>			
Other receivables	19	259	305
Tax recoverable		724	346
Due from subsidiaries	21	95,802	86,439
Cash and bank balances	22	1,361	1,285
		<hr/>	<hr/>
		98,146	88,375
<b>CURRENT LIABILITIES</b>			
Provision for retirement benefits	31	283	3
Borrowings	23	38,287	35,904
Other payables	26	2,159	1,062
Due to subsidiaries	27	35,678	32,433
		<hr/>	<hr/>
		76,407	69,402
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		21,739	18,973
		<hr/>	<hr/>
		203,260	200,679
<b>REPRESENTED BY:</b>			
Share capital	28	103,579	103,552
Reserves		99,433	94,546
		<hr/>	<hr/>
Shareholders' equity		203,012	198,098
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	23	–	2,115
Provision for retirement benefits	31	248	466
		<hr/>	<hr/>
		248	2,581
		<hr/>	<hr/>
		203,260	200,679
		<hr/>	<hr/>

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

# statement of changes in equity

for the year ended 31 December 2005

	Share capital RM'000 (Note 28)	<-----Non-distributable----->			Distributable Retained profits RM'000 (Note 29)	Total RM'000
		Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000		
<b>At 1 January 2004</b>	103,552	64,153	3,532	2,855	21,955	196,047
Profit for the year	–	–	–	–	9,403	9,403
Dividends (Note 10)	–	–	–	–	(7,352)	(7,352)
<b>At 31 December 2004</b>	103,552	64,153	3,532	2,855	24,006	198,098
Profit for the year	–	–	–	–	16,520	16,520
Dividends (Note 10)	–	–	–	–	(11,660)	(11,660)
Exercise of option under the ESOS	27	27	–	–	–	54
<b>At 31 December 2005</b>	103,579	64,180	3,532	2,855	28,866	203,012

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

# cash flow statement

for the year ended 31 December 2005

	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	23,248	11,052
Adjustment for:		
Depreciation	500	551
Gain on disposal of property, plant and equipment	(52)	(220)
Loss on disposal of other investment	–	57
Short-term accumulating compensated absences	49	10
Provision for retirement benefits	62	73
Advances to subsidiaries written off	–	579
Interest expense	2,485	2,167
Dividend income	(23,800)	(10,059)
Interest income	(3,935)	(3,947)
Operating (loss)/profit before working capital changes	(1,443)	263
Decrease in receivables	50	32
Increase/(decrease) in payables	1,048	(390)
Changes in subsidiaries balances	(6,118)	(19,504)
Cash used in operations	(6,463)	(19,599)
Interest paid	(2,485)	(2,167)
Tax paid	(442)	(13)
Net cash used in operating activities	(9,390)	(21,779)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	3,931	3,947
Dividend received	17,136	8,939
Purchase of equity interest in a subsidiary	(51)	(4,500)
Proceeds from disposal of property, plant and equipment	52	257
Proceeds from disposal of oil palm estate	–	22,396
Proceeds from disposal of other investment	–	30
Purchase of property, plant and equipment	(264)	(625)
Net cash generated from investing activities	20,804	30,444
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	54	–
Dividends paid	(11,660)	(7,352)
Repayment of borrowings	(4,980)	(2,905)
Net cash used in financing activities	(16,586)	(10,257)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,172)	(1,592)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	(24,639)	(23,047)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 22)</b>	(29,811)	(24,639)

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

# notes to the financial statements

– 31 December 2005

## 1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements. There were no significant changes in the principal activities of the Group and of the Company during the financial year other than as disclosed in Note 13 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. 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 967 (2004: 886) and 32 (2004: 27) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2006.

## 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 MASB Approved Accounting Standards in Malaysia.

### (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 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 during the financial 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. The difference between the cost of an acquisition and 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.

Intra-group 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.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Basis of Consolidation (Cont'd)

#### (ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates 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 profits less losses of associates during the financial 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.

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(o). 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 amounts of these investments.

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 less impairment losses except for the investment in a subsidiary, Paramount Property Holdings Sdn. Bhd. (formerly known as 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(o).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

### (e) Property, Plant and Equipment, and Depreciation

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(o).

Freehold land is not depreciated. Leasehold land, building, improvements and renovation 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 for 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 building	1% – 2%
Plant, equipment, furniture, fixtures, fittings and motor vehicles	10% – 33.33%

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(e) Property, Plant and Equipment, and Depreciation (Cont'd)**

Upon the 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.

### **(f) Land Held for Property Development and Property Development Costs**

#### **(i) Land held for property development**

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

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

#### **(ii) Property development costs**

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

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

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

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

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(g) 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 using the stage of completion method. 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 the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

### **(h) Inventories**

Inventories are stated at lower of cost and net realisable value.

Cost is determined on specific identification basis and includes cost of land, construction and appropriate development overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(i) Cash and Cash Equivalents**

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

### **(j) 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.

### **(k) 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(k) Income Tax (Cont'd)**

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 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 recognised 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.

### **(l) 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. 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 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **(l) Employee Benefits (Cont'd)**

#### **(iv) Equity Compensation Benefits**

The Paramount Corporation Berhad Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary 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.

### **(m) 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.

- (i) Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2(f).
- (ii) Revenue from construction contract is accounted for by the stage of completion method as described in Note 2(g).
- (iii) Revenue from educational fees is recognised on an accrual basis.
- (iv) Rental and interest income is recognised on an accrual basis.
- (v) Dividend income is recognised when the right to receive payment is established.

### **(n) Foreign Currencies**

#### **(i) Foreign Currency Transactions**

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, 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 with the exception of exchange rate differences arising from monetary items that forms part of a net investment in a foreign entity. These exchange differences are taken directly to equity until disposal of the net investment, at which time they are recognised in 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 recognised in 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Foreign Currencies (Cont'd)

#### (ii) Foreign Entities (Cont'd)

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

	2005 RM	2004 RM
United States Dollar	3.800	3.800
Singapore Dollar	2.312	2.312
Hong Kong Dollar	0.488	0.486
Renminbi	0.460	0.488
Great Britain Pound Sterling	6.730	–

### (o) 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.

### (p) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. 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 in 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 impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (p) Financial Instruments (Cont'd)

#### (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 financial year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawdown from that borrowing facility.

