PARAMOUNT
CORPORATION BERHAD
(8578-A)

Corporate Social Responsibility

PROMISES MADE

PROMISES KEPT

2006 annual report

vision

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

mission

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

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

To enhance shareholders' value by growing our businesses

core values

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

Integrity and Transparency
We will maintain the highest standards of integrity, and continue to remain transparent in all facets of our operations

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

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

Environment
We are committed to protecting the environment

contents

Corporate Social Responsibility

PROMISES MADE. PROMISES KEPT

Ethics in business has changed. From being solely concerned with turning a profit, the business world has enlarged its vision to pursue business with a conscience. Today, Corporate Social Responsibility (CSR) is part of every responsible company's Mission Statement.

At Paramount Corporation Berhad (Paramount or Company), CSR remains close to our heart as a business practise. Begun as a family concern, the Company entrenched the values of the founders in the boardroom for decades and, over the years, it evolved into a corporate philosophy that was easily embraced by Management and staff.

This background to CSR has served Paramount well. The value we build into our projects is clear to see, and is acknowledged by the public. In property development and education, our core businesses, Paramount has enjoyed enthusiastic support. Our homes are quickly sold, and parents enrol their children in our schools and college with great confidence.

This symbiotic relationship between Paramount and the public is one of the clearest examples of what CSR is capable of achieving. CSR puts the heart into business, gives it due responsibility to carry the hopes of future generations and, in turn, rewards shareholders for their investment in society.

Paramount's commitment to give value is seen in our efforts to deliver the quality we have promised. The goodwill we have gained has intrinsic value – namely the reputation that Paramount can be trusted, as evident in the long queues that form when we launch our property development projects.

Each year, Paramount renews its commitment to CSR as an integral part of the way we do business. By being a part of the community and contributing to its welfare, we ensure our own prosperity.

It is a simple but telling reason for our continued success.

notice of **annual general meeting**

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at Topas Room, Ground Floor, The Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Monday, 21 May 2007 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon.
   Resolution 1

2. To approve the declaration of a final dividend of 7.5%, less income tax at 27%, and a special dividend of 2.5%, less income tax at 27%, in respect of the year ended 31 December 2006.
   Resolution 2

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

   (a) YBhg Dato' Haji Azlan bin Hashim
   Resolution 3

   (b) Cik Rohana Tan Sri Mahmood
   Resolution 4

4. To re-elect Mr Quah Chek Tin, a Director who retires pursuant to Article 119(e) of the Company's Articles of Association.
   Resolution 5

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

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

   (b) "That Mr Geh Cheng Hooi, a Director who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
   Resolution 7

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration.
   Resolution 8

AS SPECIAL BUSINESS

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

   Authority to Directors to issue shares

   "That, subject to the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full

authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percentum (10%) of the issued share capital of the Company for the time being."
Resolution 9

8. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   Proposed Amendments to the Articles of Association of the Company

   "THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix I attached to the Annual Report 2006 be and are hereby approved."
   Resolution 10

By Order of the Board

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
27 April 2007

Notes

Appointment of Proxy

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

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

Explanatory Notes on Special Business

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

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

2. The Special Resolution proposed under item 8, if passed, will amend the Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad.

NOTICE OF DIVIDEND ENTITLEMENT

Subject to the approval of the shareholders, a final dividend of 7.5%, less income tax at 27%, and a special dividend of 2.5%, less income tax at 27%, in respect of the year ended 31 December 2006, will be paid on 27 July 2007 to shareholders whose names appear in the Record of Depositors on 13 July 2007.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 13 July 2007 in respect of ordinary transfers; and

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

statement accompanying
notice of thirty-seventh annual general meeting
pursuant to paragraph 8.28(2) of Bursa Malaysia Securities Berhad Listing Requirements

1. Details of the Directors who are standing for re-election:

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

   - YBhg Dato' Haji Azlan bin Hashim
   - Cik Rohana Tan Sri Mahmood

   The Director who was appointed during the year and retiring pursuant to Article 119(e) of the Company's Articles of Association and seeking re-election is as follow:

   - Mr Quah Chek Tin

   The Directors who are over the age of seventy and seeking re-appointment are as follows:

   - YBhg Tan Sri Dato' Ahmad Sabki bin Jahidin
   - Mr Geh Cheng Hooi

The details of the five Directors seeking re-election or re-appointment are the same as that stated in the Directors' profile from pages 14 to 17 and the shareholdings of the Directors in the Company and/or its subsidiaries are the same as that stated on page 59.

group corporate structure

PARAMOUNT®
CORPORATION BERHAD
(8578-A)

property

- **100%** Paramount Property Holdings Sdn Bhd
- **100%** Paramount Property (Utara) Sdn Bhd
  - **100%** Kelab Bandar Laguna Merbok Sdn Bhd
- **100%** Paramount Property Development Sdn Bhd

construction & civil engineering

- **100%** Paramount Engineering & Construction Sdn Bhd
  - **100%** Paramount Construction Sdn Bhd
  - **100%** Paramount Projects Sdn Bhd
  - **100%** Paramount Building Materials Sdn Bhd

education

- **85%** KDU College Sdn Bhd
  - **100%** KDU Smart School Sdn Bhd
  - **100%** Janahasil Sdn Bhd
- **100%** KDU Management Development Centre Sdn Bhd
- **100%** KDU International Sdn Bhd
  - **100%** KDU International Language Training School Limited

investment

- **100%** Paramount Corporation Limited
- **100%** Paramount Global Assets Sdn Bhd
  - **20%** Jerneh Insurance Bhd
  - **4.27%** iCarnegie, Inc

others

- **100%** Berkeley Sdn Bhd
- **30%** Berkeley Maju Sdn Bhd

70%

- **100%** Current Connection Sdn Bhd
- **100%** Paramount Electronics Industries Sdn Bhd
- **49%** Jasarim Bina Sdn Bhd
- **100%** Seleksi Megah Sdn Bhd
- **100%** Wangsa Merdu Sdn Bhd

Paramount Corporation

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

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

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

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

The following year, Paramount acquired the entire issued and paid-up share capital of 4 more property development companies, Patani Jaya Sdn Bhd (now known as Paramount Property (Utara) Sdn Bhd), Berkeley Sdn Bhd, Berkeley Maju Sdn Bhd and Maju Gading Development Sdn Bhd (now known as KDU International Sdn Bhd).

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

In 1984, Paramount ceased its rice milling operations.

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

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

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

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

In October 1996, Paramount acquired Berlian Sakti Sdn Bhd (now known as Paramount Engineering & Construction Sdn Bhd), one of the major contractors for the Group's past and present development projects. This alliance was created to reap synergistic benefits for both companies. The same year, KDU further expanded its business by entering into a joint venture to set up a campus in Sibu, East Malaysia, which was closed in September 2003 due to non-viability, and was subsequently disposed of.

In 1997, Paramount divested 15% of its investment in KDU to comply with the Ministry of Education's requirements on bumiputra equity.

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

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

Paramount through its wholly-owned subsidiary, PGA, took up a 20.31% equity in iCarnegie, Inc (iCarnegie) in June 2002, an associated company of Carnegie Technology Education (CTE.). CTE is, in turn, a wholly-owned subsidiary of Carnegie Mellon University. The Group's investment in iCarnegie has since been diluted to 4.27% following iCarnegie's restructuring exercise.

Berhad

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

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

In December 2003, Paramount through its wholly-owned subsidiary, KDU International Sdn Bhd, ventured into China to establish its first language training school to offer a range of English courses.

In line with Paramount's objective to divest non-core assets with a view to improving cash resources and strenghten its financial position in order to take advantage of alternative opportunities to enhance earnings in its assets. Paramount disposed of the oil palm estate in December 2003, and through its wholly-owned subsidiary, Wangsa Merdu Sdn Bhd, disposed of Regency Tower, the 23-storey condominium, in July 2006.

On 20 December 2006, Paramount through its wholly-owned subsidiary company, Paramount Property (Utara) Sdn Bhd, added a 515 acre of freehold land located in the Mukim of Sungai Petani, Bandar Amanjaya, Daerah Kuala Muda, Kedah to its land bank.

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

Paramount's property development arm, Paramount Property (Utara) Sdn Bhd has, earned an excellent reputation as a reliable and quality focused developer in Sungai Petani, which attribute has been reaffirmed through winning the prestigious 12th FIABCI Property Award of Distinction 2004, RESIDENTIAL DEVELOPMENT CATEGORY. Kemuning Utama, the Group's maiden property development in the Klang Valley, has experienced overwhelming success since the project took off. Paramount achieved another major milestone when for the consecutive year at the FIABCI-MALAYSIA, MALAYSIA PROPERTY AWARDS 2005, Paramount Property Holdings Sdn Bhd was named the winner of the Specialised Project category for the first purpose-built private smart primary and secondary school, Sekolah Sri KDU. Sekolah Sri KDU was also named the first runner-up in the Specialised Category of FIABCI International Prix d'Excellence 2006. Leveraging on its proven track record, Paramount will continue to grow its land bank in high growth areas in the Klang Valley, Penang and Johor.

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

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

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

DEDICATED TO EDUCATION, FROM PRIMARY TO TERTIARY LEVEL

As any parent would, we too see education as one of the pillars of life. It is important enough to us to ensure that children get the best possible quality from day one.

By investing in education from the primary to the tertiary level, Paramount ensures that our philosophy of education as a holistic process can thus be maintained, so that parents are not short-changed as their children progress in their journey of acquiring knowledge.

corporate **information**

BOARD OF DIRECTORS

Chairman
Dato' Md Taib bin Abdul Hamid*
DSDK

Group Managing Director &
Group Chief Executive Officer
Dato' Teo Chiang Quan
DPTJ

Deputy Group Managing Director &
Deputy Group Chief Executive
Officer
Ong Keng Siew

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

Dato' Haji Azlan bin Hashim*
DSNS, DSSA

Rohana Tan Sri Mahmood

Geh Cheng Hooi*

Quah Chek Tin*

* Independent Non-Executive Directors

SECRETARY

Tay Lee Kong
(MAICSA 772833)

REGISTERED OFFICE

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

REGISTRAR

PFA Registration Services Sdn Bhd
Level 13, Uptown 1
1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya,
Selangor Darul Ehsan
Telephone : 03-7725 4888
Facsimile : 03-7722 2311
Email : regn@pfa.com.my
Website : www.pfa.com.my

AUDITORS

Ernst & Young
Chartered Accountants

SOLICITORS

S.K. Yeoh & Partners

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

other ***information***

required by the listing requirements of bursa malaysia securities berhad

1. EMPLOYEES' SHARE OPTION SCHEME

During the financial year, a total of 547,000 options were exercised.

2. NON-AUDIT FEES

The amount of non-audit fee paid to the external auditors by the Group and Company for the financial year is reflected in Note 5, page 102 of the financial statements.

3. MATERIAL CONTRACTS

None of the directors and/or major shareholders has any material contract with the Company and/or its subsidiaries during the financial year.

4. REVALUATION POLICY

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

board of **directors**

Dato' Md Taib bin Abdul Hamid   Dato' Teo Chiang Quan   Ong Keng Siew

Geh Cheng Hooi | Rohana Tan Sri Mahmood | Dato' Haji Azlan bin Hashim | Quah Chek Tin | Tan Sri Dato' Ahmad Sabki bin Jahidin

board of **directors' profile**

DATO' MD TAIB BIN ABDUL HAMID

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

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

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

Dato' Taib attended all the 5 board meetings.

DATO' TEO CHIANG QUAN

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

Dato' Teo joined Paramount as a Director on 19 January 1977. He started to play an active role in the management of Paramount when he first served as Chief Executive of the Group's insurance division from 1981 to 1991. Under his stewardship, the insurance division grew from a company with a single branch to a respectable and well-capitalized insurance company with 11 branches. He was also instrumental in ensuring the successful merger of the Group's insurance operations with Jerneh Insurance Bhd (JIB). In 1989, Dato' Teo assumed the position of Group Managing Director & Group Chief Executive Officer of Paramount and has since transformed Paramount into a reputable and financially sound diversified group.

Current directorship in a public company includes JIB.

Dato' Teo is a substantial shareholder of Paramount. The details of his interest in Paramount is reflected in the Analysis of Shareholdings on pages 57 to 59.

Dato' Teo attended all the 5 board meetings.

ONG KENG SIEW

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

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

Ong also serves on the Audit Committee.

Ong attended all the 5 board meetings.

GEH CHENG HOOI

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

Geh has carved a name for himself in the field of accounting and consulting. After qualifying as a Chartered Accountant, he worked for Price Waterhouse, London, before returning to Malaysia to join KPMG Peat Marwick in 1961. He was admitted as a partner in 1964 and retired as the senior partner of KPMG Peat Marwick in 1989. Geh was a Director of Paramount from 3 March 1998 to 7 March 2006, when he vacated his office as a Director to comply with Article 95 (c) of the Company's Articles of Association, which states that "The office of a Director shall be vacated, if he is absent from more than 50% of the total board of directors' meetings held during a financial year of the Company". He was re-appointed as an Independent Non-Executive Director of Paramount on 23 May 2006 at Paramount's 36th annual general meeting.

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

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

Geh attended 3 out of 3 board meetings.

TAN SRI DATO' AHMAD SABKI BIN JAHIDIN

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

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

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

Current directorships in public companies include Cygal Berhad, Gula Perak Berhad, Hwang-DBS (Malaysia) Berhad, Hwang-DBS Securities Berhad, Hwang-DBS Investment Management Berhad and Nanyang Press Holdings Berhad.

Tan Sri attended 4 out of 5 board meetings.

ROHANA TAN SRI MAHMOOD

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

Rohana's working experience encompasses both the private and government sectors. She is the Chairman and Partner of Ethos Capital, a RM200 million private equity fund that invests in Asian companies, and the Deputy President and Founding Member of the Kuala Lumpur Business Club, an exclusive networking and business development organisation. She is also the Treasurer and Board Member of the Pacific Basin Economic Council (PBEC), established in 1967 as a regional business association in the Asia-Pacific region, member of International Council, The Asia Society, New York, Founding Board member of the Malaysian Strategic Research Centre, an independent policy think tank focused on defence and security issues, and is a Trustee of Malaysian Youth Orchestra Foundation. She was also a senior researcher at the Institute of Strategic and International Studies Malaysia and had also served at the Ministry of Foreign Affairs. Rohana is also actively involved in business principally in education, having invested in the education arm of Paramount. Rohana joined the Board on 28 July 1997.

Current directorships in public companies include Dijaya Corporation Berhad and TH Group Berhad.

Rohana attended all the 5 board meetings.

DATO' HAJI AZLAN BIN HASHIM

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants, Ireland
Fellow of the Economic Development Institute
(World Bank, Washington)
Fellow of the Institute of Bankers Malaysia
65 years of age – Malaysian

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

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

Other directorships in public companies include AMDB Berhad, AMMB Holdings Berhad, Kesas Holdings Berhad, Kumpulan Peransang Selangor Berhad, Metrod (M) Berhad, Sapura Industrial Berhad, Global Carriers Berhad, Syarikat Permodalan & Perusahaan Selangor Berhad.

Dato' Azlan attended all the 5 board meetings.

QUAH CHEK TIN

Independent Non-Executive Director
Bachelor of Science (Honours) Degree in Economics,
the London School of Economics
Fellow of the Institute of Chartered Accountants,
England and Wales
55 years of age – Malaysian

Quah joined Paramount as a Director on 6 February 2007. He began his career with Coopers & Lybrand, London, before returning to Malaysia. He joined the Genting Group in 1979, and was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Resorts World Bhd before retiring in 2006.

Quah also serves on the Audit Committee.

Current directorships in public companies include Genting Berhad, Resorts World Berhad and Asiatic Development Berhad.

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

None of the Directors have been charged for any offence.

senior **management**

Dato' Teo Chiang Quan
Group Managing Director &
Group Chief Executive Officer

Ong Keng Siew
Deputy Group
Managing Director &
Deputy Group Chief
Executive Officer

Liew Yin Chew
Deputy Managing Director
Paramount Property (Utara) Sdn Bhd &
Executive Director
Paramount Property Development Sdn Bhd

Chuan Yeong Ming
Deputy Managing Director
Paramount Engineering & Construction Sdn Bhd

Oh Keng Kooi
Audit Director

Foong Poh Seng
Group Financial Controller

Tay Lee Kong
Corporate Affairs Director

Teh Geok Lian
Chief Executive Officer
KDU Smart School Sdn Bhd

Lim Hong Kheng
Group Human Resource Director &
Executive Director
KDU Management Development Centre Sdn Bhd

Dr Chia Chee Fen
Chief Executive Officer
KDU College Sdn Bhd &
Principal Officer
KDU College Sdn Bhd
– Petaling Jaya Campus

Dr Chong Beng Keok
Principal Officer
KDU College Sdn Bhd
– Penang Campus

BUILDING THE FREEDOM OF SPACES

It can be argued that our property developments are not about buildings, but the spaces between buildings. These are the spaces that free people to fulfil their potential and build better lives and careers. By creating and shaping unique communities that are low in density and lavished with humanising features such as clusters of parks, walkways, lakes, people-friendly roads and playgrounds that are safe havens, Paramount has focused on life, not buildings.

chairman's **statement**
pesanan *pengerusi*

"Given our strong cash position and effective utilization of our resources, our net gearing as at 31 December 2006 was zero compared with 0.19 times as at 31 December 2005."

"Dengan janaan tunai yang kukuh serta kegunaan resos yang berkesan, penggearan bersih pada 31 Disember 2006 adalah sifar berbanding dengan 0.19 kali pada 31 Disember 2005."

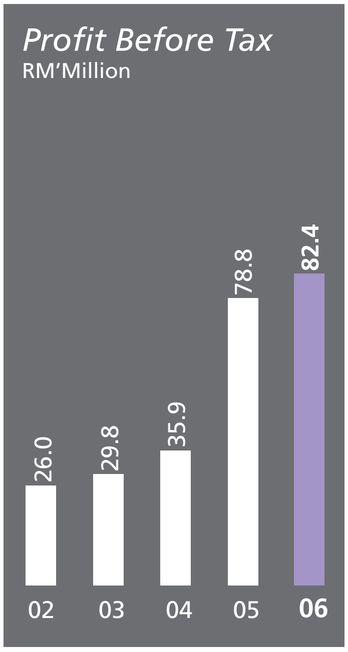
Dear Shareholders,

Looking back, 2006 was a challenging year for Paramount Corporation Berhad (Paramount or Company). However, I am pleased to inform that we overcame the odds and ended the financial year under review with better than expected results. On that note, it gives me great pleasure to present on behalf of the Board of Directors, the Thirty-Seventh Annual Report of the Paramount group of companies (the Group).

FINANCIAL PERFORMANCE

Profit before tax grew marginally by 4.6% to RM82.4 million compared with RM78.8 million in the previous year (the 2005 profit before tax figures have been restated to comply with the new Financial Reporting Standards). The increase was primarily due to gains arising from the sale of Regency Tower, a 23-storey luxury condominium located in the Golden Triangle, the disposal of which was in line with our strategy to divest non-core assets, and the turnaround in the performance of the educational services division to profitability. With a more effective and lower tax rate, net profit was higher by 14.2% to RM63.6 million compared with RM55.7 million in the previous year.

