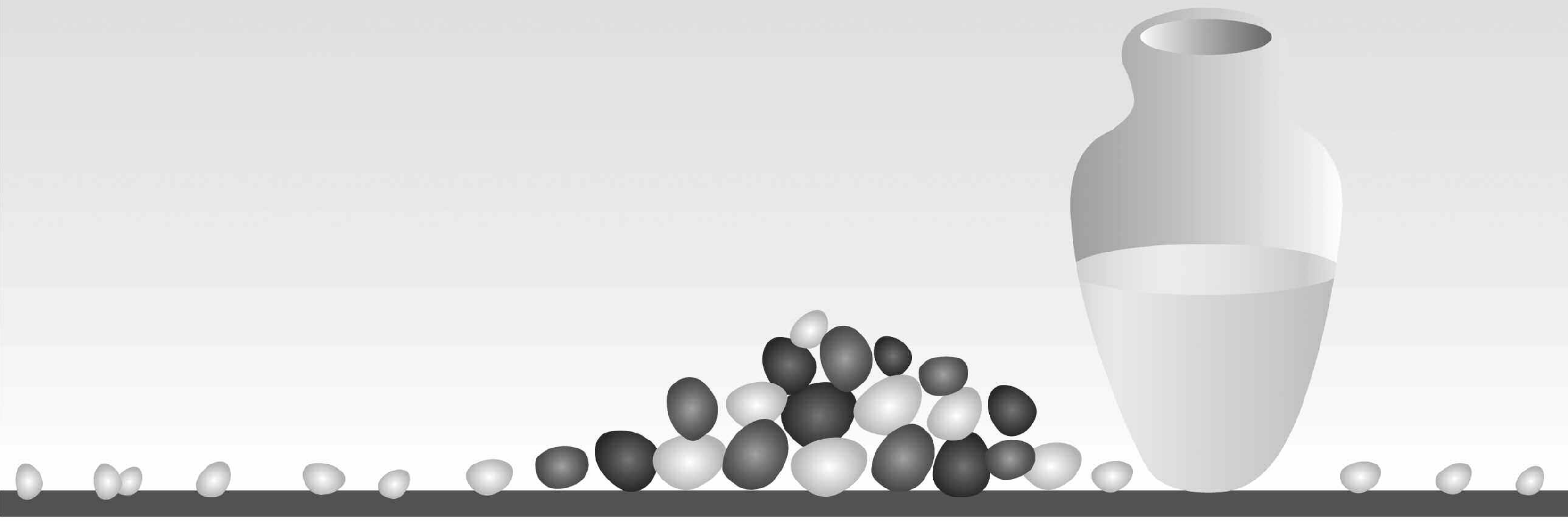
PARAMOUNT®
CORPORATION BERHAD
(8578-A)

Overcoming Challenges



2009 annual report

Looking back, 2009 can best be described as a very challenging year as businesses across every industry were directly or indirectly affected by the global economic meltdown. However, we stood up to the challenge because we knew what we had to do. And we came through with flying colours by taking an innovative approach centred around simple strategies that were effectively executed to achieve the desired results.

To capture Paramount's remarkable feat, this year's concept, which is based on Aesop's fable of the crow and the pitcher, illustrates the power of wisdom in the face of adversity.

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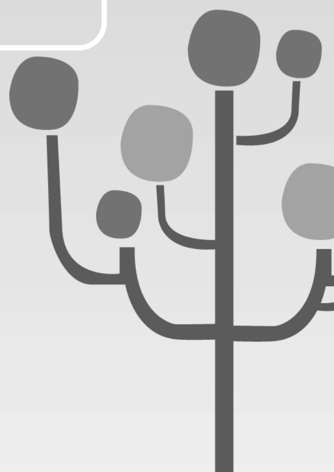

notice of fortieth annual general meeting

NOTICE IS HEREBY GIVEN THAT the Fortieth Annual General Meeting of the Company will be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 3 June 2010 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 2009 together with the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To approve the declaration of a final dividend of 9%, less income tax at 25%, and a special dividend of 6%, less income tax at 25%, in respect of the year ended 31 December 2009. **Resolution 2**