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sale of properties	397,452	171,377	–	–
Construction contracts	28,718	42,420	–	–
Educational fees	59,375	47,254	–	–
Sales of goods	9,218	2,806	–	–
Membership fee	464	293	–	–
Interest income from				
– third party	29	57	29	57
– subsidiaries	–	–	3,906	3,890
Dividends (gross) from:				
Subsidiaries				
– tax exempt	–	–	–	6,059
– non-tax exempt	–	–	23,800	4,000
Management fees from subsidiaries	–	–	6,982	6,700
Rental income	7,563	6,777	–	–
	<u>502,819</u>	<u>270,984</u>	<u>34,717</u>	<u>20,706</u>

#### 4. STAFF COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Wages and salaries	38,575	31,297	3,096	2,469
Short term accumulating compensated absences	239	(81)	49	10
Pension costs – defined contribution plan	4,807	3,621	360	323
Pension costs – defined benefit plan (Note 31)	623	679	62	73
Other staff related expenses	4,265	3,762	274	425
	<u>48,509</u>	<u>39,278</u>	<u>3,841</u>	<u>3,300</u>

Included in staff costs of the Group and the Company are executive directors' remuneration amounting to RM3,298,000 (2004: RM2,762,000) and RM942,000 (2004: RM818,000) respectively as further disclosed in Note 6.

#### 5. PROFIT FROM OPERATIONS

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Advances to subsidiaries written off	–	–	–	579
Amortisation of goodwill on associates	450	449	–	–
Auditors' remuneration				
– Statutory audit	171	164	42	39
– Other services	113	132	30	25
Bad debts written off	1,713	–	–	–
Lease rental	1,827	1,834	–	–
Loss on disposal of other investments	–	57	–	57
Non-executive directors' remuneration (Note 6)	529	422	294	196
Property, plant and equipment written off	85	4	–	–
Provision for doubtful debts	5,931	651	–	–
Rental of premises	1,660	1,850	448	449
Write off of goodwill on a subsidiary	2	–	–	–
Realised exchange loss	–	3	–	–
Gain on disposal of:				
– subsidiary company	(24)	–	–	–
– property, plant and equipment	(364)	(310)	(52)	(220)
Rental income	<u>(2,244)</u>	<u>(2,040)</u>	<u>–</u>	<u>–</u>



## 6. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Directors of the Company</b>				
<b>Executive:</b>				
Salaries and other emoluments	1,340	1,199	498	498
Fees	121	91	86	56
Bonus	677	396	254	171
Pension costs – defined contribution plan	242	191	90	80
Pension costs – defined benefit plan	14	13	14	13
Benefits-in-kind	109	74	28	11
	<u>2,503</u>	<u>1,964</u>	<u>970</u>	<u>829</u>
<b>Non-Executive:</b>				
Fees	304	207	294	196
Consultancy fees	198	198	–	–
Benefits-in-kind	25	21	–	–
	<u>527</u>	<u>426</u>	<u>294</u>	<u>196</u>
	<u>3,030</u>	<u>2,390</u>	<u>1,264</u>	<u>1,025</u>
<b>Directors of Subsidiaries</b>				
<b>Executive:</b>				
Salaries and other emoluments	607	601	–	–
Fees	8	13	–	–
Bonus	185	157	–	–
Pension costs – defined contribution plan	95	91	–	–
Pension costs – defined benefit plan	9	10	–	–
Benefits-in-kind	42	32	–	–
	<u>946</u>	<u>904</u>	<u>–</u>	<u>–</u>
<b>Non-Executive:</b>				
Fees	27	17	–	–
	<u>973</u>	<u>921</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<u>4,003</u>	<u>3,311</u>	<u>1,264</u>	<u>1,025</u>

## 6. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Analysis excluding benefits-in-kind:</b>				
Total executive directors' remuneration excluding benefits-in-kind (Note 4)	3,298	2,762	942	818
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	529	422	294	196
Total directors' remuneration excluding benefit-in-kind	<u>3,827</u>	<u>3,184</u>	<u>1,236</u>	<u>1,014</u>

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

	Number of Directors	
	2005	2004
<b>Executive directors:</b>		
RM500,001 – RM600,000	–	1
RM700,001 – RM800,000	1	–
RM1,300,001 – RM1,400,000	–	1
RM1,700,001 – RM1,800,000	1	–
<b>Non-Executive directors:</b>		
Below RM50,000	1	5
RM50,000 – RM100,001	4	–
RM200,001 – RM250,000	–	1
RM250,001 – RM300,000	1	–

## 7. FINANCE COSTS, NET

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expense	6,816	3,932	2,485	2,167
Interest income	(862)	(619)	–	–
	<u>5,954</u>	<u>3,313</u>	<u>2,485</u>	<u>2,167</u>

## 8. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Income tax:</b>				
Malaysian income tax	22,524	11,071	6,818	1,724
Under/(Over)provided in prior year	8	(296)	(90)	(75)
	<u>22,532</u>	<u>10,775</u>	<u>6,728</u>	<u>1,649</u>
<b>Deferred tax (Note 30):</b>				
Relating to origination and reversal of temporary differences	1,892	1,648	–	–
(Over)/Underprovided in prior year	(1,297)	166	–	–
	<u>595</u>	<u>1,814</u>	<u>–</u>	<u>–</u>
Share of taxation of associates	<u>1,661</u>	<u>2,019</u>	<u>–</u>	<u>–</u>
	<u>24,788</u>	<u>14,608</u>	<u>6,728</u>	<u>1,649</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2005 RM'000	2004 RM'000
<b>Group</b>		
Profit before taxation	<u>80,629</u>	<u>37,956</u>
Taxation at statutory tax rate of 28%	22,576	10,628
Effect of income subject to tax rate of 20%	(158)	(98)
Effect of different tax rates in other countries	–	318
Income not subject to tax	(341)	(111)
Expenses not deductible for tax purposes	1,666	2,055
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(9)	–
Tax losses not allowable for future utilisation	13	1
Deferred tax assets previously unrecognised, now recognised	(27)	(13)
Deferred tax assets not recognised during the year	2,357	1,958
Deferred tax (over)/underprovided in prior year	(1,297)	166
Tax under/(over)provided in prior year	8	(296)
Tax expense for the year	<u>24,788</u>	<u>14,608</u>

## 8. TAXATION (CONT'D)

Company	2005 RM'000	2004 RM'000
Profit before taxation	23,248	11,052
Taxation at statutory tax rate of 28%	6,509	3,095
Income not subject to tax	(33)	(1,697)
Expenses not deductible for tax purposes	207	278
Deferred tax assets not recognised during the year	135	48
Tax overprovided in prior year	(90)	(75)
Tax expense for the year	6,728	1,649

Tax losses are analysed as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax savings recognised during the year arising from utilisation of current year losses	–	27	–	–
Unutilised tax losses carried forward	22,577	36,726	6,186	6,194

## 9. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2005	2004
Net profit for the year (RM'000)	55,672	23,571
Weighted average number of ordinary shares in ('000)	103,556	103,552
Basic earnings per share (sen)	53.76	22.76

### (b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

For the current financial year, there is an anti-dilutive effect in the ESOS to be exercised.