The increase in profit is in spite of the decline in revenue by 26.9% to RM367.3 million recorded for the year compared with RM502.8 million in the previous year. Shareholders' fund rose to RM410.85 million from RM358.22 million while net assets per share increased to RM3.95 as at 31 December 2006 from RM3.46 as at 31 December 2005. Return on equity was maintained at 17.5%.



Pemegang Saham yang dikasihi,

Tahun 2006 merupakan tahun yang mencabar bagi Paramount Corporation Berhad (Paramount atau Syarikat). Saya, dengan sukacitanya ingin memaklumkan bahawa kami berjaya mengatasi segala kekangan dan dapat menamatkan tahun kewangan yang ditinjau ini dengan prestasi yang lebih baik daripada yang dijangkakan. Saya dengan gembiranya bagi pihak Lembaga Pengarah, mengemukakan Laporan Tahunan Ketiga Puluh Tujuh syarikat-syarikat Kumpulan Paramount.

PRESTASI KEWANGAN

Keuntungan sebelum cukai meningkat sedikit, iaitu 4.6% ke RM82.4 juta, berbanding dengan RM78.8 juta pada tahun lepas (angka keuntungan sebelum cukai dinyatakan semula mengikut Piawai Laporan Kewangan baru). Peningkatan ini disebabkan oleh keuntungan dari penjualan Regency Tower, kondominium mewah 23-tingkat kami di Golden Triangle yang selaras dengan strategi melepaskan aset bukan teras dan juga kerana keuntungan dari bahagian perkhidmatan pendidikan. Dengan kadar cukai yang lebih efektif dan rendah, keuntungan selepas cukai meningkat 14.2% ke RM63.6 juta berbanding dengan RM55.7 juta pada tahun sebelum ini.

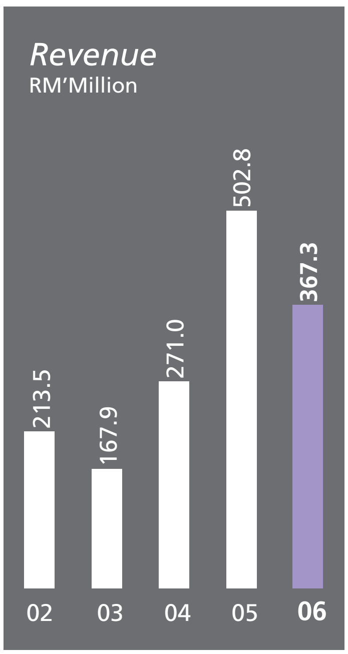
Keuntungan meningkat walaupun perolehan menurun 26.9% ke RM367.3 juta berbanding dengan RM502.8 juta pada tahun sebelumnya. Dana pemegang saham meningkat ke RM410.85 juta dari RM358.22 juta manakala aset ketara bersih sesaham meningkat ke RM3.95 pada 31 Disember 2006 dari RM3.46 pada 31 Disember 2005. Kepulangan dari ekuiti kekal pada 17.5%.

Given our strong cash position and effective utilization of our resources, our net gearing as at 31 December 2006 was zero compared with 0.19 times as at 31 December 2005.

Property division

After registering several years of strong growth, the industry saw an easing in demand for residential properties towards the tail-end of 2005. Thus, the property development sector had fewer launches during the year leading to a lower sales volume. The sector's predicament was compounded by lower progressive billings carried forward from previous years. This resulted in the property development sector registering lower revenue of RM250.8 million compared with RM397.9 million in the previous year, a decline of 37%. The revenue for the construction sector improved marginally to RM38.9 million compared with RM37.9 million recorded in the previous year due to higher progress billings on its external projects. The property investment sector's revenue fell to RM4 million from RM6.9 million recorded in the previous year due to the cessation of recognition of revenue in the third quarter of the year from rentals on Regency Tower following the completion of the sale of the condominium. Overall revenue for the property division fell by 33.7% to RM293.7 million from RM442.7 million in the previous year.

Profit before tax for the property division was correspondingly lower at RM65.3 million from RM79.6 million recorded in the previous year. The property development and construction sectors both registered lower profits, the former by 33.2% to RM41.9 million from RM62.7 million in the previous year, and the latter by 48% to RM6.6 million from RM12.7 million in the previous year. The property investment sector, which has been contributing a consistent profit of about RM4 million a year, recorded a higher profit before tax of RM16.8



Dengan janaan tunai yang kukuh serta kegunaan resos yang berkesan, penggearan bersih pada 31 Disember 2006 adalah sifar berbanding dengan 0.19 kali pada 31 Disember 2005.

Bahagian Harta

Setelah beberapa tahun perkembangan pesat, industri ini mengalami keturunan permintaan bagi harta kediaman pada akhir tahun 2005. Maka, kekurangan pelancaran dalam sektor perkembangan harta pada tahun ini telah menghasilkan jumlah penjualan yang rendah. Kerumitan sektor ditambah dengan bil rendah yang dibawa dari tahun lepas. Akibatnya sektor perkembangan harta mencatat perolehan yang lebih rendah, iaitu RM250.8 juta berbanding dengan RM397.9 juta pada tahun lepas, kemerosotan 37%. Perolehan sektor pembinaan menambahbaik sedikit ke RM38.9 juta berbanding dengan RM37.9 juta pada tahun lepas, hasil daripada bil lebih tinggi dari projek luar. Perolehan sektor pelaburan harta jatuh ke RM4 juta dari RM6.9 juta pada tahun lepas oleh kerana tamatnya hasil sewa dari Regency Tower pada suku ketiga selepas penjualan kondominium tersebut. Umumnya perolehan dari Bahagian Harta jatuh sebanyak 33.7% ke RM293.7 juta dari RM442.7 juta pada tahun lepas.

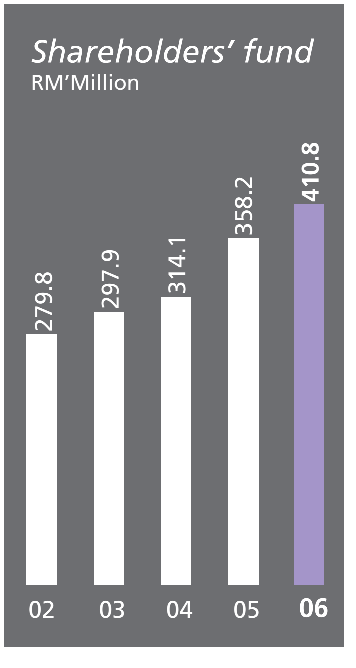
Keuntungan sebelum cukai bagi sektor harta kurang sejajarnya pada RM65.3 juta dari RM79.6 juta pada tahun lepas. Kedua-dua sektor perkembangan harta dan sektor pembinaan merekod keuntungan lebih rendah, iaitu sebanyak 33.2% ke RM41.9 juta dari RM62.7 juta pada tahun lepas dan sebanyak 48% ke RM6.6 juta dari RM12.7 juta pada tahun lepas, masing-masing. Keuntungan bagi sektor pelaburan yang sentiasa sebanyak RM4 juta setahun, mencatat keuntungan sebelum cukai yang lebih tinggi, iaitu RM16.8 juta dari RM4.3

million from RM4.3 million recorded in the previous year. The increase is attributed to the gains from the sale of Regency Tower during the year.

Educational Services division

The educational services division saw a substantial increase in revenue by 22% to RM72.5 million during the year from RM59.4 million in the previous year on the back of a growing student population that primarily drove the primary and secondary school and the tertiary education sectors' steady growth. Revenue for the primary and secondary school sector increased by 29.3% to RM23.8 million from RM18.4 million in the previous year, while the revenue for the tertiary education sector increased by 22.6% to RM47.2 million compared with RM38.5 million in the previous year. However, the post executive and professional development sector recorded a lower revenue of RM1.1 million from RM2.1 million recorded in the previous year due to deferment of programmes, while the language school registered a marginally higher revenue of RM367,000 compared with RM344,000 registered in the previous year.

With an improved performance by the two main sectors, the educational services division bounced back with a profit before tax of RM9.5 million from a loss before tax of RM4.04 million in the previous year. The primary and secondary education sector, following three years of start-up losses, turned around to record a profit before tax of RM2.0 million from a loss before tax of RM1.9 million in the previous year. The tertiary education sector's profit before tax tripled to RM12.5 million from RM4 million registered in the previous year. Despite the lower revenue recorded by the post executive and professional development sector its losses were lower at RM3.4 million compared with RM4.2 million in the previous year.



juta pada tahun lepas. Penambahan adalah kerana keuntungan dari penjualan Regency Tower pada tahun yang ditinjau.

Bahagian Perkhidmatan Pendidikan

Bahagian perkhidmatan pendidikan mencatat perolehan yang kian meningkat, menambah 22% ke RM72.5 juta pada tahun yang ditinjau dari RM59.4 juta pada tahun lepas dengan enrolmen yang kian meningkat di sekolah bestari rendah dan menengah dan sektor tertiar. Perolehan dari sekolah bestari rendah dan menengah terus menambah 29.3% ke RM23.8 juta dari RM18.4 juta pada tahun sebelumnya manakala perolehan sektor pendidikan tertiar menambah 22.6% ke RM47.2 juta berbanding dengan RM38.5 juta pada tahun sebelumnya. Akan tetapi sektor pendidikan eksekutif dan profesional mencatat perolehan yang lebih rendah ke RM1.1 juta dari RM2.1 juta pada tahun sebelumnya kerana penangguhan program manakala pusat bahasa di Chongqing, China mencatat penambahan perolehan sedikit, iaitu ke RM367,000 berbanding dengan RM344,000 pada tahun lepas.

Dengan prestasi yang meningkat dari dua sektor utama pendidikan, bahagian perkhidmatan pendidikan mencatat keuntungan sebelum cukai sebanyak RM9.5 juta dari kerugian sebelum cukai sebanyak RM4.04 juta pada tahun lepas. Sektor pendidikan rendah dan menengah, setelah tiga tahun kerugian permulaan, berjaya mencatat keuntungan sebanyak RM2 juta dari kerugian sebelum cukai sebanyak RM1.9 juta pada tahun sebelumnya. Keuntungan sebelum cukai pendidikan tertiar menambah tiga kali ganda ke RM12.5 juta dari RM4 juta yang dicatat pada tahun lepas. Walaupun perolehan yang dicatat oleh sektor pendidikan eksekutif dan perkembangan profesional telah merosot, kerugian lebih rendah, RM3.4 juta berbanding dengan RM4.2 juta pada tahun lepas. Ini adalah kerana kos operasi yang lebih rendah akibat penangguhan program. Sektor sekolah bahasa

This was due to lower operating costs arising from the deferment of programmes. The language school sector also incurred lower losses of RM1.6 million compared with RM1.8 million registered in the previous year following concerted efforts to cap operating costs.

Investment and Others

Profit before tax for Investment and Others rose to RM7.6 million from RM3.3 million recorded in the previous year arising from savings in finance and operating expenses, and better results from an associated company, Jerneh Insurance Berhad (JIB). The Group's share of JIB's net profit was higher at RM5.1 million from RM4.3 million in the previous year due to an improvement in its underwriting and investment activities.

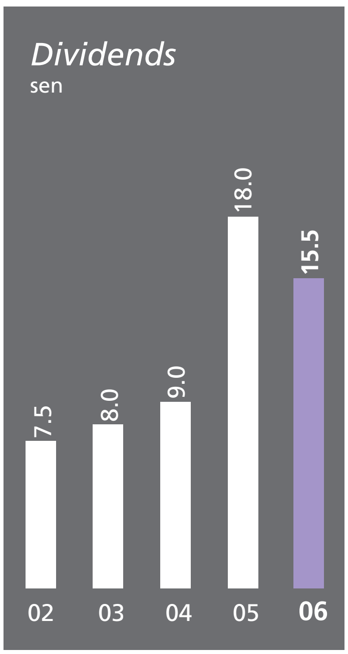
DIVIDENDS

After taking into consideration the level of operating profit and the extraordinary gain from the sale of Regency Tower, the Group is proposing a final dividend of 7.5%, less tax at 27%, and a special dividend of 2.5%, less tax at 27%. Together with the interim dividend of 5.5%, less tax at 28%, which was paid on 27 October 2006, the total dividend for the year is 15.5%, less tax.

If approved by the shareholders at our Annual General Meeting, the final dividend will be paid on 27 July 2007.

CORPORATE DEVELOPMENTS AND AWARDS

On 26 April 2006 and 31 May 2006, the Foreign Investment Committee (FIC) and the State Authority, respectively, approved the disposal of Regency Tower by the Company's



juga mengalami kerugian yang lebih rendah, sebanyak RM1.6 juta berbanding RM1.8 juta pada tahun lepas akibat usaha pengurangan kos operasi.

Pelaburan dan Lain-lain

Keuntungan sebelum cukai bagi Pelaburan dan Lain-lain meningkat ke RM7.6 juta dari RM3.3 juta yang dicatat pada tahun lepas akibat penjimatan perbelanjaan kewangan dan kos operasi serta prestasi lebih baik dari sebuah syarikat gabungan, Jerneh Insurance Berhad (JIB). Keuntungan dari JIB lebih tinggi sebanyak RM5.1 juta berbanding dengan RM4.3 juta pada tahun sebelum ini kerana kemajuan dalam aktiviti penanggungan insurans dan pelaburan.

DIVIDEN

Setelah mengambilkira tahap keuntungan operasi dan keuntungan luar biasa dari penjualan Regency Tower, kumpulan mencadang dividen akhir 7.5%, tolak cukai 27%, dan dividen khas 2.5%, tolak cukai 27%. Kami mencadangkan dividen akhir sebanyak 7.5%, tolak 28% cukai, dan dividen khas 2.5% tolak cukai 27%. Bersama dividen sementara 5.5%, tolak cukai 28%, yang telah dibayar pada 27 Oktober 2006, jumlah dividen bagi tahun ini ialah 15.5%, tolak cukai.

Sekiranya di luluskan oleh pemegang saham pada Mesyuarat Agung Tahunan, dividen akhir ini akan dibayar pada 27 Julai 2007.

PERKEMBANGAN KORPORAT DAN ANUGERAH

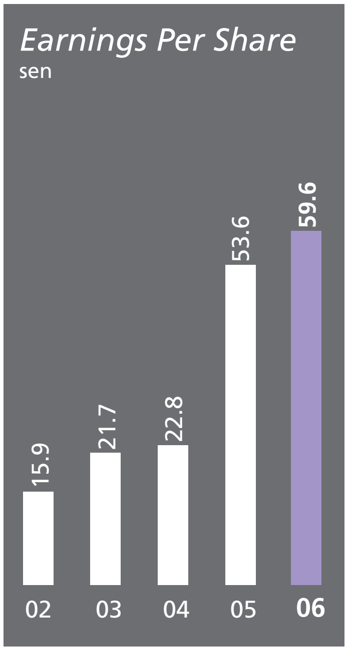
Pada 26 April 2006 dan 31 Mei 2006, Jawatankuasa Pelaburan Luar Negeri (FIC) dan Badan Kuatkuasa Negeri, masing-masing, telah meluluskan penjualan Regency Tower subsidiary, Wangsa Merdu Sdn Bhd (WMSB), to HKH Holdings Sdn Bhd, a wholly-owned subsidiary of Keck Seng (Malaysia) Berhad, for a total cash consideration of RM62.5 million. The sale was completed on 11 July 2006.

On 29 May 2006, Paramount Property Holdings Sdn Bhd (PPH), a wholly-owned subsidiary, was named first runner-up in the FIABCI International Prix d'Excellence 2006, Specialised Project category. This award was in recognition of PPH's real estate development, the smart primary and secondary school, as an outstanding example of excellence in all aspects of its creation.

On 23 June 2006, the Company through its wholly-owned subsidiary, Paramount Property (Utara) Sdn Bhd (PPU), entered into a conditional sale and purchase agreement with Ideal Appraisal Sdn Bhd, a subsidiary of Sharikat Permodalan Kebangsaan Berhad, for the acquisition of fifteen contiguous parcels of freehold land measuring a total land area of approximately 576 acres, located in the Mukim of Sungai Petani, Bandar Amanjaya, Daerah Kuala Muda, Negeri Kedah Darul Aman for a total cash consideration of RM38.9 million.

The approvals of the FIC and the Estate Land Board were obtained on 23 August 2006 and 20 November 2006, respectively, and the purchase was completed on 20 December 2006.

Subsequently, on 21 December 2006, PPU entered into a sale and purchase agreement with Urusistem Niaga Sdn Bhd for the sale of approximately 60.6 acres of the above mentioned land for a total cash consideration of RM4,751,780.39.



oleh Wangsa Merdu Sdn Bhd (WMSB), subsidiari penuhmilik Syarikat, kepada HKH Holdings Sdn Bhd (HKH), subsidiari penuhmilik Keck Seng (Malaysia) Berhad untuk jumlah harga tunai sebanyak RM62.5 juta. Penjualan dimuktamatkan pada 11 Julai 2006.

Pada 29 Mei 2006, Paramount Property Holdings Sdn Bhd (PPH), sebuah subsidiari penuhmilik, dinamakan pemenang kedua di FIABCI International Prix d'Excellence 2006, kategori Specialised Project. Anugerah ini merupakan pengiktirafan perkembangan hartanah PPH dari segi mutu kecemerlangan luarbiasa sekolah bestari rendah dan menengah dalam semua aspek binaannya.

Pada 23 Jun 2006, Syarikat melalui subsidiari penuhmiliknya, Paramount Property (Utara) Sdn Bhd (PPU) telah menangani persetujuan jualan dan belian bersyarat dengan Ideal Appraisal Sdn Bhd, subsidiari Sharikat Permodalan Kebangsaan Berhad, untuk limabelas parcel tanah milik bebas berjumlah seluas 576 ekar di Mukim Sungai Petani, Bandar Amanjaya, Daerah Kuala Muda, Negeri Kedah Darul Aman dengan harga wang tunai sebanyak RM38.9 juta.

Kelulusan FIC dan Lembaga Tanah Estet diperoleh pada 23 Ogos 2006 dan 20 November 2006 masing-masing dan penjualan dimuktamatkan pada 20 Disember 2006.

Seterusnya pada 21 Disember 2006, PPU menangani persetujuan jualan dan belian dengan Urusistem Niaga Sdn Bhd menjual lebih kurang 60.6 ekar tanah daripada tanah tersebut untuk jumlah tunai sebanyak RM4,751,780.39.

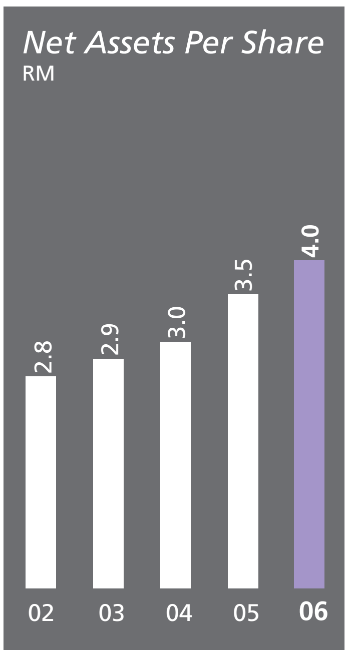
PROSPECTS

The Group's performance has, thus far, been largely driven by the property development sector. With the Northern development project in Sungai Petani nearing completion and lower progressive billings from the Klang Valley development project, contributions from the property division are expected to be lower. On a more positive note, contributions from the educational services division are expected to improve. On the whole, the Group's performance for 2007 is expected to be lower than that of 2006.