3. To approve the increase in the aggregate Directors' fees payable to the Directors of the Company from an amount not exceeding RM400,000/- per annum to an amount not exceeding RM600,000/- per annum. **Resolution 3**

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

   (a) YBhg Dato' Teo Chiang Quan **Resolution 4**

   (b) YBhg Dato' Haji Azlan bin Hashim **Resolution 5**

5. To re-elect YBhg Dato' Michael Yam Kong Choy, a Director who retires pursuant to Article 119(e) of the Company's Articles of Association. **Resolution 6**

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

   (a) "That YBhg Dato' Md Taib bin Abdul Hamid, 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**

   (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 8**

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**

AS SPECIAL BUSINESS

8. 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 10**

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a final dividend of 9%, less income tax at 25%, and a special dividend of 6%, less income tax at 25%, in respect of the year ended 31 December 2009, will be paid on 16 June 2010 to shareholders whose names appear in the Record of Depositors on 9 June 2010.

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 9 June 2010 in respect of ordinary transfers; and

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

By Order of the Board

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
12 May 2010

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 8, if passed, will renew the powers given to the Directors at the last Annual General Meeting (AGM), 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 AGM.

   As at the date of this notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the 39th AGM held on 20 May 2009, which will lapse at the conclusion of the 40th AGM.

   The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions without having to convene a general meeting.

group corporate structure

PARAMOUNT®
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(8578-A)

PROPERTY

- **100%** Paramount Property (Utara) Sdn Bhd
  - **100%** Kelab Bandar Laguna Merbok Sdn Bhd
- **100%** Paramount Property Development Sdn Bhd
- **100%** Broad Projects Sdn Bhd
  - **100%** Supreme Essence Sdn Bhd
- **100%** Paramount Property Holdings Sdn Bhd
- **100%** Jasarim Bina Sdn Bhd
- **100%** Seleksi Megah Sdn Bhd

CONSTRUCTION & CIVIL ENGINEERING

- **100%** Paramount Engineering & Construction Sdn Bhd
  - **100%** Paramount Construction Sdn Bhd
  - **100%** Paramount Projects Sdn Bhd
  - **100%** Paramount Property Construction Sdn Bhd *(formerly known as Paramount Building Materials Sdn Bhd)*
  - **40%** Kane Paramount Sdn Bhd

EDUCATION

- **100%** KDU College Sdn Bhd
- **100%** KDU College (PJ) Sdn Bhd *(formerly known as Agolden Project Sdn Bhd)*
- **100%** KDU College (PG) Sdn Bhd *(formerly known as Macro Victory Sdn Bhd)*
- **100%** KDU Smart School 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%** Instant Fusion Sdn Bhd
- **100%** Janahasil Sdn Bhd
- **100%** Paramount Electronics Industries Sdn Bhd
- **100%** Wangsa Merdu Sdn Bhd *(under members' voluntary winding up)*

corporate profile

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

Paramount Corporation Berhad (Paramount) was incorporated on 15 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 a real estate company, Perumahan Berjaya Sdn Bhd (now known as Paramount Property Holdings Sdn Bhd (PPH)). As part of the Company's diversification plans, Paramount also acquired an oil palm estate in Perak in 1980.

The Company assumed its present name in 1980, to better reflect its business activities.

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 four more property development companies, Patani Jaya Sdn Bhd (now known as Paramount Property (Utara) Sdn Bhd (PPU)), Berkeley Sdn Bhd, Berkeley Maju Sdn Bhd and Maju Gading Development Sdn Bhd (now known as KDU International Sdn Bhd (KISB)).

1983 marked Paramount's entry into the education business with the setting up of the first purpose-built campus in Malaysia in Petaling Jaya under Kolej Damansara Utama Sdn Bhd (now known as KDU College Sdn Bhd (KDU)).

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 through Wangsa Merdu Sdn Bhd completed the acquisition of a 23-storey luxury condominium known as Regency Tower in Bukit Ceylon.

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 in 1993, and changed its name to Paramount Assurance Berhad (PAB) to reflect a common group identity.