## 10. DIVIDENDS

	Amount		Net Dividends Paid per Ordinary Share	
	2005 RM'000	2004 RM'000	2005 Sen	2004 Sen
<b>Paid:</b>				
<b>For the financial year ended 31 December 2005</b>				
Interim dividend of 5.5% less 28% taxation	4,101	–	3.96	–
Special dividend of 2.5% less 28% taxation	1,864	–	1.80	–
<b>For the financial year ended 31 December 2004</b>				
Final tax exempt dividend of 5.5%	5,695	–	5.50	–
Interim tax exempt dividend of 3.5%	–	3,624	–	3.50
<b>For the financial year ended 31 December 2003</b>				
Final dividend of 5.0% less 28% taxation	–	3,728	–	3.60
	<u>11,660</u>	<u>7,352</u>	<u>11.26</u>	<u>7.10</u>

At the forthcoming Annual General Meeting, a final dividend of 7.5% less 28% taxation and a special dividend of 2.5% less 28% taxation in respect of the financial year ended 31 December 2005 on 103,579,000 ordinary shares amounting to RM5,593,000 (5.4 sen net per ordinary share) and RM1,865,000 (1.8 sen net per ordinary share) respectively, 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 equity as an appropriation of retained profits in the financial year ending 31 December 2006.

## 11. PROPERTY, PLANT AND EQUIPMENT

### Group

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
<b>Cost/Valuation</b>			
At 1 January 2005	212,413	62,605	275,018
Additions	10,057	7,707	17,764
Disposals	(197)	(964)	(1,161)
Write-off	(5)	(94)	(99)
At 31 December 2005	222,268	69,254	291,522
Representing:			
At cost	220,286	69,254	289,540
At valuation	1,982	–	1,982
	222,268	69,254	291,522
<b>Accumulated Depreciation and Impairment Losses</b>			
At 1 January 2005:			
Accumulated depreciation	17,910	33,894	51,804
Accumulated impairment losses	1,176	–	1,176
	19,086	33,894	52,980
Charge for the year	2,565	10,174	12,739
Disposals	(25)	(917)	(942)
Write-off	–	(14)	(14)
At 31 December 2005	21,626	43,137	64,763
Analysed as:			
Accumulated depreciation	20,450	43,137	63,587
Accumulated impairment losses	1,176	–	1,176
	21,626	43,137	64,763



## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### Group

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
<b>Net Book Value</b>			
At 31 December 2005	200,642	26,117	226,759
Representing:			
At cost	198,660	26,117	224,777
At valuation	1,982	–	1,982
	200,642	26,117	226,759
At 31 December 2004	193,327	28,712	222,039
Representing:			
At cost	191,345	28,712	220,057
At valuation	1,982	–	1,982
	193,327	28,712	222,039
<b>Depreciation charge for 2004</b>	2,321	9,258	11,579

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### \* Land and Building

	Freehold land RM'000	Long term leasehold land and building RM'000	Short term leasehold land and building RM'000	Freehold land and building RM'000	Total RM'000
<b>Cost/Valuation</b>					
At 1 January 2005	1,982	69,912	8,867	131,652	212,413
Additions	5,700	3,409	–	948	10,057
Disposals	–	–	–	(197)	(197)
Write-off	–	(5)	–	–	(5)
At 31 December 2005	7,682	73,316	8,867	132,403	222,268
Representing:					
At cost	5,700	73,316	8,867	132,403	220,286
At valuation	1,982	–	–	–	1,982
	7,682	73,316	8,867	132,403	222,268
<b>Accumulated Depreciation and Impairment Losses</b>					
At 1 January 2005:					
Accumulated depreciation	–	1,980	2,262	13,668	17,910
Accumulated impairment losses	–	1,176	–	–	1,176
	–	3,156	2,262	13,668	19,086
Charge for the year	–	288	312	1,965	2,565
Disposals	–	–	–	(25)	(25)
At 31 December 2005	–	3,444	2,574	15,608	21,626
Analysed as:					
Accumulated depreciation	–	2,268	2,574	15,608	20,450
Accumulated impairment losses	–	1,176	–	–	1,176
	–	3,444	2,574	15,608	21,626

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### \* Land and Building (Cont'd)

	Freehold land RM'000	Long term leasehold land and building RM'000	Short term leasehold land and building RM'000	Freehold land and building RM'000	Total RM'000
<b>Net Book Value</b>					
At 31 December 2005	7,682	69,872	6,293	116,795	200,642
Representing:					
At cost	5,700	69,872	6,293	116,795	198,660
At valuation	1,982	–	–	–	1,982
	7,682	69,872	6,293	116,795	200,642
At 31 December 2004	1,982	66,756	6,605	117,984	193,327
Representing:					
At cost	–	66,756	6,605	117,984	11,345
At valuation	1,982	–	–	–	1,982
	1,982	66,756	6,605	117,984	193,327
<b>Depreciation charge for 2004</b>	–	489	312	1,520	2,321

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### Company

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
<b>Cost</b>	
At 1 January 2005	3,522
Additions	264
Disposals	(126)
At 31 December 2005	3,660
<b>Accumulated Depreciation</b>	
At 1 January 2005	2,078
Charge for the year	500
Disposals	(126)
At 31 December 2005	2,452
<b>Net Book Value</b>	
At 31 December 2005	1,208
At 31 December 2004	1,444
<b>Depreciation charge for 2004</b>	551

- (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 2005 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 (CONT'D)