However, with our healthy cash reserves and strong performance over the past years, the Group is well placed to capitalize on opportunities as and when they arise in driving mid to long term growth.

ACKNOWLEDGEMENTS

On 23 May 2006, we welcomed Mr Geh Cheng Hooi back to the Board as an Independent Non-Executive Director. As reported previously, Mr Geh vacated his office as a Director of Paramount to comply with Article 95(c) of the Company's Articles of Association, which states that the office of a director shall be vacated if the director is absent for more than 50% of the total board meetings held during a financial year of the Company. Given Mr Geh's vast experience and familiarity with the Group, he was made a member of the Audit, Nomination and Remuneration committees on 15 September. As reported previously, Dr Brian Shoy Teng To resigned from the Board on 29 March 2006.



HARAPAN

Prestasi Kumpulan sejauh ini, dipandu oleh sektor pembangunan harta. Dengan hampir tamatnya projek perkembangan Utara di Sungai Petani dan bil progresif kian rendah dari Lembah Kelang, sumbangan dari bahagian harta dijangka lebih rendah. Akan tetapi sumbangan dari bahagian perkhidmatan pendidikan dijangka akan bertambah baik. Pada keseluruhannya, prestasi Kumpulan bagi tahun 2007 dijangka lebih rendah dari tahun 2006.

Walaubagaimana pun, dengan simpanan tunai yang sihat dan prestatsi yang kukuh pada tahun tahun lepas, Kumpulan akan dapat menangani peluang yang timbul untuk pertumbuhan jangka sederhana dan panjang.

PENGHARGAAN

Pada 23 Mei 2006, kami mengalu-alukan En. Geh Cheng Hooi ke Lembaga sebagai Pengarah Bukan Eksekutif Bebas. Seperti dilaporkan, En. Geh telah mengosongkan jawatan sebagai Pengarah Paramount kerana mematuhi Artikel 95(c) Tataurusan Persatuan Syarikat, yang menyatakan jawatan pengarah dikosongkan apabila pengarah tersebut tidak hadir lebih daripada 50% mesyuarat lembaga pada tahun kewangan Kumpulan. Memandangkan pengalaman En. Geh yang luas dan kebiasaan dengan Kumpulan, beliau dilantik sebagai ahli jawatankuasa Audit, Pelantikan dan Gaji pada 15 September. Seperti pernah dilaporkan, Dr. Brian Shoy Teng telah meletak jawatan pada 29 Mac 2006.

It gives me great pleasure to welcome Mr Quah Chek Tin as a Board member following his appointment as an Independent Non-Executive Director on 6 February 2007. Mr Quah brings to the Group a wealth of experience that I believe will benefit us as we continue to create value for all stakeholders.

As in the past, our most compelling strength lies in a dedicated and loyal work force whose hard work has helped strengthen our businesses. On behalf of our Board of Directors, I would like to take this opportunity to thank the management and staff for their contributions and sacrifices in enabling us to evolve into a stronger Group.

As a business we are also dependent on our customers, trading partners, and our other stakeholders for their support and confidence. To all of them, I wish to place on record my sincere thanks and appreciation. To my fellow Board members whose constructive views have help shaped the many important decisions taken, I thank you for your wise counsel and guidance.

In conclusion, I would like to express my thanks to you, our shareholders, for the trust you continue to place in us. As in previous years, I look forward to meeting you at our Annual General Meeting.

DATO' MD TAIB BIN ABDUL HAMID
Chairman

Saya juga mengalu-alukan kedatangan En. Quah Chek Tin ke Lembaga sebagai Pengarah Bukan Eksekutif pada 6 Februari 2007. En. Quah membawa pengalaman yang luas yang saya percaya akan memanfaat Kumpulan dalam usaha membina nilai untuk semua pihak berkepentingan.

Seperti pada tahun-tahun lepas, kekuatan kami terletak di kalangan pekerja yang berdedikasi dan setia yang telah bekerja secara rajin sehingga memperkuatkan bisnes kami. Bagi pihak Lembaga Pengarah, saya mengambil kesempatan mengucap terima kasih kepada pengurusan dan staf atas sumbangan dan korban mereka agar membolehkan Kumpulan menjadi lebih kukuh.

Sebagai bisnes, kami bergantung kepada pelanggan, rakan niaga dan pihak berkepentingan untuk sokongan dan keyakinan. Kepada mereka saya ingin merekodkan terima kasih dan penghargaan. Kepada ahli-ahli Lembaga Pengarah, saya ingin mengucapkan terima kasih di atas sumbangan-sumbangan bijaksana dan nasihat mereka dalam penentuan keputusan-keputusan penting.

Akhir kata, saya ingin mengucap terima kasih kepada anda, pemegang saham kami, kerana kepercayaan anda. Seperti tahun-tahun lepas, saya rasa gembira berjumpa anda di Mesyuarat Agung Tahunan.

DATO' MD TAIB BIN ABDUL HAMID
Pengerusi

five-year group ***financial highlights***

	Year 31 Dec 2006 RM'000	*Year 31 Dec 2005 RM'000*	*Year 31 Dec 2004 RM'000*	*Year 31 Dec 2003 RM'000*	*Year 31 Dec 2002 RM'000*
REVENUE	367,328	502,819	270,984	167,905	213,517
EARNINGS					
Profit from operations	77,272	74,522	31,227	30,841	24,565
Share of results of associated companies	5,103	4,269	4,710	(1,022)	1,438
Profit before taxation	82,375	78,791	35,937	29,819	26,003
Taxation	(18,784)	(23,127)	(12,589)	(7,531)	(9,764)
Net profit for the year	63,591	55,664	23,348	22,288	16,239
Attributable to:					
Equity holders of the Company	61,867	55,503	23,571	22,254	16,006
Minority interest	1,724	161	(223)	34	233
	63,591	55,664	23,348	22,288	16,239
Retained profits brought forward	189,101	145,258	129,039	113,580	103,872
Net profit for the year attributable to equity holders of the Company	61,867	55,503	23,571	22,254	16,006
Foreign currency translation	258	–	–	–	–
Dividends	(11,617)	(11,660)	(7,352)	(6,795)	(6,298)
Retained profits carried forward	239,609	189,101	145,258	129,039	113,580

	Year 31 Dec 2006 RM'000	Year 31 Dec 2005 RM'000	Year 31 Dec 2004 RM'000	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000
ASSETS EMPLOYED					
Property, plant and equipment	145,119	146,193	146,025	123,904	118,412
Land held for property development	163,416	143,982	164,166	221,529	40,283
Investment properties	14,830	62,939	58,194	59,332	60,609
Prepaid land lease payments	17,385	17,627	17,820	18,061	10,893
Investment in associates	38,999	35,335	33,723	31,462	36,544
Other investments	397	397	370	252	271
Deferred tax assets	4,099	2,139	1,581	1,819	–
Net current assets	79,762	67,325	67,229	19,689	38,533
Long term borrowings	(36,764)	(65,847)	(85,775)	(43,953)	(18,440)
Deferred tax liabilities	(11,083)	(7,130)	(5,977)	(4,401)	(2,413)
Provision for retirement benefits	–	(2,190)	(1,920)	(1,243)	(782)
Long term payables	–	(38,901)	(77,802)	(124,818)	–
Net assets	416,160	361,869	317,634	301,633	283,910
EQUITY					
Share capital	104,126	103,579	103,552	103,552	101,301
Capital reserves	2,317	1,358	1,181	1,176	1,171
Share premium	64,797	64,180	64,153	64,153	63,756
Retained profits	239,609	189,101	145,258	129,039	113,580
Equity attributable to holders of the Company (Shareholders' fund)	410,849	358,218	314,144	297,920	279,808
Minority interests	5,311	3,651	3,490	3,713	4,102
Total equity	416,160	361,869	317,634	301,633	283,910

Note:

* The Comparatives have been restated to comply with the requirements of Financial Reporting Standards.

FINANCIAL STATISTICS

(Per ordinary share of RM1 each)

	2006	2005	2004	2003	2002
Earnings before taxation (sen)	79.30	76.09	34.70	29.11	25.81
Earnings after taxation (sen)	59.56	53.60	22.76	21.73	15.88
Dividends gross (sen)	15.50	18.00	9.00	8.00	7.50
Dividend cover (times)	5	5	3	3	3
Net assets (RM)	3.95	3.46	3.03	2.88	2.76

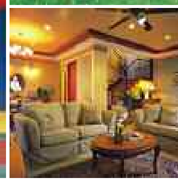
CONTRIBUTING TO THE HEALTH OF THE ENVIRONMENT

There is no greater priority in Corporate Social Responsibility than protecting the environment, the only platform for life to sustain itself. As a property developer, Paramount has come forward to ensure that our developments take the minimum out of the environment. We will continue to fulfil our obligation to the environment in everything that we do.

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

"After a three-year gestation period, the primary and secondary school sector made a remarkable turn around in its fourth year of operation to record an impressive profit from a loss in the previous year."

"Setelah tiga tahun jangkamasa pengeraman, sektor sekolah rendah dan menengah mencatat pretasi yang hebat pada tahun keempat operasi dan merekod keuntungan yang mengkagumkan daripada kerugian pada tahun sebelumnya."



Given the impact of market conditions, particularly in the property sector, it was a comparatively quieter year for Paramount Corporation Berhad (Paramount) in 2006 unlike our record-breaking performance in 2005. Nevertheless we were still able to register modest earnings growth and this is testimony of our resilience, capability and sound business acumen. The modest growth was primarily due to higher profits recorded by the property division on the back of gains realized following the disposal of Regency Tower, a 23-storey luxury condominium, during the year under review. It was also attributable to the educational services division's return to profitability in 2006 after three years of continued losses, due to the gestation period of our new businesses.

The property development sector continued to be the largest contributor although its performance has declined compared with the previous year. After two bumper years, the sector found it difficult to drive growth, in terms of the numbers of units sold and revenue generated, in a market that remained relatively subdued throughout 2006. After a number of years of strong growth, the industry experienced a slowdown in property sales in the last quarter of 2005. Thus, in anticipation of a less favourable environment, fewer

Memandangkan kesan situasi pasaran, khususnya dalam sektor harta, tahun 2006 merupakan tahun yang sederhana bagi Paramount Corporation Berhad (Paramount), berbeza dengan prestasi yang memecah rekod pada tahun 2005. Walaubagaimana pun, kami masih mencatat pertumbuhan perolehan yang sederhana, hasil dari tahan lasak, kapasiti, dan ketajaman fikiran bisnes. Pertumbuhan sederhana adalah hasil keuntungan yang tinggi oleh bahagian harta berdasarkan penjualan Regency Tower, kondominium mewah 23-tingkat, pada tahun yang ditinjau. Ianya juga hasil daripada keuntungan semula bahagian perkhidmatan pendidikan pada tahun 2006 selepas tiga tahun kerugian atas pengeraman bisnes baru.

Sektor pembangunan harta terus menjadi penyumbang utama walaupun prestasinya merosot sedikit jika dibanding dengan tahun sebelumnya. Setelah dua tahun yang amat cerah, sektor ini menghadapi kesulitan berkembang dari segi bilangan unit yang dijual dan perolehan yang dijana, dalam pasaran yang agak lemah sepanjang tahun 2006. Setelah beberapa tahun pertumbuhan yang kukuh, industri mengalami kemerosotan dalam penjualan harta pada suku akhir tahun 2005. Maka, memandangkan persekitaran yang tidak menyakinkan, bilangan pelancaran dikurangkan oleh

launches were held during the year as we were cautious and sensitive to consumers' buying sentiments following the massive rise in energy prices and marginal increase in base lending rates.

The improved performance of the educational services division partially offset this less than satisfactory performance. The two core sectors i.e. the primary and secondary school and the tertiary education registered steady growths that was mainly attributed to a growing student population.

In terms of industry recognition, Paramount Corporation Berhad Group (Group), in 2006, continued to add to its list of successes when its primary and secondary smart school building was named first runner-up at the FIABCI International Prix d'Excellence 2006, Specialised Project category. The award marks three consecutive years of excellence following our earlier wins when Bandar Laguna Merbok development was adjudged the Best Residential Development in 2004 and the primary and secondary smart school building emerged first in the Specialised Project Category in 2005 at the FIABCI-MALAYSIA, MALAYSIA PROPERTY AWARDS.

kerana kami berwas-was dan peka terhadap sentimen pembeli akibat peningkatan harga minyak dan kadar dasar pinjaman bank.

Prestasi baik bahagian perkhidmatan pendidikan telah membaiki prestasi yang kurang memuaskan ini. Dua sektor teras, iaitu sekolah rendah dan menengah serta pendidikan tertiar telah mencatat pertumbuhan yang kukuh akibat peningkatan enrolmen pelajar.

Dari segi pengiktirafan industri, Kumpulan Paramount Corporation Berhad (Kumpulan), dalam tahun 2006, terus mencatat kejayaan apabila bangunan sekolah bestari rendah dan menengahnya memenangi tempat kedua di FIABCI International Prix d'Excellence 2006, kategori Specialised Project. Anugerah ini menanda tiga tahun cemerlang berturut-turut lanjutan kemenangan pembangunan Bandar Laguna Merbok, dalam kategori Best Residential Development pada tahun 2004 dan bangunan sekolah rendah dan menengah tempat pertama dalam kategori Specialised Project pada tahun 2005 di FIABCI-MALAYSIA, MALAYSIA PROPERTY AWARDS.

PROPERTY DIVISION

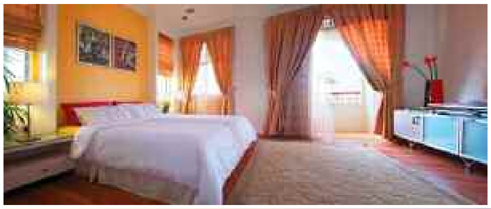
Property Development

Despite poor market sentiments, the performance of Kemuning Utama development during the year was satisfactory with a sales take-up rate of 74% comprising 238 units with a sales value of RM117.17 million. Following the completion of the Eastern precinct comprising higher value products, we focused on activities in the Western precinct including the launching of our mid-range market products at affordable prices. To boost margins and to meet the changing property market environment, we adjusted our operating strategies by converting some of the residential lots into commercial properties in a strategic sector within the Western precinct that is easily accessible by several highways and highly visible from the KESAS highway. Our strategy paid huge dividends following the sales of more than 95% of the shop houses in the Kemuning Utama Commercial Centre when the properties were launched in December, boosting the overall sales for the year. Our decision to implement this strategy was based on our belief that commercial centres are central to the success of any

BAHAGIAN HARTA

Pembangunan Harta

Walaupun sentimen pasaran lemah, prestasi pembangunan Kemuning Utama sepanjang tahun memuaskan dengan jualan 74% sebanyak 238 unit dengan nilai jualan RM117.17 juta. Setelah menamat precinct Timur yang mengandungi produk nilai tinggi, kami menumpu perhatian kepada aktiviti presint Barat yang termasuk pelancaran produk pasaran pertengahan dengan harga yang berpatutan. Agar menambah keuntungan dan memenuhi persekitaran pasaran harta yang berubah, kami mengubah strategi operasi dengan menukar beberapa lot kediaman kepada harta komersial di sektor strategik precinct Barat yang mudah disampai dari beberapa lebuhraya berdekatan Lebuhraya KESAS. Strategi kami berkesan apabila 95% daripada rumah kedai di Kemuning Utama Commercial Centre dijual pada pelancaran bulan Disember, menambah jualan keseluruhan tahunan. Strategi kami ini adalah berdasarkan kepercayaan kami bahawa pusat komersial merupakan tunggak kejayaan pembangunan harta dan



property development and that a thriving commercial centre has shown to have a strong socio-economic impact on the surrounding residential development.

During the year, Kemuning Utama delivered a record hand over of 1,174 units of completed houses to satisfied homeowners, the latter as evidenced from our Customer Satisfaction Index (CSI) survey, where more than 80% of our customers expressed satisfaction with the quality of our products. Our CSI continued to show improvements and we are determined to raise the bar in customer satisfaction.

Although sales for Bandar Laguna Merbok (BLM), our development in Sungai Petani, was lower compared with the previous year, BLM continued to maintain its market share given our reputation as a developer that delivers quality products of high brand values at affordable prices. During the year, BLM sold 221 units with a sales value of RM41.6 million compared with the previous year's sales of 319 units with a sales value of RM64 million.

pusat komersial yang bertambah maju mempunyai kesan sosio-ekonomi yang kuat ke atas pembangunan kediaman disekelilingnya.

Pada tahun ini, Kemuning Utama mencapai rekod menyerah 1,174 unit rumah kediaman siap kepada pelanggan yang amat puas berdasarkan Customer Satisfaction Index (CSI) survey kami, di mana 80% pelanggan mengatakan mereka puas dengan mutu produk kami. CSI kami terus menunjukkan kebaikan dan kami rasa ingin meningkatkan lagi kepuasan pelanggan.

Walaupun jualan untuk Bandar Laguna Merbok (BLM), pembangunan harta di Sungai Petani, lebih rendah berbanding dengan tahun lepas, BLM masih mengekal bahagian pasaran kerana reputasi kami sebagai pemaju yang membekalkan produk berkualiti serta bernilai tinggi dengan harga yang berpatutan.

Pada tahun yang ditinjau, BLM menjual 221 unit dengan nilai jualan RM41.6 juta berbanding dengan 319 unit bernilai RM64 juta pada tahun sebelumnya.

Admittedly, sourcing for developable land in the current market remains difficult and competitive. However, we were successful in seizing opportunities to replenish and grow our land bank. A 515-acre of freehold land located in Sungai Petani was added to the group's depleting land bank during the year. The timely acquisition of the new land bank will provide continuity for the group's development activities. Given that the BLM development will be completed by 2009, we need to leverage on our reputation and expertise in the Northern region. The new land is intended for a mixed housing development at an approximate total development cost of RM800 million. We expect to commence development in 2008 over a development period of between 10 and 15 years depending on market conditions and take-up rate, and generate a profit of approximately RM180 million.

Although the long term fundamental factors which support the property industry remain solid, the property development sector will focus on understanding underlying market trends as this will help us deliver long term sustainable returns to shareholders by effectively managing the short term challenges that are part of the cyclical nature of the property industry.

Diakui mencari tanah untuk dibangunkan adalah rumit dalam keadaan pasaran kini. Walaubagaimana pun, kami berjaya mengambil peluang menambah dan memperluaskan bank tanah. Sebuah tanah seluas 515 ekar di Sungai Petani ditambah kepada bank tanah kumpulan pada tahun ini. Perolehan tanah ini akan memberi kesinambungan kepada aktiviti perkembangan kumpulan. Oleh kerana pembangunan BLM akan tamat pada tahun 2009, kami menggunakan reputasi dan kepakaran kami di wilayah Utara. Tanah baru ini dikhaskan untuk pembangunan kediaman campuran dengan kos lebih kurang RM800 juta. Kami menjangka akan mula membangunkannya pada tahun 2008 bagi jangka masa selama 10 hingga 15 tahun bergantung kepada keadaan pasaran dan pembelian dengan harapan akan menjana keuntungan lebih kurang RM180 juta.