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

In 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 expanded its education business by moving downstream to set up a private primary and secondary school, Sekolah Sri KDU, under KDU Smart School Sdn Bhd (KDUSS).

Paramount through 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.

On 28 June 2002, Paramount ventured into the provision of executive education and professional development programmes, under KDU Management Development Centre Sdn Bhd (KMDC).

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

In September 2003, KDU reviewed its existing operations, and exited the Sibu, East Malaysia market, which has never been a successful contributor.

In December 2003, Paramount ventured into China, through KISB, 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 strengthen 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 Regency Tower in July 2006.

On 20 December 2006, Paramount through PPU, added 515 acres of freehold land located in the Mukim of Sungai Petani, Bandar Amanjaya, Daerah Kuala Muda, Kedah to its land bank.

In 2007, Paramount made a strategic decision to venture into commercial and industrial property development and on 19 October 2007, Paramount through Jasarim Bina Sdn Bhd (Jasarim), acquired 5.201 acres of leasehold industrial land located in Section 13, Petaling Jaya for the proposed development of office buildings. This was followed by the acquisition of two pieces of 99-year leasehold vacant industrial lands measuring approximately 13.21 acres known as Lot 2 and Lot 4, Jalan Teknologi 3/1, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor through Supreme Essence Sdn Bhd on 22 January 2008 and the acquisition of another two pieces of 99-year leasehold vacant industrial lands measuring approximately 9.45 acres known as Lot 7 and Lot 9, Jalan Teknologi 3/1, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor Darul Ehsan through Seleksi Megah Sdn Bhd on 5 February 2008 for the development of semi-detached showroom cum industrial buildings.

On 9 October 2008, KDU reverted to becoming a wholly-owned subsidiary of Paramount following Datuk Rohana Tan Sri Mahmood's disposal of shares in KDU to Paramount. The disposal of her shares represent the remaining 15% of KDU shares not already owned by Paramount.

On 19 June 2009, KDU received an invitation from the Ministry of Higher Education (MOHE) to convert its Petaling Jaya college campus licence to that of a University-College.

In line with the Group's strategy to replenish its land bank to generate long term sustainable income and to implement the college upgrading and expansion plans, Paramount on 3 November 2009, entered into a conditional sale agreement with The Titular Superior of the Brothers of Saint Gabriel for the acquisition of a piece of vacant freehold land measuring in area approximately 21.7 acres forming part of the land held under Master Title Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan.

On 21 December 2009, Paramount undertook an asset rationalisation exercise involving the transfer of properties, shares and businesses among its wholly-owned subsidiary companies. To comply with MOHE's terms and conditions of becoming a University-College, KDU divested its entire equity interests in KDUSS and Janahasil Sdn Bhd to Paramount and its Penang campus business operations to a new company, KDU College (PG) Sdn Bhd, held directly by Paramount. The Group also took the opportunity to simultaneously rationalise the ownership of the properties utilised by the educational services division to the respective operating units for better accountability resulting in operational efficiency and to facilitate any future restructuring of the educational services division.

On 24 December 2009, Paramount, through KDUSS, completed the acquisition of a 10-acre freehold agricultural land in Iskandar Development Region forming part of the land held under HS(D) 450559 No Lot PTD 153275 in Mukim Pulai, Daerah Johor Baru, Johor Darul Takzim from Nusajaya Rise Sdn Bhd and UEM Land Sdn Bhd.

On 4 January 2010, KDU's Petaling Jaya campus welcomed its first batch of students of the School of Business and Law to a temporary branch campus located on Jasarim's Section 13, Jalan Universiti Land. The branch was set-up to meet the immediate needs of the existing Petaling Jaya campus and to grow student numbers that the new University-College campus can readily accommodate upon completion.

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, PPU 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, PPH 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 and provision of project management services. The division has also expanded its business operations to Penang, 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. That KDU had the distinction of winning the Silver Award at the Inaugural Putra Brand Awards is a true measure of our progress on the journey to excellence.