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 2005 would be RM35,000 (2004: 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 RM15,964,000 (2004: RM13,461,000) and RM1,049,000 (2004: RM783,000) respectively which are still in use.
- (c) The net book value of property, plant and equipment pledged for borrowings (Note 23) are as follows:

	Group	
	2005 RM'000	2004 RM'000
Freehold land and building	34,773	35,445
Long term leasehold land and buildings	67,147	16,687
	<u>101,920</u>	<u>52,132</u>

## 12. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development, at cost

	Group	
	2005 RM'000	2004 RM'000
<b>Freehold land</b>		
At 1 January	133,678	190,638
Disposals	–	(6)
Transfer to property development costs	(40,374)	(56,954)
At 31 December	<u>93,304</u>	<u>133,678</u>
<b>Development costs</b>		
At 1 January	30,488	30,891
Costs incurred during the financial year	39,547	9,928
Disposals	–	(31)
Transfer to property development costs	(19,357)	(10,300)
At 31 December	<u>50,678</u>	<u>30,488</u>
	<u>143,982</u>	<u>164,166</u>

## 12. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

### (b) Property Development Costs, at cost

	Group	
	2005 RM'000	2004 RM'000
<b>Freehold land</b>		
At 1 January	79,492	22,538
Transfer from land held for property development	40,374	56,954
At 31 December	119,866	79,492
<b>Development costs</b>		
At 1 January	366,691	237,165
Cost incurred during the financial year	256,792	119,226
Transfer from land held for property development	19,357	10,300
Transfer to inventories	(111)	–
At 31 December	642,729	366,691
Costs recognised in income statement:		
At 1 January	(369,760)	(246,136)
Recognised during the financial year	(311,308)	(123,624)
At 31 December	(681,068)	(369,760)
Net carrying amount of property development costs	81,527	76,423

The freehold land of the Group with the carrying amount of RM130,170,000 (2004: RM164,509,000) has been pledged as security for the borrowing as disclosed in Note 23.

Included in property development costs is interest capitalised amounting to RM6,693,000 (2004: RM4,253,000).

## 13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	128,716	133,275
Less: Accumulated impairment losses	(6,116)	(10,775)
Unquoted shares, at valuation	122,600	122,500
	22,499	22,499
	145,099	144,999



### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Effective 2005 %	Interest 2004 %	Paid-up Capital '000	Principal Activities
<b>Incorporated in Malaysia</b>				
Berkeley Sdn. Bhd.	100	100	RM2,138	Property investment and development
Berkeley Maju Sdn. Bhd.	100	100	RM1,000	Inactive
Paramount Engineering & Construction Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor
Arah Teknik Sdn. Bhd.	100	100	RM600	Inactive
Paramount Building Materials Sdn. Bhd.	100	100	RM150	Trading of building materials
Bilsys Sdn. Bhd.	100	100	RM250	Building and engineering contractor and project management and property development
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	RM2,000	Disposed during the year
KDU Smart School Sdn. Bhd.	85	85	RM1,000	Educational services
KDU International Sdn. Bhd.	100	100	RM1,579	Investment holding
Paramount Property Holdings Sdn. Bhd. (formerly known as Perumahan Berjaya Sdn. Bhd.)	100	100	RM10,000	Property investment and development
Paramount Property (Utara) 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

### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of Company	Effective Interest 2005 %	2004 %	Paid-up Capital '000	Principal Activities
<b>Incorporated in Malaysia</b>				
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Property investment
KDU Management Development Centre Sdn. Bhd.	100	100	RM5,000	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM1,000	Property development
Seleksi Megah Sdn. Bhd.	100	49	RM100	Inactive
<b>Incorporated in Singapore</b>				
** SMT Circuit Assembly Pte Ltd	–	76.94	#S\$4,000	Deregistered during the year
<b>Incorporated in Hong Kong</b>				
** Paramount Corporation Limited	100	100	#HK\$1,000	Investment holding
<b>Incorporated in People's Republic of China</b>				
** KDU International Language Training School Limited	100	100	#RMB7,600	Educational services

\* Paid-up capital of RM2

\*\* Audited by a firm of chartered accountants other than Ernst & Young

#S\$ Represents currency denoted in Singapore Dollars

#HK\$ Represents currency denoted in Hong Kong Dollars

#RMB Represents currency denoted in Renminbi

During the current financial year,

- (a) On 5 July 2005, the Company purchased 51,000 ordinary shares of RM1.00 each in Seleksi Megah Sdn Bhd ("SMSB") for a total cash consideration of RM51,000 thereby increasing the Company's investment in SMSB to 100,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of SMSB.

### 13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (b) On 15 August 2005, KDU College Sdn Bhd, a subsidiary of the Company, disposed of its entire 61% equity interest in KDU College (Sibu) Sdn Bhd ("KDU Sibu") to S.B. Education Sdn Bhd for a total cash consideration of RM25,000. At the time of the disposal, the net assets of KDU Sibu were RM320, resulting in a gain on disposal of RM24,680 and net cash inflow to the Group of RM16,421. KDU College (Sibu) Sdn Bhd has since ceased to be a subsidiary of the Company.
- (c) SMT Circuit Assembly Pte Ltd, a company incorporated in Singapore, was deregistered from the Companies Register on 14 October 2005. There were no material impact to the Group's financial position and results arising from the deregistration.

### 14. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	26,022	37,472	3,770	3,819
Less: Accumulated impairment losses	(3,721)	(3,721)	(3,721)	(3,721)
Goodwill amortised	(2,248)	(2,375)	–	–
Goodwill impaired	–	(1,244)	–	–
Share of post-acquisition profits	15,282	3,591	–	–
	<u>35,335</u>	<u>33,723</u>	<u>49</u>	<u>98</u>

The Group's interests in the associates is analysed as follows:

	Group	
	2005 RM'000	2004 RM'000
Share of net assets	35,335	33,273
Goodwill on acquisition, net of amortisation and impairment	–	450
	<u>35,335</u>	<u>33,723</u>

Details of the associates are as follows:

Name of Company	Effective Interest		Paid-up Capital '000	Principal Activities
	2005 %	2004 %		
<b>Incorporated in Malaysia</b>				
Jerneh Insurance Berhad*	20.00	20.00	RM100,000	General insurance business
Suci Teguh Holding Sdn. Bhd.*	27.00	27.00	RM14,122	Under liquidation
ASMC Sdn. Bhd.**	–	21.60	RM11,250	Deregistered
Seleksi Megah Sdn. Bhd.***	100.00	49.00	RM100	Inactive

#### 14. INVESTMENTS IN ASSOCIATES (CONT'D)

Name of Company	Effective Interest 2005 %	Interest 2004 %	Paid-up Capital '000	Principal Activities
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##### Incorporated in Malaysia

Jasarim Bina Sdn. Bhd.*	49.00	49.00	RM100	Inactive
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##### Incorporated in the United States of America

iCarnegie Inc.****	—	20.31	USD1.477	Educational services
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\* Equity accounted based on audited/management financial statements made up to 31 December.