Walaupun faktor asas jangka masa panjang yang menyokong industri harta kekal kukuh, sektor pembangunan harta akan memfokuskan kefahaman aliran pasaran kerana ini akan membantu kami menyampaikan keuntungan jangka panjang kepada pemegang saham melalui pengurusan berkesan terhadap cabaran jangka masa pendek yang merupakan ciri pusingan industri harta.

Construction

The performance of the construction sector fell in tandem with the property development sector due to its high dependence on in-house projects as 70% of its activities were internal and the remaining 30% external in 2006.

Given the present economic scenario of a highly competitive market and rising raw material prices, the construction sector is facing a challenging task to improve on profit margins. Going forward, the focus will be on joint ventures with property developers or landowners.

It is envisaged that approximately 52% of the overall revenue of the sector will comprise external projects in 2007, and this will gradually be increased to make up for the lower volume of in-house projects in order to balance earnings for long term sustainability. As at 31 December 2006, the construction sector has a balance contract value of RM114 million.

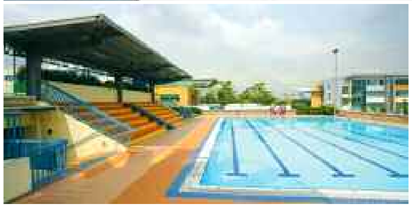
Pembinaan

Prestasi sektor pembinaan pada tahun 2006 jatuh selari dengan sektor pembangunan harta kerana pergantungan tinggi ke atas projek dalaman, sekadar 70% berbanding dengan 30% projek luar.

Memandangkan senario ekonomi pasaran yang bersaingan tinggi dan harga bahan yang meningkat, sektor pembinaan menghadapai cabaran membaiki keuntungan. Bagi masa depan, tumpuan akan diberi kepada projek usahasama dengan pemaju harta atau pemilik tanah.

Adalah dijangka lebih kurang 52% daripada perolehan sektor ini akan terdiri dari projek luar pada tahun 2007, dan kadar ini akan dinaikkan untuk mengimbangkan kekurangan projek dalaman agar mengekalkan perolehan bagi jangka masa panjang. Pada 31 Disember 2006 sektor pembinaan mempunyai nilai kontrak sebanyak RM114 juta.






Investment

Following the disposal of Regency Tower during the year, the property investment sector now comprises the primary and secondary school, KDU College Sdn Bhd's Petaling Jaya campus and the Bandar Laguna Merbok clubhouse. This sector, which has been delivering consistent yearly returns, registered a better performance during the year as stated earlier.

EDUCATIONAL SERVICES

Primary and Secondary School

After a three-year gestation period, the primary and secondary school sector made a remarkable turn around in its fourth year of operation to record an impressive profit from a loss in the previous year.

Pelaburan

Selepas jualan Regency Tower pada tahun ditinjau, sektor pelaburan harta kini merangkumi sekolah rendah dan menengah, kampus Petaling Jaya KDU College Sdn Bhd dan rumah kelab Bandar Laguna Merbok. Sektor ini yang sentiasa memberi keuntungan tahunan yang konsisten, mencatat prestasi yang lebih baik pada tahun ini, seperti dinyatakan di atas.

PERKHIDMATAN PENDIDIKAN

Sekolah Rendah dan Menengah

Setelah tiga tahun jangkamasa pengeraman, sektor sekolah rendah dan menengah mencatat pretasi yang hebat pada tahun keempat operasi dan merekod keuntungan yang mengkagumkan daripada kerugian pada tahun sebelumnya.

This achievement is commendable given the challenges faced by the school in 2006. Adding to the woes of an already crowded and competitive market with the sprouting of more private schools, the situation was exacerbated following the Ministry of Education's decision to allow international schools to open up 40% of enrolments to Malaysian students. To stay ahead in such a challenging environment, Sekolah Sri KDU will strive to provide product differentiation, as compared to the National curriculum schools and international schools, by focusing on delivering quality holistic education based on a national curriculum but approached with an international mind-set.

Sekolah Sri KDU continues to be the school of choice to discerning parents and students, as evidenced by increasing enrolments. Student enrolment grew from 1,730 in 2005 to 2,050 in 2006. In 2007, enrolments grew further, to around 2,300 students.

The academic performance of Sekolah Sri KDU's students continued to improve with 67% of UPSR students scoring 4 A's and/or 5 A's and 38% of PMR students scoring 7 A's and/or 8 A's. In the area of co-curricular activities, our students have

Pencapaian ini terpuji berlatarkan cabaran yang dihadapi oleh sekolah pada tahun 2006. Bertambah ke pasaran yang sengit ialah penubuhan lebih banyak sekolah swasta apabila Kementerian Pendidikan mengumumkan bahawa sekolah anatarabangsa diizin membukakan 40% enrolmen kepada pelajar Malaysia. Untuk menjadi pemimpin dalam persekitaran yang begitu mencabar, Sekolah Sri KDU akan cuba menawarkan perbezaan produk, berbanding dengan sekolah kurikulum kebangsaan dan sekolah antarabangsa melalui penumpuan kepada penyampaian pendidikan yang holistik dan bermutu berdasarkan kurikulum kebangsaan tetapi dengan set minda antarabangsa.

Sekolah Sri KDU terus menjadi sekolah pilihan untuk ibu bapa dan pelajar yang bijaksana seperti dibuktikan oleh enrolmen yang kian meningkat. Enrolmen pelajar bertambah dari 1,730 pada tahun 2005 ke 2,050 pada tahun 2006. Pada tahun 2007, enrolmen meningkat lagi, ke 2,300 pelajar.

Prestasi akademik pelajar Sekolah Sri KDU terus meningkat dengan 67% pelajar dalam peperiksaan UPSR mencapai 4A dan/atau 5A dan 38% pelajar PMR mencapai 7A dan/atau 8A. Dalam bidang aktiviti ko-kurikulum, pelajar kami juga

also made an impact both nationally and internationally, with two students achieving world rankings for golf in their respective age groups.

Going forward, Sekolah Sri KDU is well on track to turn in a stronger financial performance in 2007 and this positive trend is expected to continue in the coming years.

Tertiary Education

2006 was a record-breaking year for the tertiary education sector as profits tripled compared with previous year, underpinned by an increase in student enrolment to 4,714 from 4,066 in 2005. Our success is the result of our steadfast focus on the provision of quality programmes through innovative delivery methods by a dedicated teaching faculty, and personal guidance for our students both academically and personally.

Unlike most private colleges that have rushed headlong to procure university college status and offer homegrown degrees and diplomas, KDU College Sdn Bhd (KDU) prefers to focus on building on its strengths as a college that provides quality education in collaboration with reputable

berjaya di peringkat kebangsaan dan antarabangsa, dengan dua orang pelajar mencapai kedudukan dunia dalam golf kategori umur masing-masing.

Kami yakin Sekolah Sri KDU sedang dalam aliran ke arah prestasi kewangan yang kuat pada tahun 2007 dan tren positif ini dijangka akan disambung ke tahun-tahun yang akan datang.

Pendidikan Tertiar

2006 merupakan tahun pemecahan rekod bagi sektor pendidikan tertiar kerana keuntungan berlipat ganda tiga kali jika berbanding dengan tahun lepas, berasaskan peningkatan enrolmen ke 4,714 dari 4,066 pada tahun 2005. Kejayaan kami ialah hasil dari fokus yang teguh ke penawaran program bermutu melalui kaedah penyampaian yang inovatif oleh faulti pengajaran yang berdedikasi, dan bimbingan peribadi untuk pelajar sama ada akademik mahupun hal peribadi.

Berbeza dari kolej swasta lain yang telah mengejar mendapatkan status kolej universiti dan menawar ijazah dan diploma tempatan, KDU College Sdn Bhd (KDU) memilih berfokus kepada membina kekuatannya sebagai sebuah kolej yang menawar pendidikan bermutu secara kolaborasi dengan rakan universiti luar negeri yang

overseas partner universities. These are credible partners who complement our teaching faculty and enhance our innovative delivery methods through regular exchange of faculty members and collaborative efforts in teaching and research.

To maintain our leadership in the education field, we continue to commit significant resources towards improving education delivery and access. Our teaching kitchens for the hospitality students are unrivaled. In addition, the cafeteria at KDU's Petaling Jaya campus has been transformed into a state-of-the-art teaching cum training facility. It also provides food services to over 3,000 students and staff.

To maintain our exceptional growth, KDU has instituted several changes to enable us to be more responsive to market needs. During the year, the operations of the Petaling Jaya and Penang campuses were merged resulting in improved efficiencies in the area of operations and marketing, and improved cost structures. In addition, several high level demand programmes were added to enable students to enroll and/or advance their career.

terkenal. Mereka merupakan rakan boleh dipercaya yang melengkapi fakulti pengajar kami serta memurnikan kaedah penyampaian melalui pertukaran ahli fakulti dan usaha yang kolaboratif dalam pengajaran dan penyelidikan.

Untuk mengekal kepimpinan kami dalam bidang pendidikan, kami terus mengemblingkan resos ke arah memperbaiki penyampaian dan kesampaian pendidikan. Dapur pengajaran kami bagi pelajar bidang hospitaliti tiada tandingan. Tambah lagi, kafetaria KDU kampus Petaling Jaya diubahsuai ke sebuah fasiliti yang canggih untuk pengajaran dan latihan. Ianya juga memberi perkhidmatan makanan kepada lebih daripada 3,000 pelajar dan staf.

Agar mengekalkan pertumbuhan kami yang luar biasa, KDU telah memulakan beberapa perubahan untuk membolehkan kami menjadi lebih responsif terhadap keperluan pasaran. Pada tahun ini, operasi kampus Petaling Jaya dan Pulau Pinang dicantumkan dengan hasil efisiensi yang lebih baik dalam bidang operasi dan pemasaran, dan struktur kos. Tambah lagi, beberapa program permintaan tinggi ditawarkan agar pelajar dapat mengikuti dan/atau memajukan karier mereka.

There is a growing demand for our wide array of programmes given our ability to deliver on our promise in meeting students' needs and exceeding market expectations.

Executive Education and Professional Development Centre

The total number of registrants for KDU Management Development Centre (KMDC)'s programmes improved by 8.7% to 1,600 from 1,427 in 2005. However, the enrolment still fell short of the overall target for the year due to lower than expected registrations in some programmes, and deferment of several executive programmes during the year.

The high costs of operations and maintenance of the state-of-the-art learning facilities at KL Sentral coupled with lower than expected enrolments, which resulted in lower revenue, have had an adverse impact on KMDC's financial results. However, by better managing our costs, the actual loss for the year was lower than projected.

Terdapat permintaan yang kian menambah bagi berbilang program yang luas kami berdasarkan kemampuan kami menyampaikan janji memenuhi keperluan pelajar dan melebehi ekspektasi pasaran.

Pusat Pendidikan Eksekutif dan Perkembangan Profesional

Jumlah bilangan pendaftar bagi program KDU Management Development Centre (KMDC) meningkat 8.7% ke 1,600 dari 1,427 pada tahun 2005. Walaubagaimana pun, enrolmen tidak mencapai sasaran bagi tahun ini kerana pendaftaran yang rendah bagi beberapa program dan juga kerana penangguhan beberapa program eksekutif pada tahun ini.

Kos operasi dan peyelenggaraan fasiliti canggih ini di KL Sentral yang tinggi bertambah dengan enrolmen rendah yang tidak disangka telah menjejas keputusan kewangan KMDC. Walau begitu, dengan menguruskan kos secara lebih baik, kerugian benar bagi tahun ini lebih rendah daripada yang dijangkakan.

The KMDC management has embarked on the formulation of a new business strategy to address the performance shortcomings and to seek new market opportunities. Careful deliberations were conducted on the product offerings and the cost structure for the business.

2007 will see a restructured KMDC with an optimized framework to drive revenue and increase profit margins. KMDC's core business will continue to be in the provision of quality executive education in collaboration with renowned business schools, universities and institutions.

Overseas English Language Centre

There was a marginal improvement in the performance of our language school, KDU International Language Training School, in Chongqing, China, compared with the previous year. However enrolment was lower at 325 students as against 677 students in the previous year. This is a matter of utmost concern to the management and we are currently reviewing the performance of the school.

Pengurusan KDMC telah memulakan strategi bisnes yang baru untuk mengatasi kelemahan prestasi serta mencari peluang pasaran baru. Keputusan yang teliti telah dilakukan tentang tawaran produk baru dan kos struktur bisnes.

2007 akan melihat struktur baru KDMC dengan rangka struktur optimum untuk mengejar perolehan dan menambah keuntungan.

Pusat Bahasa Inggeris Luar Negeri

Terdapat sedikit kemajuan dalam prestasi sekolah bahasa kami, KDU International Language Training School, di Chongqing, China, berbanding dengan tahun lepas. Walaubagaimana pun, enrolmen menurun ke 325 pelajar berbanding dengan 677 pelajar pada tahun lepas. Hal ini mengkhuatirkan pihak pengurusan dan kami sedang mengkaji semula prestasi sekolah ini.

INVESTMENT AND OTHERS

Investment and others, which comprise mainly the performance of the holding company and an associated company, recorded better results, primarily due to savings in finance costs, through earlier than scheduled loan repayments, and operating expenses. The Group's share of profit from its 20% investment in Jerneh Insurance Berhad, was higher by about RM1 million due to an improvement in JIB's underwriting and investment activities.

OUR PEOPLE, OUR STRENGTH

The performance that we have achieved this year is a true reflection of the skill and dedication of our team members. My special thanks go out to our employees and management, whose commitment have enabled us to turn in a satisfactory set of results despite the less than favourable market conditions during the year.

PELABURAN DAN LAIN-LAIN

Pelaburan dan lain-lain, yang merangkumi prestasi syarikat holding dan sebuah syarikat bersekutu, merekod prestasi yang lebih baik kerana penjimatan dalam kewangan melalui pembayaran pinjaman lebih awal dan perbelanjaan operasi. Perkongsian keuntungan Kumpulan melalui pelaburan 20% di Jerneh Insurance Berhad lebih tinggi di RM1 juta, akibat kemajuan dalam penanggungan insurans dan aktiviti pelaburan.

SUMBER MANUSIA KEKUATAN KAMI

Prestasi yang dicapai tahun ini mencerminkan kemahiran dan dedikasi ahli pasukan kami. Terima kasih diucap kepada kakitangan dan barisan pengurusan kami kerana komitmen mereka telah membolehkan kami mencapai prestasi yang memuaskan dalam situasi pasaran yang kurang baik sepanjang tahun ini.




As a long-term player, we need to build a company that is capable of competing successfully in a rapidly changing marketplace. To help enhance our competitiveness, the senior management embarked on a Blue Ocean Strategy (BOS) initiative. The aim of BOS is to not to out-perform the competition in an existing industry but to use a set of methodologies and tools to create new market space or a "blue ocean" in making the competition irrelevant whilst simultaneously pursuing differentiation and low costs. At the workshops, we developed strategies for each of our business that can not only sustain but also accelerate Paramount's growth and profitability. The senior management found the thought provoking and methodical workshops very useful and interesting, and innovative ideas were generated during the workshops. In the process, we also re-affirmed Paramount's tradition of nurturing entrepreneurial skills and intrinsic values of teamwork, discipline and ethical behavior among our managers.

Sebagai pemain jangka panjang, kami perlu membina sebuah syarikat yang berupaya bersaing dalam pasaran yang sedang berubah secara pesat. Agar meningkatkan daya saing, pengurusan kanan telah memulakan initiatif Blue Ocean Strategy (BOS). Tujuan BOS bukan mengalahkan pesaing tetapi menggunakan suatu set metodologi dan alat untuk mereka ruang pasaran baru atau "blue ocean" untuk menjadikan pesaing tidak relevan serta pada masa yang sama mengejar perbezaan dan kos rendah. Di bengkel, kami membina strategi untuk setiap bisnes bukan sahaja mengekal tetapi mempercepatkan pertumbuhan dan keuntungan Paramount. Pengurusan kanan mendapati bengkel yang memerlukan pemikiran mendalam dan teratur amat baik dan menarik serta dapat menjana idea yang inovatif. Dalam proses itu, kami juga memastikan semula tradisi Paramount mengasuh kemahiran keusahawanan, nilai intrinsik pasukan, disiplin dan tingkahlaku etika pengurus kami.

Another year of growth at Paramount has been complemented by a growth in employee numbers that rose from 968 at the beginning of the year to 1,017 as at 31 December 2006. As always, Paramount attaches great value to each and every employee, and we walk the talk as evidenced by an exceptionally good staff retention record.

Although the immediate outlook remains challenging, I am optimistic that our enduring strength and the soundness of our strategies backed by the unwavering vision and leadership of our Board of Directors and the skill and determination of our employees will help drive Paramount's growth in the long term.

DATO' TEO CHIANG QUAN
Group Managing Director & Group Chief Executive Officer

Setahun perkembangan di Paramount dilengkapi dengan tambahan bilangan kakitangan dari 968 pada awal tahun ke 1,017 pada 31 Disember 2006. Seperti biasa, Paramount menghargai setiap kakitangan dan kami melakukan apa yang dikatakan. Hal ini dibuktikan dengan rekod pengekalan staf yang amat baik.

Walaupun tinjauan depan masih mencabar, saya yakin kekuatan dan strategi operasi kami, bertambah dengan visi kepimpinan Lembaga Pengarah serta kemahiran dan ketekunan kakitangan kami, akan membantu memperkembangkan Paramount dalam jangka panjang.

DATO' TEO CHIANG QUAN
Ketua Pengarah Urusan & Ketua Pegawai Eksekutif Kumpulan

statement on **corporate governance**

Paramount Corporation Berhad (Paramount or 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, five 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 14 to 17.

Dato' Md Taib bin Abdul Hamid, an independent non-executive director, chairs the Board and the Group Managing Director & Group Chief Executive Officer is 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 five 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, and 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	4 out of 5
Dato' Haji Azlan bin Hashim	5 out of 5
Rohana Tan Sri Mahmood	5 out of 5
Geh Cheng Hooi*	3 out of 3
Dr Brian Shoy Teng To**	1 out of 2

* Mr Geh Cheng Hooi was re-appointed as an Independent Non-Executive Director of Paramount on 23 May 2006.

** Dr Brian Shoy Teng To resigned on 29 March 2006.

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 2006, the following three in-house seminars were organized for the directors and senior management:

i. Strategic Enterprise Management;

ii. Blue Ocean Strategy; and

iii. Preview of the Blue Ocean Strategy.

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 54 and 55 of this Annual Report.

Nomination Committee

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

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

Employees' Share Option Scheme (ESOS) Committee

The ESOS Committee comprises exclusively of the Deputy Group Managing Director & Deputy Group 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. 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. 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.

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)*	*Professional Bonus (RM'000)*	*Directors Fees (RM'000)*	*Benefits Fees (RM'000)*	*In-Kind (RM'000)*
Dato' Md Taib bin Abdul Hamid	–	–	–	64	–
Dato' Teo Chiang Quan	991	454	–	65	62
Ong Keng Siew	377	220	–	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	–	–	–	36	–

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 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' Responsibility 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

A process for identifying, evaluating and managing principal risks faced by the Group has been 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 54 and 55.

CORPORATE SOCIAL RESPONSIBILITY

The Group has long recognized the importance of conducting its business in a socially responsible manner as evidenced in our relationship with all our stakeholders.