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

corporate information

BOARD OF DIRECTORS

Chairman
Dato' Md Taib bin Abdul Hamid*
DSDK

Executive Deputy Chairman
Dato' Teo Chiang Quan
DPTJ

Managing Director & Chief Executive Officer
Ong Keng Siew

Members
Dato' Haji Azlan bin Hashim*
DSNS, DSSA

Datuk Rohana Tan Sri Mahmood*
PGDK

Geh Cheng Hooi*

Quah Chek Tin*

Dato' Michael Yam Kong Choy*
DSNS

* *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 : 03-7712 3333
Facsimile : 03-7712 3322
Email : info@pcb.com.my
Website : www.pcb.com.my

REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower, Mid Valley City
Lingkaran Syed Putra, 59200 Kuala Lumpur
Telephone : 03-2264 3883
Facsimile : 03-2282 1886
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

AUDITORS

Ernst & Young, Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad
EON Bank Berhad
OCBC Bank (Malaysia) Berhad
Alliance Bank Malaysia Berhad
Hong Leong Bank Berhad
RHB 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 2,308,000 options were exercised.

2. NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Group and Company for the financial year is reflected in Note 5, Page 70 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' profile

Dato' Md Taib bin Abdul Hamid

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

Dato' Taib, who is Chairman of the Board of Directors of Paramount Corporation Berhad (Paramount), brings to the Group a wealth of experience gained through an impressive career 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 and, was also actively involved with several financial institutions including as Chairman of a commercial bank. Dato' Taib joined Paramount on 14 November 1994 and was appointed the Chairman on 20 July 2001.

Dato' Taib also serves as Chairman of the Nomination and Remuneration Committees and is also a member of the Audit Committee.

Dato' Taib attended all the 5 board meetings.

Dato' Teo Chiang Quan

Executive Deputy Chairman
61 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-capitalised 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 then transformed Paramount into a reputable and financially sound diversified group. He is widely acknowledged as the driving force behind the Group's growth and success in its core businesses of education and property development.

On 1 December 2008, Dato' Teo relinquished his position as Group Managing Director & Group Chief Executive Officer of Paramount and assumed the post of Executive Deputy Chairman.

Current directorships in public companies include JIB and ECS ICT Berhad.

Dato' Teo is a substantial shareholder of Paramount. The details of his interest in Paramount is reflected in the analysis of shareholdings on pages 31 to 33.

Dato' Teo attended all the 5 board meetings.

Ong Keng Siew

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

Ong's relationship with Paramount spans close to 30 years. He joined the Group as an Accountant in 1981. His meteoric rise to the top began in 1984 when he was promoted to the position of Finance and Administration Manager and five years later, he was appointed 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.

On 1 December 2008, he succeeded Dato' Teo as the Managing Director & Chief Executive Officer of Paramount.

Ong also serves as Chairman of the Employees' Share Option Scheme Committee.

Ong attended all the 5 board meetings.

Dato' Haji Azlan bin Hashim

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants in Ireland
Fellow of the Economic Development Institute (World Bank, Washington)
Fellow of the Institute of Bankers Malaysia
68 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 and prior to his departure, held the position of Chief Accountant for a period of two years. In 1972, he became a partner of a public accounting firm, Azman, Wong, Salleh & Co. He stayed as an active partner in the firm for 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 Deputy Chairman of AMMB Holdings Berhad.

Dato' Azlan is the Chairman of the Audit Committee and a member of both the Nomination and Remuneration Committees.

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

Dato' Azlan attended all the 5 board meetings.

Datuk Rohana Tan Sri Mahmood

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

Datuk Rohana Tan Sri Mahmood is the Chairman of Ethos Capital Sdn Bhd, a RM250 million private equity fund that invests in Asian companies. Datuk Rohana has an extensive political and business network in Malaysia and the Asia Pacific Region. She is President and a Founding Member of the exclusive Kuala Lumpur Business Club, and a Member of Board Trustees, The Asia Society, New York. Datuk Rohana is a distinguished Fellow of the Institute of Strategic and International Studies Malaysia, member of the Malaysian Committee of the Council for Security Cooperation in the Asia Pacific, Founding Member and Member of Board of Trustees of Yayasan Inovasi Malaysia and Member of the National Information Technology Council. She is also the Founding Board Member of the Malaysian Strategic Research Centre, an independent policy think tank focused on national politics and economic issues under the Chairmanship of YBhg Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, the Prime Minister of Malaysia. Other non-profit affiliations include Chairman of the National Science Centre and Trustee of the Malaysian Youth Orchestra Foundation. Datuk Rohana is also actively involved in business, principally in the field of education. Datuk Rohana joined the Board on 28 July 1997.