\*\* On 3 March 2005, ASMC Sdn. Bhd. was deregistered from the registers of companies with the Companies Commission of Malaysia. There were no material impact to the Group's financial position and results arising from the deregistration.

\*\*\* On 5 July 2005, the Company purchased 51,000 ordinary shares of RM1.00 each in Seleksi Megah Sdn Bhd ("SMSB") for a total cash consideration of RM51,000 thereby increasing the Company's investment in SMSB to 100,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of SMSB.

\*\*\*\* During the financial year, the Group's equity interest in iCarnegie, Inc. was reduced from 20.31% to 4.27% following the subscription of new ordinary shares by its major shareholder. Accordingly, the investment in iCarnegie, Inc. was reclassified to other investments.

#### 15. DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, has no fixed terms of repayment and bears interest at 6% (2004: 6%) per annum.

#### 16. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	11,402	—	—	—
Less: Accumulated impairment losses	(11,402)	—	—	—
Club memberships, at cost	397	370	165	165
	<u>397</u>	<u>370</u>	<u>165</u>	<u>165</u>

## 17. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Properties held for sale	310	438

## 18. TRADE RECEIVABLES

	Group	
	2005 RM'000	2004 RM'000
Trade receivables	55,751	59,026
Accrued billings in respect of property development costs	74,207	12,800
Due from customers on contracts (Note 20)	4,841	2,556
Retention sums on contracts	3,405	5,802
	138,204	80,184
Provision for doubtful debts	(6,495)	(564)
	131,709	79,620

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

## 19. OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and prepayments	4,164	4,961	189	188
Amount due from a State Government	–	3,457	–	–
Sundry receivables	5,683	2,239	70	117
	9,847	10,657	259	305
Provision for doubtful debts	(601)	(601)	–	–
	9,246	10,056	259	305

Other than the amount due from a State Government which contributed 32% of the total other receivables in 2004, the Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 20. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2005 RM'000	2004 RM'000
Construction contract costs incurred to date	736,038	521,412
Attributable profits	79,792	58,029
	<hr/>	<hr/>
	815,830	579,441
Less: Progress billings	(821,680)	(582,510)
	<hr/>	<hr/>
	(5,850)	(3,069)
	<hr/>	<hr/>
Due from customers on contracts (Note 18)	4,841	2,556
Due to customers on contracts (Note 25)	(10,691)	(5,625)
	<hr/>	<hr/>
	(5,850)	(3,069)
	<hr/>	<hr/>

The cost incurred to date on construction contracts includes the hire of plant and machinery amounting to RM2,155,000 (2004: RM1,952,000).

## 21. DUE FROM SUBSIDIARIES

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

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash on hand and at banks	43,954	38,233	52	2
Deposits with licensed banks	16,426	10,542	1,309	1,283
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and bank balances	60,380	48,775	1,361	1,285
Less: Bank overdrafts (Note 23)	(39,573)	(33,188)	(31,172)	(25,924)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	20,807	15,587	(29,811)	(24,639)
	<hr/>	<hr/>	<hr/>	<hr/>

Included in cash and bank balances of the Group are amounts of RM36,355,000 (2004: RM31,738,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.

Included in deposits of the Group is an amount of RM270,000 (2004: RM270,000) which has been pledged as security for bank guarantee facilities granted by the banks.

## 22. CASH AND CASH EQUIVALENTS (CONTD.)

The weighted average effective interest rates (per annum) of deposits at the balance sheet date were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Deposits with licensed banks	2.29	2.52	2.80	2.80

The average maturity of deposits at the balance sheet date were as follows:

	Group		Company	
	2005 Days	2004 Days	2005 Days	2004 Days
Deposits with licensed banks	14	31	60	6

Included in cash on hand and at banks of the Group is an amount of RM269,000 (2004: RM Nil) which is denominated in Great Britain Pound Sterling.

## 23. BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Short Term Borrowings</b>				
<b>Secured:</b>				
Bank overdrafts	8,401	5,198	—	—
Revolving credit	5,065	4,375	—	—
Bankers' acceptances	3,214	1,568	—	—
Term loans	6,430	5,000	—	—
Hire purchase payables (Note 24)	100	28	—	—
	23,210	16,169	—	—
<b>Unsecured:</b>				
Bank overdrafts	31,172	27,990	31,172	25,924
Revolving credit	5,000	5,000	5,000	5,000
Term loans	2,115	4,980	2,115	4,980
	38,287	37,970	38,287	35,904
	61,497	54,139	38,287	35,904



## 23. BORROWINGS (CONT'D)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Long Term Borrowings				
Secured:				
Term loans	65,666	83,567	–	–
Hire purchase payables (Note 24)	181	93	–	–
	65,847	83,660	–	–
Unsecured:				
Term loans	–	2,115	–	2,115
	65,847	85,775	–	2,115
Total Borrowings				
Bank overdrafts (Note 22)	39,573	33,188	31,172	25,924
Revolving credit	10,065	9,375	5,000	5,000
Bankers' acceptances	3,214	1,568	–	–
Term loans	74,211	95,662	2,115	7,095
Hire purchase payables (Note 24)	281	121	–	–
	127,344	139,914	38,287	38,019
	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity of borrowings (excluding hire purchase)				
Within one year	61,397	54,111	38,287	35,904
More than 1 year and less than 2 years	13,612	19,015	–	2,115
More than 2 years and less than 5 years	47,131	44,910	–	–
More than 5 years	4,923	21,757	–	–
	127,063	139,793	38,287	38,019

## 23. BORROWINGS (CONT'D)

The weighted average effective interest rates (per annum) at the balance sheet date for borrowings, excluding hire purchase, were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bank overdrafts	7.0	7.0	7.1	7.1
Revolving credit	5.6	5.5	5.1	5.0
Bankers' acceptances	3.2	3.2	—	—
Term loans	7.0	7.0	6.9	6.8

- (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 building and long term leasehold land and building of the Group as disclosed in Notes 11 and 12;
  - (ii) Assignment of rental proceeds from long term leasehold land and building of a subsidiary;
  - (iii) Assignment of entire sales proceeds of a subsidiary's development project; and
  - (iv) Corporate guarantee by the Company.