As a developer, Paramount is committed to both preserving the environment and minimizing any harmful impact upon it in the conduct of our business activities. We place utmost importance in conforming to and satisfying the regulations set by the Department of Environment. Our commitment and actions are best exemplified in our development and building approach where a conscious effort is made to maintain the beauty of natural surroundings. Equally, environmental concerns and energy conservation are important issues that shape the design of our buildings. A winner of numerous national and international FIABCI awards, we walk the talk when it comes to environmental issues

Our Human Resource policies reflect our standing as an equal opportunity employer. We ensure that our rewards, benefits and incentives match or exceed industry standards in order to attract and retain talent. We also ensure that our worksites and surrounding areas maintain high health and safety standards as we do not compromise on the safety of our employees, sub-contractors and visitors. In this regard, our construction sector has adopted and adheres strictly to the guidelines on public safety and health at construction sites issued by the Department of Occupational Safety and Health. We also enable our employees to have a sense of ownership through an Employees' Share Option Scheme.

We constantly and actively engage and respond to our other stakeholders including shareholders, analysts, fund managers, customers, suppliers and government and non-government bodies and the communities in which we operate with a view to fostering better relations and understanding. We report regularly to shareholders in a transparent and comprehensive manner on the performance of our Company. In the communities that we develop, we have made significant inroads in promoting community interaction through social programmes and activities. We also support numerous charitable causes both in kind and money, and through the provision of scholarships to deserving students.

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 2006.

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*
YBhg Tan Sri Dato' Ahmad Sabki Bin Jahidin (Chairman)	Independent Non-Executive Director	3 out of 4 meetings
Mr Geh Cheng Hooi*	Independent Non-Executive Director/Accountant	2 out of 2 meetings
Mr Ong Keng Siew	Deputy Group Managing Director & Deputy Group Chief Executive Officer/Accountant	4 out of 4 meetings
YBhg Dato' Haji Azlan Bin Hashim	Independent Non-Executive Director/ Accountant	4 out of 4 meetings

* Mr Geh Cheng Hooi ceased to be a member of the Audit Committee on 7 March 2006 following his vacation of office as a Director of Paramount on 7 March 2006. Mr Geh was re-appointed as a Director on 23 May 2006 and as a member of the Audit Committee on 15 September 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:

a) investigate any matter within its terms of reference;

b) have resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company and the Paramount group of companies (Group);

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

e) 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.

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 the statutory audit;

   iii) Reviewed the external auditors' management letter and management's response;

   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 2006 pursuant to Bursa Malaysia Securities Berhad's Listing Requirements.

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 members of the committee.

The purpose, authority and responsibility of the internal audit function as identified by the 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 of Directors, Audit Committee and Management.

statement on ***internal control***

PREAMBLE

This Statement on Internal Control is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad and in compliance with the Malaysian Code of Corporate Governance.

It outlines the scope of internal control within the Paramount Corporation Berhad (Paramount or the Company) group of companies (Group) for the financial year ended 31 December 2006.

BOARD'S RESPONSIBILITY

The Board of Directors (Board) acknowledges overall responsibility of maintaining an adequate, sound and reliable internal control system to safeguard shareholders' investments and the Group's businesses and assets.

The Board with the Audit Committee reviews and monitors as an on-going process, the adequacy and integrity of the internal control system. The system is designed to manage rather than to eliminate the risk of failure to achieve set business objectives. The Board recognises that the internal control system can only provide reasonable but not absolute assurance.

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

RISK MANAGEMENT/ STRATEGIC PLAN

The Board regards risk management as an integral part of the Group's business objectives. The established risk framework allows management to identify, assess and manage the risks of the Group. Principal risks are highlighted to the Board for deliberation on a quarterly basis and further review is made during the Board's annual assessments of the Group's strategic plan.

The risk framework includes the Board's evaluation of identified risks relating to new businesses and major investment projects during the year.

INTERNAL AUDIT FUNCTION

The Board with the Audit Committee endorsed and approved the scope of the internal audit function through review of its detailed five years audit plan. The Board places full emphasis on the independence and integrity of the internal audit function and ensures that the internal audit function has adequate resources to effectively report to the Board on the internal control system of the Group.

The internal audit function submits regular audit reports to the Audit Committee for its review and deliberation and conducts follow-up action as required by the Audit Committee. The internal audit function reports independently to the Chairman of the Audit Committee who ensures its impartiality, proficiency and professionalism.

INFORMATION SYSTEMS

Management holds finance committee meetings on a monthly basis where comprehensive financial results are reviewed by comparing actual performance against approved budget and forecast. The monthly financial results and management reviews are then summarised for presentation to the Board for their quarterly meetings.

The established information system supports the financial and operational requirements of the Group. The integrity, adequacy, timeliness and security of the information system are consistently being monitored by management.

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 authority and 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.
- A tender committee ensuring proper procurement process for material purchases of goods and services.

For the financial year under review, the Board is 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 30 March 2007

SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM104,625,949
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	55	1.33	1,397	0.00
100 – 1,000	1,364	32.95	1,261,015	1.21
1,001 – 10,000	2,216	53.54	9,128,180	8.72
10,001 – 100,000	445	10.75	12,139,838	11.60
100,001 – 5,231,296 (*)	56	1.35	34,612,519	33.08
5,231,297 AND ABOVE (**)	3	0.07	47,483,000	45.38
TOTAL	**4,139**	**100.00**	**104,625,949**	**100.00**

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

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	*No. of Shareholdings*	*%*
1. Paramount Equities Sdn Bhd	31,325,000	29.94
2. Serata Kaya Sdn Bhd	10,639,000	10.17
3. Southern Acids (M) Berhad	5,519,000	5.27
4. DB (Malaysia) Nominee (Asing) Sdn Bhd *Deutsche Bank AG Singapore PBD for Gemwood Limited*	4,821,750	4.61
5. Azlan Bin Hashim	4,000,000	3.82
6. Bunga Indah (M) Sdn Bhd	3,309,391	3.16
7. Southern Realty (M) Sdn Bhd	2,999,000	2.87
8. Thye Heng (How Kee) Company Sdn Bhd	2,325,900	2.22
9. Angsana Sutera Sdn Bhd	1,924,000	1.84
10. Thye Heng (How Kee) Company Sdn Bhd	1,239,800	1.18
11. Kenanga Nominees (Asing) Sdn Bhd *DMG & Partners Securities Pte Ltd for Teo Pek Swan*	1,190,000	1.14
12. Yayasan Kelantan Darulnaim	958,000	0.92
13. Glamour Partnership Sdn Bhd	868,700	0.83
14. Thye Heng (How Kee) Company Sdn Bhd	723,200	0.69
15. Cheong Hon Keong	684,300	0.65
16. Dato' Teo Chiang Quan	649,000	0.62
17. Goh Beng Choo	623,500	0.60
18. Ong Keng Siew	446,000	0.43

Name of Shareholders	No. of Shareholdings	%
19. Yeo Khee Nam	375,000	0.36
20. Yeo Khee Huat	350,000	0.33
21. Citigroup Nominees (Asing) Sdn Bhd *Bear Stearns Securities Corp for Longview Investment Associates LLC*	346,400	0.33
22. Tay Lee Kong	337,500	0.32
23. Southern Edible Oil Industries (M) Sdn Bhd	333,000	0.32
24. Ghee Thong Sdn Bhd	321,000	0.31
25. Sin Heap Lee Equities Sdn Bhd	275,140	0.26
26. Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Leong Kok Tai (JRC)*	240,000	0.23
27. Chin Lai Ming	225,000	0.22
28. Tan Jin Tuan	207,550	0.20
29. Citigroup Nominees (Asing) Sdn Bhd *CBNY for DFA Emerging Markets Fund*	203,900	0.19
30. Art Printing Works Sdn Bhd	200,000	0.19

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2007

Name	No. of Ordinary Shares of RM1.00 each Direct	Indirect		Percentage of Issued Share Capital %
Paramount Equities Sdn Bhd	31,325,000	–		29.94
Dato' Teo Chiang Quan	649,000	31,654,888	(1)	30.88
Southern Acids (M) Berhad	5,519,000	–		5.27
Southern Palm Industries Sdn Bhd	10,639,000	5,519,000	(2)	15.44
Southern Edible Oil Industries (M) Sdn Bhd	333,000	16,158,000	(3)	15.76
Southern Realty (M) Sdn Bhd	2,999,000	16,491,000	(4)	18.63
Banting Hock Hin Estate Co Sdn Bhd	184,000	19,490,000	(5)	18.80
Dato' Low Mong Hua	67,000	19,674,000	(6)	18.87

Notes:

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

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2007

In Paramount Corporation Berhad:

	Direct No. of Shareholdings	*Direct* %	*Indirect* No. of Shareholdings	*Indirect* %
Dato' Teo Chiang Quan	649,000	0.62	31,654,888	30.26
Dato' Haji Azlan bin Hashim	4,000,000	3.82	–	–
Ong Keng Siew	446,000	0.43	–	–
Dato' Md Taib bin Abdul Hamid	–	–	50,000	0.05

In Related Corporations:

	Direct No. of Shareholdings	*Direct* %	*Indirect* No. of Shareholdings	*Indirect* %
KDU College Sdn Bhd				
Rohana Tan Sri Mahmood	–	–	353,000	15
Paramount Corporation Limited				
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 30 MARCH 2007

In Paramount Corporation Berhad:

	No. of Options over Ordinary Shares of RM1.00 each Offered	Exercised
Dato' Teo Chiang Quan	642,000	124,000
Ong Keng Siew	413,000	83,000
Total	**1,055,000**	**207,000**

schedule of **properties**

held by Paramount Corporation Berhad and its subsidiaries

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2006 (RM'000)
19.12.1978 (29.11.2006)	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)	24 years	Freehold	116,082	7,974
28.04.2000 (27.11.2006)	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)	4 years	99 years lease commencing 02-11-2000	160,943	9,794
28.04.2000 (27.11.2006)	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)	5 years	99 years lease commencing 02-11-2000	169,339	24,041
28.04.2000 (27.11.2006)	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)	2 years	99 years lease commencing 02-11-2000	190,297	32,511
13.06.2001 (24.11.2006)	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)	4 years	Leasehold (under master title)	Strara Title	3,841
11.03.1998 (27.11.2006)	No. 17, Jalan Ara SD7/3B Bandar Sri Damansara 52200 Kuala Lumpur	Land with a 4-storey shopoffice (Tenanted)	10 years	Freehold	1,760	616
25.10.2005 (17.10.2005)	PT 11042 & PT 11043 Town of Serendah District of Ulu Selangor Selangor	2 parcels of residential development land (Vacant)	–	Freehold	1,131,796	5,937
08.04.1982	Lots 11882 to 11886 HS(D) 13157 to 13161 T/K Jalan Batu Tiga Klang	Vacant Land	–	Freehold	6,698	3

Date of Acquisition (Date of Last Revaluation)	*Location of Property*	*Description (Existing Use)*	*Age of Building*	*Tenure*	*Land Area (Sq. Ft.)*	*NBV as at 31.12.2006 (RM'000)*
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	13,597,950	88,566
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 (Under development)	–	Freehold	3,132,001	56,293
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	160,662	232
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	2,897,134	21,259
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	5,764,652	22,879
23.06.2006	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Agricultural land – 21,124,844 sq. ft. Development land – 1,316,811 sq. ft. (Held for future dvelopment)	–	Freehold	22,441,655	39,019
15.05.2001 (29.11.2006)	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)	6 years	Freehold	6,890	1,335
30.09.1994 (29.11.2006)	Persiaran BLM 3 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Commercial development land (P.T. 68352 & 68354 – Vacant) (P.T. 68353 – Bandar Laguna Merbok clubhouse)	5 years	Freehold	1,414,336	13,873

Date of Acquisition (Date of Last Revaluation)	*Location of Property*	*Description (Existing Use)*	*Age of Building*	*Tenure*	*Land Area (Sq. Ft.)*	*NBV as at 31.12.2006 (RM'000)*
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	2,785
10.01.1999 (29.11.2006)	No 7 Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with a 2-storey shopoffice (Tenanted)	15 years	Freehold	1,679	166
21.04.1993 (27.11.2006)	No 32, Jalan Anson 10400 Penang	Land with private institutional buildings comprising a block of 5-storey and a block of 8-storey (College Campus – KDU Penang Campus)	10 years	Freehold	86,046	31,356
28.07.1998 (27.11.2006)	No 12, Jalan Khaw Sim Bee 10450 Penang	Land with a 4-storey block comprising 12 units of apartments (KDU Penang Campus hostel apartment)	12 years	Freehold	14,184 (Floor Area)	2,746
18.08.1999 (29.11.2006)	No 16, Lorong Binajaya 3 Kawasan Perusahaan Ringan Usahajaya Permatang Tinggi 14000 Bukit Mertajam	Land with a 2-storey detached factory (Available for Tenancy)	8 years	Freehold	1,916	156
16.02.2000 (29.11.2006)	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)	8 years	Freehold	52,041	2,389
30.12.1995 (4.12.2006)	Senai III Industrial Park Johor Bahru Johor Darul Takzim	Factory land & building (Tenanted)	10 years	30 years lease commencing 28-02-1996	164,221	5,981
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)	24 years	999 years lease commencing 20-05-1889	1,400	880

statement of **directors' responsibility**

in relation to the financial statements

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

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

The Directors consider that in preparing the financial statements:

- the Group and the Company have used appropriate accounting policies and are consistently applied;

- reasonable and prudent judgements and estimates were made; and

- all applicable approved accounting standards in Malaysia have been followed.

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

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

financial **statements**

directors' ***report***

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

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 15 to the financial statements.

There were no significant changes in the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	63,591	12,594
Attributable to:		
Equity holders of the Company	61,867	12,594
Minority interests	1,724	–
	63,591	12,594

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

(a) the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which have resulted in a decrease in the Group's net profit for the year by RM1,337,000 as disclosed in Note 2.3(g)(ii) to the financial statements; and

(b) the RM12,842,000 gain on disposal of an investment property known as Regency Tower as disclosed in Note 38(a) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2005 were as follows:

	RM'000
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
Final dividend of 7.5% less 28% taxation on 104,093,000 ordinary shares, paid on 28 July 2006	5,621
Special dividend of 2.5% less 28% taxation on 104,093,000 ordinary shares, paid on 28 July 2006	1,874
In respect of the financial year ended 31 December 2006:	
Interim dividend of 5.5% less 28% taxation on 104,101,000 ordinary shares, paid on 27 October 2006	4,122
	11,617

At the forthcoming Annual General Meeting, a final dividend of 7.5% less 27% taxation and a special dividend of 2.5% less 27% taxation in respect of the financial year ended 31 December 2006 on 104,126,000 ordinary shares amounting to RM5,701,000 (5.5 sen net per ordinary share) and RM1,900,000 (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 the proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as appropriation of retained profits in the financial year ending 31 December 2007, and are payable on 27 July 2007.

ISSUE OF SHARES

During the financial year the Company increased its issued and paid-up ordinary share capital from RM103,579,000 to RM104,126,000 (2005: RM103,552,000 to RM103,579,000) by way of:

(i) the issuance of 522,000 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; and

(ii) the issuance of 25,000 ordinary shares of RM1 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price of RM1.66 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
Quah Chek Tin (appointed on 6 February 2007)
Dr. Brian Shoy Teng To (resigned on 29 March 2006)

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 full-time 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 37 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 2006	Bought	Sold	At 31 December 2006
The Company				
Direct				
Dato' Teo Chiang Quan	508,000	141,000	–	649,000
Ong Keng Siew	363,000	83,000	–	446,000
Dato' Haji Azlan bin Hashim	–	4,000,000	–	4,000,000

DIRECTORS' INTERESTS (CONT'D)

	<------ Number of Ordinary Shares of RM1 Each ------>			
	At 1 January 2006	Bought	Sold	At 31 December 2006
The Company (cont'd)				
Indirect				
Dato' Teo Chiang Quan	31,654,888	–	–	31,654,888
Dato' Md Taib bin Abdul Hamid	50,000	–	–	50,000
KDU College Sdn. Bhd.				
Indirect				
Rohana Tan Sri Mahmood	353,000	–	–	353,000

	<------Number of Ordinary Shares of HKD1 Each------>			
	At 1 January 2006	Bought	Sold	At 31 December 2006
Paramount Corporation Limited				
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 Paramount Corporation Berhad 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 30(b) 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 granted options to subscribe for ordinary shares of RM1 each and the employee granted options to subscribe for 220,000 or more ordinary shares of RM1 each during the financial year is as follows:

	<--- Number of Options Over Ordinary Shares of RM1.00 Each --->				
	1 January 2006	Granted	Exercised	Lapsed	31 December 2006
Paramount Corporation Berhad					
Dato' Teo Chiang Quan	619,000	23,000	(124,000)	–	518,000
Ong Keng Siew	413,000	–	(83,000)	–	330,000
Siew Chee Choong	–	300,000	–	–	300,000

The terms of share options outstanding at 31 December 2006 are as follows:

			Number of Options over Ordinary Shares of RM1 Each			
Grant Date	Expiry Date	Exercise Price RM	At 1 January 2006 '000	Granted '000	Exercised '000	At 31 December 2006 '000
15 September 2005	28 August 2010	2.01	10,142	–	(522)	9,620
15 September 2006	28 August 2010	1.66	–	2,308	(25)	2,283

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 38 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 dated 1 March 2007.

Dato' Md Taib Bin Abdul Hamid **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 73 to 138 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 dated 1 March 2007.