## 24. HIRE PURCHASE PAYABLES

	Group	
	2005 RM'000	2004 RM'000
<b>Minimum payments:</b>		
Not later than 1 year	110	33
Later than 1 year and not later than 2 years	81	33
Later than 2 years and not later than 5 years	111	64
	302	130
Less : Future finance charges	(21)	(9)
Present value of hire purchase payables	281	121

## 24. HIRE PURCHASE PAYABLES (CONT'D)

	Group	
	2005 RM'000	2004 RM'000
<b>Present value of hire purchase payables:</b>		
Not later than 1 year	100	28
Later than 1 year and not later than 2 years	75	30
Later than 2 years and not later than 5 years	106	63
	<u>281</u>	<u>121</u>
<b>Analysed as:</b>		
Due within 12 months (Note 23)	100	28
Due after 12 months (Note 23)	181	93
	<u>281</u>	<u>121</u>

The weighted average effective interest rate at the balance sheet date for hire purchase payables is 5.9% (2004: 3.6%) per annum.

## 25. TRADE PAYABLES

	Group	
	2005 RM'000	2004 RM'000
Trade payables	79,829	38,480
Progress billings in respect of property development costs	–	197
Due to customers on contracts (Note 20)	10,691	5,625
Retention sums on contracts	11,394	6,697
	<u>101,914</u>	<u>50,999</u>

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

## 26. OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Short term accumulating compensated absences	968	547	161	112
Other payables	20,124	16,705	1,998	950
Tuition fees paid in advance	18,052	12,105	–	–
Tenants deposits	1,648	1,579	–	–
Refundable deposits	8,629	7,370	–	–
Payable to a local authority (Note 32)	–	6,424	–	–
	<u>49,421</u>	<u>44,730</u>	<u>2,159</u>	<u>1,062</u>

## 27. DUE TO SUBSIDIARIES

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

## 28. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
<b>Authorised:</b>				
At 1 January/31 December	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>				
At 1 January	103,552	103,552	103,552	103,552
Issued under Employee Shares Option Scheme	<u>27</u>	<u>–</u>	<u>27</u>	<u>–</u>
At 31 December	<u>103,579</u>	<u>103,552</u>	<u>103,579</u>	<u>103,552</u>

### Employee Share Option Scheme ("ESOS")

On 29 August 2005, the Company implemented the ESOS after approvals were obtained from the relevant authorities. The ESOS is governed by By-Laws approved by the Company's shareholders at the Extraordinary General Meeting held on 22 August 2005.

The principal features of the ESOS are as follows:

- 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 ESOS Committee appointed by the Board of Directors.
- The total number of shares to be offered shall not exceed in aggregate 15% 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 29 August 2005.

## 28. SHARE CAPITAL (CONT'D)

### Employee Share Option Scheme ("ESOS") (Cont'd)

- (iii) The option price under the ESOS 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 Bursa Securities for the five trading days immediately preceding the date of offer subject to a discount not more than ten per cent (10%) at the ESOS Committee's discretion, or at par value of the shares whichever is higher.
- (v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice of writing to 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.
- (vi) The shares under options 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 the 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.
- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options, in any share issue of any other company.

The terms of share options outstanding at 31 December 2005 are as follows:

Grant Date	Expiry Date	Exercise Price RM	Number of Options over Ordinary Shares of RM1 each			
			At 1 January 2005 '000	Granted '000	Exercised '000	At 31 December 2005 '000
15 September 2005	28 August 2010	2.01	–	10,169	(27)	10,142

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

Exercise date	Exercise price RM	Fair value of shares issued RM	Number of Share Options	Considerations Received RM'000
1 November 2005	2.01	2.10	23,000	46
1 December 2005	2.01	1.93	4,000	8
			<u>27,000</u>	<u>54</u>
Less: Par value of ordinary shares				(27)
Share premium				<u>27</u>

## 29. RETAINED PROFITS

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM6,047,000 (2004: RM11,742,000), subject to the agreement of the Inland Revenue Board.

As at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income account to frank the payment of dividends out of its entire retained profits.

## 30. DEFERRED TAXATION

	Group	
	2005 RM'000	2004 RM'000
At 1 January	4,396	2,582
Recognised in the income statement (Note 8)	595	1,814
At 31 December	4,991	4,396
Presented after appropriate offsetting as follows:		
Deferred tax assets	(2,139)	(1,581)
Deferred tax liabilities	7,130	5,977
	4,991	4,396

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

	At 1 January 2005 RM'000	Recognised in the income statement RM'000	At 31 December 2005 RM'000
<b>Deferred Tax Liabilities of the Group:</b>			
Accelerated capital allowances	7,185	2,102	9,287
<b>Deferred Tax Assets of the Group:</b>			
Accelerated capital allowances	–	(91)	(91)
Retirement benefit obligations	(379)	(162)	(541)
Tax losses and unabsorbed capital allowances	(2,175)	(543)	(2,718)
Others	(235)	(711)	(946)
	(2,789)	(1,507)	(4,296)
	4,396	595	4,991

### 30. DEFERRED TAXATION (CONT'D)

	At 1 January 2004 RM'000	Recognised in the income statement RM'000	At 31 December 2004 RM'000
<b>Deferred Tax Liabilities of the Group:</b>			
Accelerated capital allowances	5,929	1,256	7,185
<b>Deferred Tax Assets of the Group:</b>			
Accelerated capital allowances	(147)	147	–
Retirement benefit obligations	(351)	(28)	(379)
Tax losses and unabsorbed capital allowances	(2,370)	195	(2,175)
Others	(479)	244	(235)
	(3,347)	558	(2,789)
	2,582	1,814	4,396
	At 1 January 2005 RM'000	Recognised in the income statement RM'000	At 31 December 2005 RM'000
<b>Deferred Tax Liabilities of the Company:</b>			
Accelerated capital allowances	126	26	152
<b>Deferred Tax Assets of the Company:</b>			
Tax losses and unabsorbed capital allowances	(126)	(26)	(152)
	–	–	–
	At 1 January 2004 RM'000	Recognised in the income statement RM'000	At 31 December 2004 RM'000
<b>Deferred Tax Liabilities of the Company:</b>			
Accelerated capital allowances	169	(43)	126
<b>Deferred Tax Assets of the Company:</b>			
Tax losses and unabsorbed capital allowances	(169)	43	(126)
	–	–	–



### 30. DEFERRED TAXATION (CONT'D)

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unused tax losses	22,568	36,726	6,186	6,194
Unabsorbed capital allowances	9,629	12,434	3,740	3,473
Others	911	1,553	692	581
	<u>33,108</u>	<u>50,713</u>	<u>10,618</u>	<u>10,248</u>

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.

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Present value of unfunded defined benefit obligations	2,994	2,387	684	526
Unrecognised transitional obligation	(502)	(458)	(153)	(57)
Net liability	<u>2,492</u>	<u>1,929</u>	<u>531</u>	<u>469</u>
Analysed as:				
Current	<u>302</u>	<u>9</u>	<u>283</u>	<u>3</u>
Non-current				
Later than 1 year but not later than 2 years	45	39	2	5
Later than 2 years but not later than 5 years	336	35	84	8
Later than 5 years	1,809	1,846	162	453
	<u>2,190</u>	<u>1,920</u>	<u>248</u>	<u>466</u>
	<u>2,492</u>	<u>1,929</u>	<u>531</u>	<u>469</u>

### 31. PROVISION FOR RETIREMENT BENEFITS (CONT'D)

The amount recognised in the income statement are as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current service cost	341	411	38	34
Interest costs	148	117	22	19
Amortisation of transitional obligation	134	151	2	20
Total, included in staff costs (Note 4)	623	679	62	73

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	1,929	1,255	469	396
Amount recognised in the income statement	623	679	62	73
Utilisation of provision during the year	(60)	(5)	–	–
At 31 December	2,492	1,929	531	469

Principal actuarial assumptions used:

	2005 %	2004 %
Discount rate	7	7
Expected rate of salary increases	5	5

### 32. LONG TERM PAYABLES

	Group	
	2005 RM'000	2004 RM'000
Payable to a local authority	–	6,424
Less: Payable within 12 months (Note 26)	–	(6,424)
	–	–
Amount payable for acquisition of land	38,901	77,802
	38,901	77,802

### 32. LONG TERM PAYABLES (CONT'D)

- (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. Included in this amount is an amount of RM38,901,000 (2004: RM38,901,000) 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. COMMITMENTS

	Group	
	2005 RM'000	2004 RM'000
Capital expenditure:		
– approved and contracted for	1,538	2,045
– approved but not contracted for	–	4,382
Leasing commitments:		
– due within 12 months	671	1,423
– due after 12 months	181	1,204
	<u>2,390</u>	<u>9,054</u>

### 34. CONTINGENT LIABILITIES

	Company	
	2005 RM'000	2004 RM'000
<b>Unsecured:</b>		
Guarantees extended in support of banking and other credit facilities granted to subsidiaries:		
Limit of guarantee	<u>294,377</u>	<u>284,439</u>
Amount utilised	162,766	107,703
Performance guarantees extended to developers for contracts awarded to subsidiary	<u>2,250</u>	<u>6,022</u>
	<u>165,016</u>	<u>113,725</u>

### 35. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Purchases of computers and peripherals from ECS KU Sdn. Bhd. and its subsidiaries, a group of companies in which Dato' Teo Chiang Quan, a director of the Company, has substantial interests	860	1,313	50	8
Consultancy fees charged by Tarrenz, Inc, a wholly owned corporation of Dr. Brian Shoy Teng To, a director of the Company	2,081	992	2,081	992
Insurance premium charged by Jerneh Insurance Berhad, an associated company	1,143	1,045	264	225
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan has financial interest	482	449	482	449
Security services rendered by Strong Legacy Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan and Dato' Md Taib bin Abdul Hamid, also a director of the Company, has financial interest	333	349	–	–

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.

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

- (a) On 23 April 2004, the Company proposed to undertake a private placement of 10,355,194 new ordinary shares in the Company of RM1 each to selected placees to be identified ("Proposed Placement"). The application was approved by Securities Commission and Foreign Investment Committee, subject to fulfillment of certain conditions. The Company did not seek further extension to the approval upon its expiry on 30 November 2005.
- (b) On 26 May 2005, the Board of Directors approved the Proposed Employee's Share Option Scheme ("ESOS") of the Company. The shareholders' of the Company had on 22 August 2005 approved the Proposed ESOS at the Extraordinary General Meeting. The approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the new shares to be issued pursuant to the ESOS was obtained on 26 August 2005.

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

- (c) On 15 June 2005, the Group's effective interest in iCarnegie, Inc. ("iCarnegie") was diluted to 4.27% from 20.31% as a result of iCarnegie's restructuring exercise involving a consolidation of 100 shares into 1 share and the additional issue and allotment of shares to its major shareholder, Carnegie Mellon University.
- (d) On 5 July 2005, the Company purchased 51,000 ordinary shares of RM1.00 each in Seleks Megah Sdn Bhd ("SMSB") for a total cash consideration of RM51,000 thereby increasing the Company's investment in SMSB to 100,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of SMSB.
- (e) On 15 August 2005, KDU College Sdn Bhd, a subsidiary of the Company, disposed of its entire 61% equity interest in KDU College (Sibu) Sdn Bhd to S.B. Education Sdn Bhd for a total cash consideration of RM25,000. KDU College (Sibu) Sdn Bhd has since ceased to be a subsidiary of the Company.
- (f) On 13 November 2004, the Company announced its application to the Accounting and Corporate Regulatory Authority, Singapore to strike off SMT Circuit Assembly Pte Ltd ("SMT"), a 76.94% owned subsidiary. On 14 October 2005, SMT was struck off the register.

### 37. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 26 January 2006, the Company increased its shareholding in KDU Management Development Centre Sdn Bhd, a wholly owned subsidiary from RM5,000,000 to RM10,000,000 through the subscription of 5,000,000 new ordinary shares of RM1 each for cash.