Dato' Md Taib Bin Abdul Hamid **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 73 to 138 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 1 March 2007 **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 73 to 138. 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 for Entities Other Than Private Entities 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 2006 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 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
1 March 2007

consolidated **income statement**

for the year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000 (restated)
Revenue	3	367,328	502,819
Other income		29,091	16,662
Property development costs	12 (b)	(184,382)	(311,308)
Construction costs		(24,566)	(15,859)
Cost of inventories sold		(199)	(239)
Staff costs	4	(53,817)	(48,686)
Depreciation and amortisation		(11,972)	(12,739)
Other expenses		(38,741)	(49,312)
Operating profit	5	82,742	81,338
Finance costs	7	(5,470)	(6,816)
Share of results of associates		5,103	4,269
Profit before taxation		82,375	78,791
Taxation	8	(18,784)	(23,127)
Net profit for the year		63,591	55,664
Attributable to:			
Equity holders of the Company		61,867	55,503
Minority interests		1,724	161
		63,591	55,664
Earnings per share (sen)			
Basic	9 (a)	59.56	53.60
Diluted	9 (b)	59.35	N/A
Net dividends paid per ordinary share during the year (sen)	10	11.16	11.26

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

consolidated **balance sheet**

as at 31 December 2006

	Note	2006 RM'000	2005 RM'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	145,119	146,193
Land held for property development	12 (a)	163,416	143,982
Investment properties	13	14,830	62,939
Prepaid land lease payments	14	17,385	17,627
Investments in associates	16	38,999	35,335
Other investments	18	397	397
Deferred tax assets	29	4,099	2,139
		384,245	408,612
Current assets			
Property development costs	12 (b)	87,153	81,527
Inventories	19	280	310
Trade receivables	20	48,162	131,709
Other receivables	21	14,654	9,246
Tax recoverable		1,169	2,176
Cash and bank balances	24	125,919	60,380
		277,337	285,348
TOTAL ASSETS		661,582	693,960
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	25	104,126	103,579
Reserves		306,723	254,639
		410,849	358,218
Minority interests		5,311	3,651
Total equity		416,160	361,869
Non-current liabilities			
Borrowings	27	36,764	65,847
Deferred tax liabilities	29	11,083	7,130
Retirement benefit obligations	30 (a)	–	2,190
Long term payables	31	–	38,901
		47,847	114,068
Current liabilities			
Retirement benefit obligations	30 (a)	–	302
Borrowings	27	15,448	61,497
Trade payables	32	125,137	101,914
Other payables	33	54,299	49,421
Tax payable		2,691	4,889
		197,575	218,023
Total liabilities		245,422	332,091
TOTAL EQUITY AND LIABILITIES		661,582	693,960

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

consolidated ***statement of changes in equity***

for the year ended 31 December 2006

	<--------------------------Attributable to equity holders of the parent						-------------------------->		
		<--------------Non-distributable		-------------->					
						Distributable			
	Share capital RM'000 (Note 25)	**Share premium RM'000**	**Revaluation reserve RM'000**	**Translation reserve RM'000**	**Share option reserve RM'000 (Note 30(b))**	**Retained profits RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2005									
As previously stated	103,552	64,153	3,532	1,181	–	141,726	314,144	3,490	317,634
Effects of adopting FRS 127	–	–	(3,532)	–	–	3,532	–	–	–
At 1 January 2005 (restated)	103,552	64,153	–	1,181	–	145,258	314,144	3,490	317,634
Net profit for the year, representing total recognised income and expense for the year	–	–	–	–	–	55,503	55,503	161	55,664
Dividends (Note 10)	–	–	–	–	–	(11,660)	(11,660)	–	(11,660)
Share options granted under ESOS	–	–	–	–	177	–	177	–	177
Execise of options under the ESOS	27	27	–	–	–	–	54	–	54
At 31 December 2005 (restated)	103,579	64,180	–	1,181	177	189,101	358,218	3,651	361,869
At 1 January 2006									
As previously stated	103,579	64,180	3,532	1,181	–	185,738	358,210	3,659	361,869
Effect of adopting:									
FRS 2	–	–	–	–	177	(169)	8	(8)	–
FRS 127	–	–	(3,532)	–	–	3,532	–	–	–
At 1 January 2006 (restated)	103,579	64,180	–	1,181	177	189,101	358,218	3,651	361,869
Foreign currency translation, representing expenses recognised directly in equity	–	–	–	(305)	–	258	(47)	–	(47)
Net profit for the year	–	–	–	–	–	61,867	61,867	1,724	63,591
Total income and expense for the year	–	–	–	(305)	–	62,125	61,820	1,724	63,544
Dividends (Note 10)	–	–	–	–	–	(11,617)	(11,617)	(64)	(11,681)
Share options granted under ESOS	–	–	–	–	1,337	–	1,337	–	1,337
Exercise of option under the ESOS	547	617	–	–	(73)	–	1,091	–	1,091
At 31 December 2006	104,126	64,797	–	876	1,441	239,609	410,849	5,311	416,160

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

consolidated **cash flow statement**

for the year ended 31 December 2006

	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	82,375	78,791
Adjustments for:		
Depreciation of property, plant and equipment	11,281	11,714
Depreciation of investment properties	449	784
Amortisation of prepaid land lease payments	242	241
Impairment of property, plant and equipment	230	–
Impairment of investment properties	267	–
Property, plant and equipment written off	–	85
Provision for doubtful debts	3,080	5,931
Bad debts written off	55	1,713
Share based payment under ESOS	1,337	177
Gain on disposal of property, plant and equipment	(498)	(364)
Gain on disposal of investment properties	(12,845)	–
Gain on disposal of a subsidiary company	–	(24)
Provision for retirement benefits	26	623
Short term accumulating compensated absences	9	239
Share of results in associates	(5,103)	(4,269)
Amortisation of goodwill on associates	–	450
Write off of goodwill on a subsidiary	–	2
Interest expense	5,470	6,816
Interest income	(1,912)	(862)
Operating profit before working capital changes	84,463	102,047
Decrease/(increase) in receivables	75,848	(59,556)
Increase in development properties	(5,626)	(5,105)
Decrease in inventories	30	128
(Decrease)/increase in payables	(11,155)	11,222
Cash generated from operations	143,560	48,736
Taxes paid	(17,682)	(18,025)
Retirement benefits paid	(2,518)	(60)
Interest paid	(5,470)	(6,816)
Interest received	1,912	862
Net cash generated from operating activities	119,802	24,697

	2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in land held for development	(19,434)	20,184
Dividends received from an associate	1,440	2,160
Purchase of property, plant and equipment	(12,756)	(11,847)
Purchase of investment properties	(237)	–
Proceeds from disposal of property, plant and equipment	1,972	583
Proceeds from disposal of investment properties	60,432	–
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 investing activities	31,417	11,114
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	1,091	54
Dividends paid	(11,617)	(11,660)
Dividends paid to minority shareholder	(64)	–
Repayment of borrowings, net of drawdown	(35,934)	(18,985)
Net cash used in financing activities	(46,524)	(30,591)
NET INCREASE IN CASH AND CASH EQUIVALENTS	104,695	5,220
EFFECTS OF EXCHANGE RATE CHANGES	42	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,807	15,587
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 24)	125,544	20,807

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

income ***statement***

for the year ended 31 December 2006

	Note	2006 RM'000	2005 RM'000 (restated)
Revenue	3	38,987	34,717
Other income		2	240
Staff costs	4	(4,410)	(3,922)
Depreciation		(475)	(500)
Other expenses		(12,500)	(4,883)
Operating profit	5	21,604	25,652
Finance costs	7	(961)	(2,485)
Profit before taxation		20,643	23,167
Taxation	8	(8,049)	(6,728)
Profit for the year		12,594	16,439
Net dividends paid per ordinary share during the year (sen)	10	11.16	11.26

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

balance ***sheet***

as at 31 December 2006

	Note	2006 RM'000	2005 RM'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	967	1,208
Investments in subsidiaries	15	140,684	141,663
Investments in associates	16	49	49
Due from a subsidiary	17	–	35,000
Other investments	18	165	165
		141,865	178,085
Current assets			
Other receivables	21	256	259
Tax recoverable		–	724
Due from subsidiaries	23	114,155	95,802
Cash and bank balances	24	4,474	1,361
		118,885	98,146
TOTAL ASSETS		260,750	276,231
EQUITY AND LIABILITIES			
Equity			
Share capital	25	104,126	103,579
Reserves		98,855	95,997
Total equity		202,981	199,576
Non-current liability			
Provision for retirement benefits	30 (a)	–	248
Current liabilities			
Provision for retirement benefits	30 (a)	–	283
Borrowings	27	–	38,287
Other payables	33	1,890	2,159
Due to subsidiaries	34	55,563	35,678
Tax payable		316	–
		57,769	76,407
Total liabilities		57,769	76,655
TOTAL EQUITY AND LIBILITIES		260,750	276,231

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

statement of **changes in equity**

for the year ended 31 December 2006

	Share capital RM'000 (Note 25)	<---- Non-distributable ---- Share premium RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000 (Note 30(b)) ---->	Distributable Retained profits RM'000 (Note 26)	Total RM'000
At 1 January 2005							
As previously stated	103,552	64,153	3,532	2,855	–	24,006	198,098
Effects of adoting:							
FRS 121	–	–	–	(2,855)	–	2,855	–
FRS 127	–	–	(3,532)	–	–	–	(3,532)
At 1 January 2005 (restated)	103,552	64,153	–	–	–	26,861	194,566
Profit for the year, representing total income and expense recognised for the year	–	–	–	–	–	16,439	16,439
Dividends (Note 10)	–	–	–	–	–	(11,660)	(11,660)
Share based payment under the ESOS							
Recognised in the income statement	–	–	–	–	81	–	81
Recognised in investment in subsidiaries	–	–	–	–	96	–	96
Exercise of option under the ESOS	27	27	–	–	–	–	54
At 31 December 2005 (restated)	103,579	64,180	–	–	177	31,640	199,576
At 1 January 2006							
As previously stated	103,579	64,180	3,532	2,855	–	28,866	203,012
Effects of adopting:							
FRS 2	–	–	–	–	177	(81)	96
FRS 121	–	–	–	(2,855)	–	2,855	–
FRS 127	–	–	(3,532)	–	–	–	(3,532)
At 1 January 2006 (restated)	103,579	64,180	–	–	177	31,640	199,576
Profit for the year, representing total income and expense recognised for the year	–	–	–	–	–	12,594	12,594
Dividends (Note 10)	–	–	–	–	–	(11,617)	(11,617)
Share based payment under the ESOS							
Recognised in the income statement	–	–	–	–	416	–	416
Recognised in investment in subsidiaries	–	–	–	–	921	–	921
Exercise of option under the ESOS	547	617	–	–	(73)	–	1,091
At 31 December 2006	104,126	64,797	–	–	1,441	32,617	202,981

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

cash flow ***statement***

for the year ended 31 December 2006

	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,643	23,167
Adjustments for:		
Depreciation of property, plant and equipment	475	500
Impairment of investment in a subsidiary	6,900	–
Provision for doubtful debt	2,293	–
Loss/(gain) on disposal of property, plant and equipment	3	(52)
Short-term accumulating compensated absences	(20)	49
Provision for retirement benefits	(173)	62
Share based payment under ESOS	416	81
Interest expense	961	2,485
Dividend income	(27,400)	(23,800)
Interest income	(2,235)	(3,935)
Operating profit/(loss)before working capital changes	1,863	(1,443)
Decrease in receivables	3	50
(Decrease)/increase in payables	(249)	1,048
Changes in subsidiaries balances	34,239	(6,118)
Cash generated from/(used in) operations	35,856	(6,463)
Interest paid	(961)	(2,485)
Retirement benefits paid	(358)	–
Tax refund/(paid)	663	(442)
Net cash generated from/(used in) operating activities	35,200	(9,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,235	3,931
Dividend received	19,728	17,136
Purchase of equity interest in a subsidiary	(5,000)	(51)
Proceeds from disposal of property, plant and equipment	1	52
Purchase of property, plant and equipment	(238)	(264)
Net cash generated from investing activities	16,726	20,804
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	1,091	54
Dividends paid	(11,617)	(11,660)
Repayment of borrowings	(7,115)	(4,980)
Net cash used in financing activities	(17,641)	(16,586)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,285	(5,172)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(29,811)	(24,639)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 24)	4,474	(29,811)

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

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 15 to the financial statements. There were no significant changes in the principal activities of the Group and of the Company during the financial year.

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 1 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Company had adopted new and revised Financial Reporting Standards ("FRSs") as described fully in Note 2.3 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for certain freehold land included within property, plant and equipment that have been carried at valuation as disclosed in Note 11 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(n). On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

(ii) Basis of Consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of the income statement and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(iii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and Basis of Consolidation (cont'd)

(iii) Associates (cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(n).

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

(b) Goodwill

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(n). 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.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses except for freehold land, which are stated at cost or at revalued amounts (the fair value at the date of the revaluation) less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(n).

Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold buildings, 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 buildings	1% – 2%
Plant, equipment, furniture, fixtures, fittings and motor vehicles	10% – 33.33%

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

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.

(d) 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 2.2(n).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(d) Land Held for Property Development and Property Development Costs (cont'd)

(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.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(n).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(f) Construction Contracts (cont'd)

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.

(g) 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.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Financial Instruments (cont'd)

(iii) 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.

(iv) 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.

(v) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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 drawndown 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.

(vi) Equity Instruments

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

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

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, reissuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(i) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(j) 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(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.

The Group has opted to discontinue its retirement benefit plan. A settlement of the outstanding obligation has been made during the financial year, which resulted in the cessation of the retirement benefit plan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(j) Employee Benefits (cont'd)

(iv) Share-Based Compensation

The Paramount Corporation Berhad Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

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

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

(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.

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 as income or an expense and included in the income statement for the period, 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 the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) 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 2.2(d).

(ii) Revenue from construction contract is accounted for by the stage of completion method as described in Note 2.2(f).

(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.

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Company or the individual financial statements of the foreign operation, as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Foreign Currencies (cont'd)

(ii) Foreign Currency Transactions (cont'd)

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

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

	2006 RM	2005 RM
United States Dollar	3.532	3.800
Hong Kong Dollar	0.463	0.488
Renminbi	0.460	0.460
Great Britain Pound Sterling	6.932	6.730

(n) 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, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

– Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(e)); and

– Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases – the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(iii) Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(o) Leases (cont'd)

(iv) Operating Leases – the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(l)(iv)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

In addition to the above, the Group has opted for the early adoption of the revised FRS 117 on Leases for the financial period beginning 1 January 2006.

The Group and the Company have not early adopted the deferred FRS 124 – Related Party Disclosures and FRS 139 – Financial Instruments: Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 January 2007:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

FRS 6 is not relevant to the Group and the Company's operations.

(ii) Amendment to FRS 119_{2004}: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses arising from post-employment defined benefit plans. At 31 December 2006, the Company does not have any retirement benefit obligation, as such, there will be no effects arising from the adoption of this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

The adoption of revised FRS 3, 5, 102, 108, 110, 116, 128, 132, 133 and 136 does not result in significant changes in accounting policies of the Group and the Company. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 2 : Share Based Payments

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted to employees of the Company. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group and the Company have applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006. The application is retrospective and accordingly, certain comparatives have been restated as disclosed in Note 2.3(h). The effects on the balance sheets as at 31 December 2006 and income statements for the year ended 31 December 2006 are set out in Note 2.3(g).

(b) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented on the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(g)(i) and Note 2.3(g)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

(c) FRS 117 : Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

(c) FRS 117 : Leases (cont'd)

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated. There were no effects on the consolidated income statement and the Company's financial statements for the year ended 31 December 2006.

(d) FRS 121: The Effects of Changes in Foreign Exchange Rates

Prior to 1 January 2006, exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, were recognised in equity in the consolidated financial statements. Under the revised FRS 121, such exchange differences are now recognised in the income statement. This change in accounting policy has been accounted for retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated. The effects on the Company's balance sheet as at 31 December 2006 are set out in Note 2.3(g)(i).

(e) FRS 127 : Consolidated and Separate Financial Statements

Prior to 1 January 2006, certain investment in subsidiaries were stated at valuation less impairment losses. Upon the adoption of FRS 127, the Company has elected to state such investments at cost less accumulated impairment loss.

The change in accounting policy has resulted in the restatement of investment in subsidiaries and revaluation reserve in the balance sheet of the Company, which has been accounted for retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated. There were no effects on the Group's consolidated income statement for the year ended 31 December 2006.

(f) FRS 140 : Investment Property

Prior to 1 January 2006, investment properties were included within property, plant and equipment. Upon the adoption of FRS 140, investment properties are now classified as a separate category on the consolidated balance sheet and stated at cost less accumulated depreciation and impairment losses.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported in the consolidated income statement for 2005 or prior periods. The reclassification of land and building as investment property has been accounted for retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated.

There were no effects on the consolidated income statement for the year ended 31 December 2006.

(g) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

(g) Summary of effects of adopting new and revised FRSs on the current year's financial statements (cont'd)

(i) Effects on balance sheets as at 31 December 2006

Description of Change	FRS 2 Note 2.3 (a) RM'000	FRS 117 Note 2.3 (c) RM'000	Increase/(Decrease) FRS 121 Note 2.3 (d) RM'000	FRS 127 Note 2.3 (e) RM'000	FRS 140 Note 2.3 (f) RM'000
Group					
Property, plant and equipment	–	(17,385)	–	–	(14,830)
Investment properties	–	–	–	–	14,830
Prepaid land lease payments	–	17,385	–	–	–
Share premium	73	–	–	–	–
Revaluation reserve	–	–	–	(3,532)	–
Share option reserve	1,441	–	–	–	–
Retained earnings	(1,506)	–	–	3,532	–
Minority interests	(8)	–	–	–	–
Company					
Investment in subsidiaries	1,017	–	–	(3,532)	–
Share premium	73	–	–	–	–
Translation reserve	–	–	(2,855)	–	–
Revaluation reserve	–	–	–	(3,532)	–
Share option reserve	1,441	–	–	–	–
Retained earnings	(497)	–	2,855	–	–

(ii) Effects on income statements for the year ended 31 December 2006

Description of Change	Increase/ (Decrease) FRS 2 RM'000
Group	
Staff costs	1,337
Profit before taxation	(1,337)
Taxation	–
Profit for the year	(1,337)
Earnings per share (sen):	
Basic, for profit for the year	(1.29)
Diluted, for profit for the year	(1.28)
Company	
Staff costs	416
Profit before taxation	(416)
Taxation	–
Profit for the year	(416)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

(h) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Previously stated	Increase/(Decrease)					Restated
		FRS 2	FRS 117	FRS 121	FRS 127	FRS 140	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005							
Company							
Investment in subsidiaries	144,999	–	–	–	(3,532)	–	141,467
Translation reserve	2,855	–	–	(2,855)	–	–	–
Revaluation reserve	3,532	–	–	–	(3,532)	–	–
Retained profits	24,006	–	–	2,855	–	–	26,861
At 31 December 2005							
Group							
Property, plant and equipment	226,759	–	(17,627)	–	–	(62,939)	146,193
Investment properties	–	–	–	–	–	62,939	62,939
Prepaid land lease payments	–	–	17,627	–	–	–	17,627
Revaluation reserve	3,532	–	–	–	(3,532)	–	–
Share option reserve	–	177	–	–	–	–	177
Retained profits	185,738	(169)	–	–	3,532	–	189,101
Minority interests	3,659	(8)	–	–	–	–	3,651

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in Accounting Policies, Effects and Changes in Comparatives Arising from Adoption of New and Revised FRSs (cont'd)

(h) Restatement of Comparatives (cont'd)

Description of Change	Previously stated	Increase/(Decrease)			Restated
		FRS 2	FRS 121	FRS 127	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2005					
Company					
Investment in subsidiaries	145,099	96	–	(3,532)	141,663
Revaluation reserve	3,532	–	–	(3,532)	–
Share option reserve	–	177	–	–	177
Translation reserve	2,855	–	(2,855)	–	–
Retained profits	24,006	(81)	2,855	–	26,780

	Previously stated	Increase/(Decrease)		Restated
		FSR 2	FRS 101	
	RM'000	RM'000	RM'000	RM'000
For the year ended 31 December 2005				
Group				
Other income	15,800	–	862	16,662
Staff costs	48,509	177	–	48,686
Share of results of associates	5,930	–	(1,661)	4,269
Taxation	24,788	–	(1,661)	23,127
Finance costs	5,954	–	862	6,816
Company				
Staff costs	3,841	81	–	3,922

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgements

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

(i) Property Development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 1% difference in the estimated total property development costs would result in approximately 3% variance in the Group's estimated net profits.

(ii) Construction Costs

The Group recognises construction revenue and costs in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 1% difference in the estimated total construction costs would result in approximately 2% variance in the Group's estimated net profits.

(iii) Impairment of Investment in Subsidiary

During the current financial year, the Company had recognised impairment losses in respect of its investment in a subsidiary. The Company carried out the impairment test based on a variety of estimation including the estimation of the value-in-use as stated in Note 15. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the investment in subsidiary as at 31 December 2006 is RM4,000,000.