### 38. COMPARATIVES

The presentation and classification of items in the current financial year's financial statements have been consistent with the previous financial year except that certain comparative have been reclassified to conform with the current year's presentation, as follows:

	As Previously Reported RM'000	Adjustments RM'000	As Restated RM'000
<b>Group</b>			
Balance sheet:			
Other investments	165	205	370
Other receivables	10,261	(205)	10,056
Provision for retirement benefit	—	9	9
Other payables	44,739	(9)	44,730
<b>Company</b>			
Balance sheet:			
Provision for retirement benefit	—	3	3
Other payables	1,065	(3)	1,062

### **39. 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 exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and 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 2005. The investments in financial assets are short-term in nature and have been mostly 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, Hong Kong Dollar, Renminbi and Great Britain Pound Sterling, 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, except as disclosed in Note 22 to the financial statements.

#### **(d) Liquidity Risk**

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall 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 by limiting the Group's associations to business partners with high creditworthiness. Receivable 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 instrument.

#### **(f) Fair Values**

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except that it is not practical to estimate the fair values of amounts due to/from subsidiaries due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive estimation costs. However, the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

### 39. FINANCIAL INSTRUMENTS (CONT'D)

#### (f) Fair Values (Cont'd)

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

##### (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

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

##### (ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

### 40. 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.

#### (b) Geographical Segments:

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



#### 40. SEGMENTAL REPORTING (CONT'D)

##### Business Segments:

2005	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
<b>REVENUE AND EXPENSES</b>								
<b>Revenue</b>								
External sales	6,850	397,916	37,937	59,375	741	502,819		502,819
Inter-segment sales	7,406	–	189,625	–	37,688	234,719	(234,719)	–
Total revenue	14,256	397,916	227,562	59,375	38,429	737,538		502,819
<b>Result</b>								
Profit/(loss) from operations	9,182	64,248	12,799	(3,225)	28,355	111,359	(30,706)	80,653
Finance (costs)/income, net	(4,909)	(1,590)	(117)	(761)	1,423	(5,954)		(5,954)
Share of results of associates	–	–	–	–	5,930	5,930		5,930
Taxation								(24,788)
Profit after taxation								55,841
<b>ASSETS AND LIABILITIES</b>								
Segment assets	133,270	399,773	40,926	72,979	11,678	658,626		658,626
Investment in associates	–	–	–	–	35,335	35,335		35,335
								693,961
Segment liabilities	47,090	116,959	72,186	54,574	41,282	332,091		332,091
<b>OTHER INFORMATION</b>								
Capital expenditure	3,781	2,215	5,928	5,259	581	17,764		17,764
Depreciation	2,126	1,649	435	7,513	1,016	12,739		12,739
Amortisation of goodwill	–	–	–	–	452	452		452
Non-cash expenses other than depreciation, amortisation and impairment losses	4	84	7,233	786	(56)	8,051		8,051

#### 40 SEGMENTAL REPORTING (CONT'D)

##### Business Segments:

2004	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
<b>REVENUE AND EXPENSES</b>								
<b>Revenue</b>								
External sales	6,713	171,670	45,226	47,254	121	270,984		270,984
Inter-segment sales	5,606	–	93,356	–	22,649	121,611	(121,611)	–
Total revenue	12,319	171,670	138,582	47,254	22,770	392,595		270,984
<b>Result</b>								
Profit/(loss) from operations	7,831	28,663	4,578	(4,925)	14,341	50,488	(15,948)	34,540
Finance (costs)/income, net	(3,541)	(438)	(75)	(985)	1,726	(3,313)		(3,313)
Share of results of associates	–	–	–	–	6,729	6,729		6,729
Taxation								(14,608)
Profit after taxation								23,348
<b>ASSETS AND LIABILITIES</b>								
Segment assets	131,390	343,678	50,106	68,149	12,669	605,992		605,992
Investment in associates	–	–	–	–	33,723	33,723		33,723
								639,715
Segment liabilities	52,095	141,737	44,402	44,027	39,820	322,081		322,081
<b>OTHER INFORMATION</b>								
Capital expenditure	20,753	2,032	497	8,976	625	32,883		32,883
Depreciation	1,887	1,482	513	6,653	1,044	11,579		11,579
Amortisation of goodwill	–	–	–	–	449	449		449
Non-cash expenses other than depreciation, amortisation and impairment losses	(49)	115	384	629	(79)	1,000		1,000

Date: 25 April 2006

The Company Secretary  
Paramount Corporation Berhad  
Level 8, Uptown 1  
1 Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Madam

**NOTICE OF NOMINATION**

Pursuant to Article 119(d) of the Company's Articles of Association, we, the undersigned, being all the Directors of Paramount Corporation Berhad, hereby nominate Mr Geh Cheng Hooi to the Board of Directors as an Independent Non-Executive Director at the forthcoming Annual General Meeting of the Company.

Yours faithfully

**DATO' MD TAIB BIN ABDUL HAMID**

**DATO' TEO CHIANG QUAN**

**ONG KENG SIEW**

**TAN SRI DATO' AHMAD SABKI BIN JAHIDIN**

**DATO' HJ AZLAN BIN HASHIM**

**ROHANA TAN SRI MAHMOOD**

Geh Cheng Hooi  
No. 46, Jalan Batai  
Damansara Heights  
50490 Kuala Lumpur  
Wilayah Persekutuan

Date: 25 April 2006

The Board of Directors  
Paramount Corporation Berhad  
Level 8, Uptown 1  
1 Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs

**NOTICE OF CONSENT**

I, Geh Cheng Hooi, give my consent to the nomination, signifying my candidature for the office as an Independent Non-Executive Director.

Yours faithfully

**GEH CHENG HOOI**



# proxy form



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-Sixth Annual General Meeting of the Company to be held at Topas Room, Ground Floor, The Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Tuesday, 23 May 2006 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 Financial Statements		
Resolution 2      Final Dividend		
Resolution 3      Directors' Fees		
<b>Re-election and Re-appointment of Directors:</b>		
Resolution 4      Dato' Md Taib bin Abdul Hamid		
Resolution 5      Ong Keng Siew		
Resolution 6      Tan Sri Dato' Ahmad Sabki bin Jahidin		
Resolution 7      Re-appointment of Auditors and to fix their remuneration		
Resolution 8      Appointment of Mr Geh Cheng Hooi as a Director		
Resolution 9      Authority to Directors to issue shares		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Signature/Common Seal

NO. OF SHARES HELD

## 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  
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)