(iv) Impairment of Property, Plant and Equipment

During the current financial year, the Group had recognised impairment losses in respect of their plant and equipment in a subsidiary. The Group carried out the impairment test based on a variety of estimation including the value-in-use for the CGU to which the plant and equipment were allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the plant and equipment of the Group that were impaired as at 31 December 2006 was RM230,000 as disclosed in Note 11(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgements (cont'd)

(v) Deferred Tax Assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM28,608,000 (2005: RM25,801,000) and the unrecognised tax losses and capital allowances of the Group was RM34,810,000 (2005: RM35,137,000).

3. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of properties	250,413	397,452	–	–
Construction contracts	34,680	28,718	–	–
Educational fees	72,541	59,375	–	–
Sales of goods	4,209	9,218	–	–
Membership fee	434	464	–	–
Interest income from				
– third party	350	29	350	29
– subsidiaries	–	–	1,885	3,906
Dividends (gross) from subsidiaries (non-tax exempt)	–	–	27,400	23,800
Management fees from subsidiaries	–	–	9,352	6,982
Rental income	4,701	7,563	–	–
	367,328	502,819	38,987	34,717

4. STAFF COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages and salaries	44,529	38,575	3,614	3,096
Short term accumulating compensated absences	9	239	(20)	49
Pension costs – defined contribution plan	5,263	4,807	373	360
Pension costs – defined benefit plan (Note 30(a))	26	623	(173)	62
Share options granted under ESOS	1,337	177	416	81
Other staff related expenses	2,653	4,265	200	274
	53,817	48,686	4,410	3,922

Included in staff costs of the Group and the Company are executive directors' remuneration amounting to RM5,086,000 (2005: RM3,388,000) and RM1,287,000 (2005: RM988,000) respectively as further disclosed in Note 6.

5. OPERATING PROFIT

The following amounts have been included in arriving at the operating profit:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating profit is stated after charging/(crediting):				
Amortisation of:				
– goodwill on associates	–	450	–	–
– prepaid land lease payments	242	241	–	–
Auditors' remuneration				
– Statutory audit	206	171	48	42
– Other services	116	113	19	30
Bad debts written off	55	1,713	–	–
Depreciation of property, plant and equipment	11,281	11,714	475	500
Depreciation of investment property	449	784	–	–
Direct operating expenses of investment properties	1,249	2,325	–	–
Impairment of:				
– investment in subsidiary companies	–	–	6,900	–
– property, plant and equipment	230	–	–	–
– investment property	267	–	–	–
Lease rental	663	1,827	–	–
Non-executive directors' remuneration (Note 6)	475	529	240	294
Property, plant and equipment written off	–	85	–	–
Provision for doubtful debts	3,080	5,931	2,293	–
Rental of premises	1,869	1,660	452	448
Write off of goodwill on a subsidiary	–	2	–	–
(Gain)/loss on disposal of:				
– subsidiary company	–	(24)	–	–
– property, plant and equipment	(498)	(364)	3	(52)
– investment properties	(12,845)	–	–	–
Interest income	(1,912)	(862)	–	–
Reversal of provision for doubtful debts	(2,709)	–	–	–
Rental income	(2,606)	(2,244)	–	–

6. DIRECTORS' REMUNERATION

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	1,379	1,340	507	498
Fees	121	121	86	86
Bonus	674	677	233	254
Pension costs – defined contribution plan	245	242	88	90
Pension costs – defined benefit plan	622	14	210	14
Share options granted under ESOS	163	46	163	46
Benefits-in-kind	104	109	28	28
	3,308	2,549	1,315	1,016
Non-Executive:				
Fees	250	304	240	294
Consultancy fees	198	198	–	–
Benefits-in-kind	25	25	–	–
	473	527	240	294
	3,781	3,076	1,555	1,310
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	1,070	607	–	–
Fees	8	8	–	–
Bonus	338	185	–	–
Pension costs – defined contribution plan	168	95	–	–
Pension costs – defined benefit plan	128	9	–	–
Share options granted under ESOS	170	44	–	–
Benefits-in-kind	52	42	–	–
	1,934	990	–	–
Non-Executive:				
Fees	27	27	–	–
	1,961	1,017	–	–
Total	5,742	4,093	1,555	1,310

6. DIRECTORS' REMUNERATION (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 4)	5,086	3,388	1,287	988
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	475	529	240	294
Total directors' remuneration excluding benefits-in-kind	5,561	3,917	1,527	1,282

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	
	2006	2005
Executive directors:		
RM700,001 – RM800,000	–	1
RM900,001 – RM1,000,000	1	–
RM1,700,001 – RM1,800,000	–	1
RM2,100,001 – RM2,200,000	1	–
Non-Executive directors:		
Below RM50,000	2	1
RM50,000 – RM100,001	3	4
RM250,001 – RM300,000	–	1

7. FINANCE COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'00
Interest expense on:				
Bank borrowings	6,153	13,509	961	2,485
Less: Interest expense capitalised in qualifying assets	(683)	(6,693)	–	–
	5,470	6,816	961	2,485

8. TAXATION

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Income tax:				
Malaysian income tax	16,514	22,524	7,977	6,818
Real Property Gains Tax	300	–	–	–
(Over)/under provided in prior year	(23)	8	72	(90)
	16,791	22,532	8,049	6,728
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	2,076	1,892	–	–
Relating to changes in tax rates	(253)	–	–	–
Under/(over)provided in prior year	170	(1,297)	–	–
	1,993	595	–	–
	18,784	23,127	8,049	6,728

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. TAXATION (CONT'D)

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:

	2006 RM'000	2005 RM'000
Group		
Profit before taxation	82,375	78,791
Taxation at statutory tax rate of 28 % (2005: 28%)	23,065	22,061
Effect of income subject to tax rate of 20 % (2005: 20%)	(130)	(158)
Effect of changes in tax rates on opening balance of deferred tax	(108)	–
Deferred tax recognised at different tax rates	(145)	–
Effect of real property gains tax	(1,238)	–
Effect of share of results from associate	1,429	1,195
Income not subject to tax	(5,539)	(2,731)
Expenses not deductible for tax purposes	1,457	1,715
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	–	(9)
Tax losses not allowable for future utilisation	21	13
Deferred tax assets previously unrecognised, now recognised	(937)	(27)
Deferred tax assets not recognised during the year	762	2,357
Deferred tax under/(over)provided in prior year	170	(1,297)
Income tax (over)/underprovided in prior year	(23)	8
Tax expense for the year	18,784	23,127
Company		
Profit before taxation	20,643	23,167
Taxation at statutory tax rate of 28% (2005: 28%)	5,780	6,487
Income not subject to tax	(2)	(33)
Expenses not deductible for tax purposes	2,767	229
Group relief	(568)	–
Deferred tax assets not recognised during the year	–	135
Tax under/(over)provided in prior year	72	(90)
Tax expense for the year	8,049	6,728

8. TAXATION (CONT'D)

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Tax losses are analysed as follows:				
Unabsorbed tax losses carried forward	28,584	25,801	6,186	6,186

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	
	2006	**2005**
Profit attributable to ordinary equity holders of the parent (RM'000)	61,867	55,503
Weighted average number of ordinary shares in ('000)	103,872	103,556
Basic earnings per share (sen)	59.56	53.60

(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.

	Group 2006
Profit attributable to ordinary equity holders of the parent (RM'000)	61,867
Weighted average number of ordinary shares in ('000)	103,872
Effect of dilution: ESOS ('000)	369
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	104,241
Diluted earnings per share (sen)	59.35

For the previous financial year, the ESOS effect was anti-dilutive.

10. DIVIDENDS

	Group and Company			
	Amount		Net Dividends Paid per Ordinary Share	
	2006 RM'000	2005 RM'000	2006 Sen	2005 Sen
Recognised during the year:				
For the financial year ended 31 December 2006				
Interim dividend of 5.5% less 28% taxation	4,122	–	3.96	–
For the financial year ended 31 December 2005				
Final dividend of 7.5% less 28% taxation	5,621	–	5.40	–
Special dividend of 2.5% less 28% taxation	1,874	–	1.80	–
Interim dividend of 5.5% less 28% taxation	–	4,101	–	3.96
Special dividend of 2.5% less 28% taxation	–	1,864	–	1.80
For the financial year ended 31 December 2004				
Final tax exempt dividend of 5.5%	–	5,695	–	5.50
	11,617	11,660	11.16	11.26

At the forthcoming Annual General Meeting, a final dividend of 7.5 % less 27 % taxation and a special dividend of 2.5 % less 27% taxation in respect of the financial year ended 31 December 2006 on 104,126,000 ordinary shares amounting to RM5,701,000 (5.5 sen net per ordinary share) and RM1,900,000 (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 2007, and payable on 27 July 2007.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Cost/Valuation			
At 1 January 2005			
At cost	122,999	62,605	185,604
At valuation	1,982	–	1,982
	124,981	62,605	187,586
Additions	4,309	7,707	12,016
Disposals	–	(964)	(964)
Write-off	(5)	(94)	(99)
At 31 December 2005	129,285	69,254	198,539
Additions	2,426	10,303	12,729
Disposals	–	(6,044)	(6,044)
Write-off	–	(2,787)	(2,787)
Currency translation	–	(17)	(17)
Adjustments	(7)	–	(7)
At 31 December 2006	131,704	70,709	202,413
Cost/Valuation			
Representing:			
At 31 December 2006			
At cost	129,722	70,709	200,431
At valuation	1,982	–	1,982
	131,704	70,709	202,413
At 31 December 2005			
At cost	127,303	69,254	196,557
At valuation	1,982	–	1,982
	129,285	69,254	198,539

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

Group (cont'd)

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses			
At 1 January 2005	7,669	33,894	41,563
Charge for the year	1,540	10,174	11,714
Disposals	–	(917)	(917)
Write-off	–	(14)	(14)
At 31 December 2005	9,209	43,137	52,346
Charge for the year	1,581	9,700	11,281
Impairment losses (Note 11(d))	–	230	230
Disposals	–	(3,761)	(3,761)
Write-off	–	(2,788)	(2,788)
Currency translation	–	(14)	(14)
At 31 December 2006	10,790	46,504	57,294
Analysed as:			
Accumulated depreciation	10,790	46,274	57,064
Accumulated impairment losses	–	230	230
	10,790	46,504	57,294
Net Book Value			
At 31 December 2006	120,914	24,205	145,119
Representing:			
At cost	118,932	24,205	143,137
At valuation	1,982	–	1,982
	120,914	24,205	145,119
At 31 December 2005	120,076	26,117	146,193
Representing:			
At cost	118,094	26,117	144,211
At valuation	1,982	–	1,982
	120,076	26,117	146,193

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

* Land and Building

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold building RM'000	Total RM'000
Cost/Valuation				
At 1 January 2005				
At cost	23,568	49,671	49,760	122,999
At valuation	1,982	–	–	1,982
	25,550	49,671	49,760	124,981
Additions	–	3,361	948	4,309
Write-off	–	(5)	–	(5)
At 31 December 2005	25,550	53,027	50,708	129,285
Additions	–	2,426	–	2,426
Adjustments	–	–	(7)	(7)
At 31 December 2006	25,550	55,453	50,701	131,704
Representing:				
At 31 December 2006				
At cost	23,568	55,453	50,701	129,722
At valuation	1,982	–	–	1,982
	25,550	55,453	50,701	131,704
At 31 December 2005				
At cost	23,568	53,027	50,708	127,303
At valuation	1,982	–	–	1,982
	25,550	53,027	50,708	129,285
Accumulated Depreciation				
At 1 January 2005	–	526	7,143	7,669
Charge for the year	–	534	1,006	1,540
At 31 December 2005	–	1,060	8,149	9,209
Charge for the year	–	567	1,014	1,581
At 31 December 2006	–	1,627	9,163	10,790

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

* Land and Building

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold land and building RM'000	Total RM'000
Net Book Value				
At 31 December 2006	25,550	53,826	41,538	120,914
Representing:				
At cost	23,568	53,826	41,538	118,932
At valuation	1,982	–	–	1,982
	25,550	53,826	41,538	120,914
At 31 December 2005	25,550	51,967	42,559	120,076
Representing:				
At cost	23,568	51,967	42,559	118,094
At valuation	1,982	–	–	1,982
	25,550	51,967	42,559	120,076

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

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Company	
Cost	
At 1 January 2005	3,522
Additions	264
Disposals	(126)
At 31 December 2005	3,660
Additions	238
Disposals	(12)
At 31 December 2006	3,886
Accumulated Depreciation	
At 1 January 2005	2,078
Charge for the year	500
Disposals	(126)
At 31 December 2005	2,452
Charge for the year	475
Disposals	(8)
At 31 December 2006	2,919
Net Book Value	
At 31 December 2006	967
At 31 December 2005	1,208

(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 2006 are as follows:

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

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 2006 would be RM35,000 (2005: RM35,000).

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

(b) Included in the cost of the property, plant and equipment of the Group and the Company are fully depreciated assets amounting to RM16,222,000 (2005: RM15,964,000) and RM1,392,000 (2005: RM1,049,000) respectively which are still in use.

(c) The net book value of property, plant and equipment pledged for borrowings (Note 27) are as follows:

	Group	
	2006	**2005**
	RM'000	**RM'000**
Freehold land and building	34,102	34,773
Long term leasehold land and buildings	53,827	67,147
	87,929	101,920

(d) A recoverability review of plant and equipment of a subsidiary led to the RM230,000 impairment loss as no further economic benefit is expected be derived from these nonmoveable furniture and fittings.

12. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development, at cost

	Group	
	2006	**2005**
	RM'000	**RM'000**
Freehold land		
At 1 January	93,304	133,678
Additions	38,878	–
Disposals	(3)	–
Transfer to property development costs	(21,100)	(40,374)
At 31 December	111,079	93,304
Development costs		
At 1 January	50,678	30,488
Costs incurred during the financial year	16,619	39,547
Disposals	(12)	–
Transfer to property development costs	(14,948)	(19,357)
At 31 December	52,337	50,678
	163,416	143,982

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

(b) Property Development Costs, at cost

	Group 2006 RM'000	Group 2005 RM'000
Freehold land		
At 1 January	119,268	79,492
Reversal of completed projects	(566)	(590)
Unsold units transferred to inventories	(16)	(8)
Transfer from land held for property development	21,100	40,374
At 31 December	139,786	119,268
Development costs		
At 1 January	636,398	366,691
Cost incurred during the financial year	154,129	256,792
Transfer from land held for property development	14,948	19,357
Reversal of completed projects	(5,274)	(6,339)
Transfer to inventories	(153)	(103)
At 31 December	800,048	636,398
Costs recognised in income statement:		
At 1 January	(674,139)	(369,760)
Recognised during the financial year	(184,382)	(311,308)
Reversal of completed projects	5,840	6,929
At 31 December	(852,681)	(674,139)
Net carrying amount of property development costs	87,153	81,527

The freehold land of the Group with the carrying amount of RM51,553,000 (2005: RM101,408,000) has been pledged as security for the borrowing as disclosed in Note 27.

Included in property development costs is interest capitalised amounting to RM7,341,000 (2005: RM6,693,000).

13. INVESTMENT PROPERTIES

	Group		
	Freehold Land RM'000	Building RM'000	Total RM'000
Cost			
At 1 January 2005	10,000	56,594	66,594
Additions	5,700	–	5,700
Disposals	–	(197)	(197)
At 31 December 2005	15,700	56,397	72,097
Additions	237	–	237
Currency translation	–	(43)	(43)
Disposals	(10,000)	(44,212)	(54,212)
At 31 December 2006	5,937	12,142	18,079
Accumulated Depreciation and Impairment Losses			
At 1 January 2005	–	8,399	8,399
Depreciation for the year	–	784	784
Disposal	–	(25)	(25)
At 31 December 2005	–	9,158	9,158
Depreciation for the year	–	449	449
Disposal	–	(6,625)	(6,625)
Impairment loss (Note 13(a))	–	267	267
At 31 December 2006	–	3,249	3,249
Net Book Value			
At 31 December 2006	5,937	8,893	14,830
At 31 December 2005	15,700	47,239	62,939
Market Value			
At 31 December 2006	5,937	9,162	15,099

The market value of the investment properties were appraised by an independent professional valuer.

The RM267,000 impairment loss in a subsidiary was due to the write down of the 8 units of shoplots to its market value as assessed by an independent professional valuer.

14. PREPAID LAND LEASE PAYMENTS

	Group 2006 RM'000	Group 2005 RM'000
Long term leasehold land		
At 1 January	17,627	17,820
Addition	–	48
Amortisation for the year (Note 5)	(242)	(241)
At 31 December	17,385	17,627

15. INVESTMENTS IN SUBSIDIARIES

	Company 2006 RM'000	Company 2005 RM'000
Unquoted shares, at cost	153,700	147,779
Less: Accumulated impairment losses	(13,016)	(6,116)
	140,684	141,663

Details of the subsidiaries are as follows:

Name of Company	Effective Interest 2006 %	Effective Interest 2005 %	Paid-up Capital '000	Principal Activities
Incorporated in Malaysia				
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
Paramount Construction Sdn. Bhd *(formerly known as Arah Teknik Sdn. Bhd.)*	100	100	RM600	Building and engineering contractor
Paramount Building Materials Sdn. Bhd.	100	100	RM150	Trading of building materials
Paramount Projects Sdn. Bhd. *(formerly known as Bilsys Sdn. Bhd.)*	100	100	RM1,000	Building and engineering contractor and project management and property development

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Interest 2006 %	Effective Interest 2005 %	Paid-up Capital '000	Principal Activities
Incorporated in Malaysia				
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 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.	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
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Property investment
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM1,000	Property development
Seleksi Megah Sdn. Bhd.	100	100	RM100	Inactive
Incorporated in Hong Kong				
** Paramount Corporation Limited	100	100	#HK$1,000	Investment holding
Incorporated in People's Republic of China				
** KDU International Language Training School Limited	100	100	#RMB9,600	Educational services

* Paid-up capital of RM2
** Audited by a firm of chartered accountants other than Ernst & Young
#HK$ Represents currency denoted in Hong Kong Dollars
#RMB Represents currency denoted in Renminbi

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the current financial year,

(a) 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 at par for cash.

(b) On 16 August 2006, KDU International Sdn Bhd, a wholly owned subsidiary of the Company, increased its shareholding in KDU International Language Training School Limited, a wholly owned subsidiary from RMB7,600,000 to RMB9,600,000 through the subscription of 2,000,000 new ordinary shares of RMB1 each at par for cash.

Key assumptions used in impairment calculations

The impairment is determined using future cash flow projections based on financial budgets approved by management covering a five-year period.

The following are the key assumptions on which management had based its future cash flow projections in respect of its impairment testing on its investment in a subsidiary.

(a) Discount rate

The discount rate used is based on the financing costs of borrowings of the Company totalling to 8.25%.

(b) Average student number's growth rate

The average student number's growth rate is assumed to be from 2.00% to 4.00% per annum.

(c) Incremental rate in other expenses

The incremental rate in other expenses is assumed to be 5% per annum.

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	26,022	26,022	3,770	3,770
Less: Accumulated impairment losses	(3,721)	(3,721)	(3,721)	(3,721)
Goodwill amortised	(2,248)	(2,248)	–	–
Share of post-acquisition profits	18,946	15,282	–	–
	38,999	35,335	49	49

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

	Group	
	2006 RM'000	2005 RM'000
Share of net assets	38,999	35,335

16. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Company	Effective Interest 2006 %	Effective Interest 2005 %	Paid-up Capital '000	Principal Activities
Incorporated in Malaysia				
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
Jasarim Bina Sdn. Bhd.*	49.00	49.00	RM100	Inactive

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

17. DUE FROM A SUBSIDIARY

The amount due from a subsidiary in the previous financial year was unsecured, had no fixed terms of repayment and bore interest at 6% per annum.

18. OTHER INVESTMENTS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Unquoted shares, at cost	11,402	11,402	–	–
Less: Accumulated impairment losses	(11,402)	(11,402)	–	–
Club memberships, at cost	397	397	165	165
	397	397	165	165

19. INVENTORIES

	Group 2006 RM'000	Group 2005 RM'000
At cost:		
Properties held for sale	280	310

20. TRADE RECEIVABLES

	Group 2006 RM'000	Group 2005 RM'000
Trade receivables	42,289	55,751
Accrued billings in respect of property development costs	5,762	74,207
Due from customers on contracts (Note 22)	996	4,841
Retention sums on contracts	4,222	3,405
	53,269	138,204
Provision for doubtful debts	(5,107)	(6,495)
	48,162	131,709

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

21. OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and prepayments	5,907	4,164	196	189
Sundry receivables	10,292	5,683	60	70
	16,199	9,847	256	259
Provision for doubtful debts	(1,545)	(601)	–	–
	14,654	9,246	256	259

22. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2006 RM'000	Group 2005 RM'000
Construction contract costs incurred to date	880,026	736,038
Attributable profits	93,804	79,792
	973,830	815,830
Less: Progress billings	(985,336)	(821,680)
	(11,506)	(5,850)
Due from customers on contracts (Note 20)	996	4,841
Due to customers on contracts (Note 32)	(12,502)	(10,691)
	(11,506)	(5,850)

The cost incurred to date on construction contracts includes the hire of plant and machinery amounting to RM2,576,000 (2005: RM2,155,000).

23. DUE FROM SUBSIDIARIES

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

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash on hand and at banks	79,408	43,954	107	52
Deposits with licensed banks	46,511	16,426	4,367	1,309
Cash and bank balances	125,919	60,380	4,474	1,361
Less: Bank overdrafts (Note 27)	(375)	(39,573)	–	(31,172)
Cash and cash equivalents	125,544	20,807	4,474	(29,811)

Included in cash and bank balances of the Group are amounts of RM71,686,000 (2005: RM36,355,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and which are restricted from use in other operations.

Included in deposits of the Group is an amount of RM241,000 (2005: RM270,000) which has been pledged as security for bank guarantee facilities granted by the banks.

25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised:				
At 1 January/31 December	200,000	200,000	200,000	200,000
Issued and fully paid:				
At 1 January	103,579	103,552	103,579	103,552
Issued under Employee Shares Option Scheme (Note 30(b))	547	27	547	27
At 31 December	104,126	103,579	104,126	103,579

26. RETAINED PROFITS

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM6,047,000 (2005: RM6,047,000), subject to the agreement of the Inland Revenue Board.

As at 31 December 2006, 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.

27. BORROWINGS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts (Note 24)	–	8,401	–	–
Revolving credit	1,472	5,065	–	–
Bankers' acceptances	–	3,214	–	–
Term loans	13,526	6,430	–	–
Hire purchase payables (Note 28)	75	100	–	–
	15,073	23,210	–	–
Unsecured:				
Bank overdrafts (Note 24)	375	31,172	–	31,172
Revolving credit	–	5,000	–	5,000
Term loans	–	2,115	–	2,115
	375	38,287	–	38,287
	15,448	61,497	–	38,287
Long Term Borrowings				
Secured:				
Term loans	36,659	65,666	–	–
Hire purchase payables (Note 28)	105	181	–	–
	36,764	65,847	–	–
Total Borrowings				
Bank overdrafts (Note 24)	375	39,573	–	31,172
Revolving credit	1,472	10,065	–	5,000
Bankers' acceptances	–	3,214	–	–
Term loans	50,185	74,211	–	2,115
Hire purchase payables (Note 28)	180	281	–	–
	52,212	127,344	–	38,287

27. BORROWINGS (CONT'D)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity of Borrowings (excluding hire purchase)				
Within one year	15,373	61,397	–	38,287
More than 1 year and less than 2 years	19,659	13,612	–	–
More than 2 years and less than 5 years	15,380	47,131	–	–
More than 5 years	1,620	4,923	–	–
	52,032	127,063	–	38,287

(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, 12 and 14;

(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.

28. HIRE PURCHASE PAYABLES

	Group	
	2006 RM'000	2005 RM'000
Minimum Payments:		
Not later than 1 year	81	110
Later than 1 year and not later than 2 years	60	81
Later than 2 years and not later than 5 years	51	111
	192	302
Less : Future finance charges	(12)	(21)
Present value of hire purchase payables	180	281
Present Value of Hire Purchase Payables:		
Not later than 1 year	75	100
Later than 1 year and not later than 2 years	57	75
Later than 2 years and not later than 5 years	48	106
	180	281
Analysed as:		
Due within 12 months (Note 27)	75	100
Due after 12 months (Note 27)	105	181
	180	281

29. DEFERRED TAXATION

	Group 2006 RM'000	Group 2005 RM'000
At 1 January	4,991	4,396
Recognised in the income statement (Note 8)	1,993	595
At 31 December	6,984	4,991
Presented after appropriate offsetting as follows:		
Deferred tax assets	(4,099)	(2,139)
Deferred tax liabilities	11,083	7,130
	6,984	4,991

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

	At 1 January 2006 RM'000	Recognised in the income statement RM'000	At 31 December 2006 RM'000
Deferred Tax Liabilities of the Group:			
Accelerated capital allowances	9,287	1,796	11,083
Deferred Tax Assets of the Group:			
Accelerated capital allowances	(91)	2	(89)
Retirement benefit obligations	(541)	447	(94)
Tax losses and unutilised capital allowances	(2,718)	(861)	(3,579)
Others	(946)	609	(337)
	(4,296)	197	(4,099)
	4,991	1,993	6,984

29. DEFERRED TAXATION (CONT'D)

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

	At 1 January 2006 RM'000	Recognised in the income statement RM'000	At 31 December 2006 RM'000
Deferred Tax Liabilities of the Company:			
Accelerated capital allowances	152	–	152
Deferred Tax Assets of the Company:			
Tax losses and unutilised capital allowances	(152)	–	(152)
	–	–	–

	At 1 January 2005 RM'000	Recognised in the income statement RM'000	At 31 December 2005 RM'000
Deferred Tax Liabilities of the Company:			
Accelerated capital allowances	126	26	152
Deferred Tax Assets of the Company:			
Tax losses and unutilised capital allowances	(126)	(26)	(152)
	–	–	–

29. DEFERRED TAXATION (CONT'D)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unabsorbed tax losses	25,170	25,801	6,186	6,186
Unutilised capital allowances	9,665	9,776	3,458	3,391
Others	465	911	141	692
	35,300	36,488	9,785	10,269

The availability of the unabsorbed tax losses and unutilised capital allowances for offsetting against future taxable profits of the respective subsidiaries and of the Company are subject to no substantial changes in shareholdings of those subsidiaries and the Company under Section 44(5A) and (5B) of Income Tax Act, 1967. 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.

30. EMPLOYEE BENEFITS

(a) 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 Group has opted to discontinue its retirement benefit plan. A settlement of the outstanding obligation has been made during the financial year, which resulted in the cessation of the retirement benefit plan.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
The amounts recognised in the balance sheet are determined as follows:				
Present value of unfunded defined benefit obligations	–	2,994	–	684
Unrecognised transitional obligation	–	(502)	–	(153)
Net liability	–	2,492	–	531

30. EMPLOYEE BENEFITS (CONT'D)

(a) Provision for Retirement Benefits (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Analysed as:				
Current	–	302	–	283
Non-current				
Later than 1 year but not later than 2 years	–	45	–	2
Later than 2 years but not later than 5 years	–	336	–	84
Later than 5 years	–	1,809	–	162
	–	2,190	–	248
	–	2,492	–	531
The amount recognised in the income statement are as follows:				
Current service cost	490	341	45	38
Interest costs	152	148	20	22
Amortisation of transitional obligation	167	134	23	2
Settlement gain	(783)	–	(261)	–
Total, included in staff costs (Note 4)	26	623	(173)	62
Movements in the net liability in the current year were as follows:				
At 1 January	2,492	1,929	531	469
Amount recognised in the income statement	26	623	(173)	62
Utilisation of provision during the year	(2,518)	(60)	(358)	–
At 31 December	–	2,492	–	531

	2006 %	2005 %
Principal actuarial assumptions used:		
Discount rate	7	7
Expected rate of salary increases	5	5

30. EMPLOYEE BENEFITS (CONT'D)

(b) 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:

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

(ii) 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.

(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.

(iv) 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.

(v) 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 pari 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.

30. EMPLOYEE BENEFITS (CONT'D)

(b) Employee Share Option Scheme ("ESOS") (cont'd)

The terms of share options outstanding at 31 December 2006 are as follows:

			Number of Options over Ordinary Shares of RM1 Each			
Grant Date	Expiry Date	Exercise Price RM	At 1 January 2006 '000	Granted '000	Exercised '000	At 31 December 2006 '000
15 September 2005	28 August 2010	2.01	10,142	–	(522)	9,620
15 September 2006	28 August 2010	1.66	–	2,308	(25)	2,283

The fair value of share options granted during the year was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	2006	2005
Fair values of share options at the following grant dates (RM):		
15 September 2005	Not applicable	0.41
15 September 2006	0.29	Not applicable
Weighted average share price for shares issued	2.13	2.13
Expected volatility (%)	25.0%	25.0%
Expected life (years)	4.95	3.95
Risk free rate (%)	3.3%	3.9%
Expected dividend yield (%)	5.7%	6.5%

31. LONG TERM PAYABLES

	Group	
	2006 RM'000	2005 RM'000
Amount payable for acquisition of land	–	38,901

Long term payable is in respect of obligation due to a third party for the acquisition of freehold land held for development as referred to in Note 12.

Long term payable of RM38,901,000 in previous financial year 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.

32. TRADE PAYABLES

	Group	
	2006 RM'000	2005 RM'000
Trade payables	46,691	79,829
Progress billings in respect of property development costs	48,998	–
Due to customers on contracts (Note 22)	12,502	10,691
Retention sums on contracts	16,946	11,394
	125,137	101,914

The normal trade credit term granted to the Group ranges from 30 to 90 days (2005: 30 to 90 days).

33. OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short term accumulating compensated absences	973	968	141	161
Other payables	22,544	20,124	1,749	1,998
Tuition fees paid in advance	20,680	18,052	–	–
Tenants deposits	122	1,648	–	–
Refundable deposits	9,980	8,629	–	–
	54,299	49,421	1,890	2,159

34. DUE TO SUBSIDIARIES

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

35. COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Capital expenditure:		
– approved and contracted for	–	1,538
Leasing commitments:		
– due within 12 months	169	671
– due after 12 months	–	181
	169	2,390

36. CONTINGENT LIABILITIES

	Company	
	2006 RM'000	2005 RM'000
Unsecured:		
Guarantees extended in support of banking and other credit facilities granted to subsidiaries:		
Limit of guarantee	301,989	294,377
Amount utilised	182,042	162,766
Performance guarantees extended to developers for contracts awarded to subsidiary	2,250	2,250
	184,292	165,016

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 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	1,620	860	107	50
Consultancy fees charged by Tarrenz, Inc, a wholly owned corporation of Dr. Brian Shoy Teng To, a director of the Company	855	2,081	855	2,081
Insurance premium charged by Jerneh Insurance Berhad, an associated company	1,122	1,143	283	264
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan has financial interest	482	482	482	482
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	23	333	–	–

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.

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

(a) On 31 March 2006, Wangsa Merdu Sdn. Bhd. ("WMSB"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with HKH Holdings Sdn. Bhd., a wholly owned subsidiary of Keck Seng (Malaysia) Berhad, for the disposal by WMSB of its property comprising the following:

(i) The freehold land held under Geran 11432, Lot 126 Seksyen 57, Bandar Kuala Lumpur, Wilayah Persekutuan with a title land area of 3,738.11 square metres;

(ii) A block of 23-storey building accommodating 72 units of three bedroom luxury apartments and 4 units of duplex penthouses together with all fixtures, fittings and furnishings; and

(iii) An annexed 3-storey car park/facilities building accommodating 108 car bays, a tennis court, swimming pool, spa pool and barbecue area;

known as Regency Tower to HKH for a total cash consideration of RM62,500,000. The gain on disposal is RM12,842,000.

(b) On 23 June 2006, Paramount Property (Utara) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Ideal Appraisal Sdn. Bhd., a subsidiary of Sharikat Permodalan Kebangsaan Berhad, for the acquisition of fifteen contiguous pieces of freehold land measuring in total area approximately 576.18877 acres, all located in the Mukim of Sungai Petani, Bandar Amanjaya, Daerah Kuala Muda, Negeri Kedah Darul Aman for a total cash consideration of RM38,878,000. The sale was deemed completed on 20 December 2006.

(c) On 15 September 2006, a second offer under the existing Employees Share Option Scheme for a total 3,145,000 options, were made to 261 employees, who had served one year or had achieved long service and/or were promoted during the year, at RM1.66 per share. As at the close of the offer period on 14 October 2006, a total of 2,308,000 options were accepted by 180 employees.

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 2006. The investments in financial assets are short-term in nature and have been mostly placed in fixed deposits.

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Range of interest rate %	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	4-5 Years RM'000	More than 5 Years RM'000	Total RM'000
At 31 December 2006									
Group									
Floating rate									
Cash and bank balances (HDA accounts)		1.80% – 2.00%	71,686	–	–	–	–	–	71,686
Deposits with licensed banks		2.46% – 3.70%	46,511	–	–	–	–	–	46,511
Bank overdrafts		7.00%	(375)	–	–	–	–	–	(375)
Revolving credit		5.58%	(1,472)	–	–	–	–	–	(1,472)
Term loans		5.63% – 8.10%	(13,526)	(12,263)	(7,478)	(7,591)	(7,707)	(1,620)	(50,185)
Hire purchase		3.90% – 7.40%	(75)	(57)	(48)	–	–	–	(180)
Company									
Floating rate									
Deposits with licensed banks		3.10%	4,367	–	–	–	–	–	4,367

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (cont'd)

	Note	WAEIR %	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	4-5 Years RM'000	More than 5 Years RM'000	Total RM'000
At 31 December 2005									
Group									
Floating rate									
Cash and bank balances (HDA accounts)		1.80% – 2.00%	36,335	–	–	–	–	–	3 6,335
Deposits with licensed banks		2.10% – 3.70%	16,426	–	–	–	–	–	1 6,426
Bank overdrafts		6.25% – 7.10%	(39,573)	–	–	–	–	–	(39,573)
Revolving credit		5.10% – 6.25%	(10,065)	–	–	–	–	–	(10,065)
Bankers' acceptances		4.50%	(3,214)	–	–	–	–	–	(3,214)
Term loans		6.25% – 7.40%	(8,545)	(15,071)	(15,750)	(20,340)	(12,520)	(1,985)	(74,211)
Hire purchase		3.90% – 7.40%	(100)	(76)	(57)	(48)	–	–	(281)
Company									
Floating rate									
Deposits with licensed banks		2.80%	1,309	–	–	–	–	–	1,309
Bank overdrafts		7.10%	(31,172)	–	–	–	–	–	(31,172)
Revolving credit		5.10%	(5,000)	–	–	–	–	–	(5,000)
Term loans		6.90%	(2,115)	–	–	–	–	–	(2,115)

(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 and assets and liabilities are denominated in Ringgit Malaysia, except as disclosed in Note 22 to the financial statements.

There are no unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies.

(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.

39. FINANCIAL INSTRUMENTS (CONT'D)

(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. Receivables are monitored on an ongoing basis via Group management reporting procedures.

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

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.

40. SEGMENTAL REPORTING (CONT'D)

(b) Geographical Segments:

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

Business Segments:

2006	Property Investment RM'000	Property Development RM'000	Construction RM'000	Education RM'000	Investment and Others RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE AND EXPENSES								
Revenue								
External sales	3,995	250,847	38,889	72,541	1,056	367,328		367,328
Inter-segment sales	7,406	–	106,829	–	40,637	154,872	(154,872)	–
Total revenue	11,401	250,847	145,718	72,541	41,693	522,200		367,328
Result								
Operating profit	20,895	43,278	6,735	10,299	32,820	114,027	(31,285)	82,742
Finance costs	(4,101)	(1,387)	(133)	(773)	(961)	(7,355)	1,885	(5,470)
Share of results of associates	–	–	–	–	5,103	5,103		5,103
Taxation								(18,784)
Net profit for the year								63,591
ASSETS AND LIABILITIES								
Segment assets	87,197	392,017	40,365	89,537	13,467	622,583		622,583
Investment in associates	–	–	–	–	38,999	38,999		38,999
								661,582
Segment liabilities	39,606	98,612	47,547	57,021	2,636	245,422		245,422
OTHER INFORMATION								
Capital expenditure	3,937	1,611	1,425	5,747	247	12,967		12,967
Depreciation and amortisation	1,656	889	484	6,372	2,571	11,972		11,972
Non-cash expenses other than depreciation, amortisation and impairment losses	(15)	370	2,190	(37)	(193)	2,315		2,315

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
REVENUE AND EXPENSES								
Revenue								
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
Result								
Operating profit/(loss)	9,182	64,938	12,787	(3,142)	28,279	112,044	(30,706)	81,338
Finance costs	(4,909)	(2,298)	(128)	(902)	(2,485)	(10,722)	3,906	(6,816)
Share of results of associates	–	–	–	–	4,269	4,269		4,269
Taxation								(23,127)
Net profit for the year								55,664
ASSETS AND LIABILITIES								
Segment assets	133,270	399,773	40,926	72,979	11,677	658,625		658,625
Investment in associates	–	–	–	–	35,335	35,335		35,335
								693,960
Segment liabilities	47,090	116,959	72,186	54,574	41,282	332,091		332,091
OTHER INFORMATION								
Capital expenditure	3,781	2,215	5,928	5,259	581	17,764		17,764
Depreciation and amortisation	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

proxy **form**

PARAMOUNT®
CORPORATION BERHAD
(8578-A)

I/We ____

of ____

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

of ____

____

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Thirty-Seventh 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 Monday, 21 May 2007 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		
Re-election and Re-appointment of Directors:			
Resolution 3	YBhg Dato' Haji Azlan bin Hashim		
Resolution 4	Cik Rohana Tan Sri Mahmood		
Resolution 5	Mr Quah Chek Tin		
Resolution 6	YBhg Tan Sri Dato' Ahmad Sabki bin Jahidin		
Resolution 7	Mr Geh Cheng Hooi		
Resolution 8	Re-appointment of Auditors and to fix their remuneration		
Resolution 9	Authority to Directors to issue shares		
Resolution 10	Proposed Amendments to the Articles of Association		

Dated this ____________________ day of ____________________ 2007.

NO. OF SHARES HELD

Signature/Common Seal

NOTES

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

Fold along this line (1)

Please
Affix
30 sen Stamp

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

Fold along this line (2)