Current directorship in a public company includes Dijaya Corporation Berhad.

Datuk Rohana attended all the 5 board meetings.

Geh Cheng Hooi

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants in England and Wales
75 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. He was re-appointed as a Director of Paramount on 23 May 2006.

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

Current directorships in public companies include Lingui Developments Berhad, The Bank of Nova Scotia Berhad, Malayan Flour Mills Berhad and Wawasan TKH Holdings Berhad.

Geh 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 & Political Science
Fellow of the Institute of Chartered Accountants in England and Wales
Member of the Malaysian Institute of Accountants
58 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 Genting Malaysia Berhad (formerly known as Resorts World Berhad) upon his retirement in 2006.

Quah is a member of the Audit Committee.

Current directorships in public companies include Genting Berhad, Genting Malaysia Berhad, Genting Plantations Berhad (formerly known as Asiatic Development Berhad), ECS ICT Berhad and Batu Kawan Berhad.

Quah attended all the 5 board meetings.

Dato' Michael Yam Kong Choy

Independent Non-Executive Director
Fellow of the Royal Institution of Chartered Surveyors
Fellow of the Chartered Institute of Building
56 years of age – Malaysian

Dato' Yam joined Paramount as a Director on 18 February 2010. He had an illustrious career spanning more than 28 years in the construction, real estate and corporate sectors, the last 12 years helming two public listed companies as their Managing Director and Chief Executive Officer. Dato' Yam was voted the "CEO of the Year 2002" for Malaysia by American Express Corporate Services and Business Times.

Trained as a building engineer in the United Kingdom (UK) with various companies and the British Civil Service, Dato' Yam is a Fellow of the Royal Institution of Chartered Surveyors and also qualified as a Fellow of the Chartered Institute of Building (CIOB) after his graduation in 1979 from the University of Westminster, London. He was actively involved in the development of hotels, resorts, shopping malls, golf courses, international schools, residential and mixed developments not only in Malaysia but also in Australia, UK and South Africa.

Dato' Yam has been the Chairman of the Real Estate and Housing Developers' Association for Wilayah Persekutuan since 2008 while at the same time serving as the incumbent Deputy President of the National Association. He was also appointed by the Government as a member of the Advisory Board to the City of Kuala Lumpur in 2008 for a 2-year term. Globally, Dato' Yam is one of two Asians elected onto the Board of Trustees of the UK headquartered Chartered Institute of Building which sets standards for the management and implementation of the construction process.

Current directorships in public companies include Standard Chartered Bank Malaysia Berhad and CLAB 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.

five-year group financial highlights

	Year 31 Dec 2009 RM'000	Year 31 Dec 2008 RM'000	Year 31 Dec 2007 RM'000	Year 31 Dec 2006 RM'000	Year 31 Dec 2005 RM'000
REVENUE	**404,909**	**398,761**	**300,078**	**367,328**	**502,819**
EARNINGS					
Operating profit	71,969	59,238	62,155	82,742	81,338
Finance costs	(2,432)	(2,418)	(2,599)	(5,470)	(6,816)
Share of profit of associates	9,795	3,157	8,784	5,103	4,269
Profit before tax	79,332	59,977	68,340	82,375	78,791
Income tax expense	(21,804)	(15,939)	(16,556)	(18,784)	(23,127)
Profit for the year	**57,528**	**44,038**	**51,784**	**63,591**	**55,664**
Attributable to:					
Equity holders of the Company	57,528	41,993	49,295	61,867	55,503
Minority interest	–	2,045	2,489	1,724	161
	57,528	44,038	51,784	63,591	55,664
Retained profits brought forward	301,468	272,797	239,609	189,101	145,258
Net profit for the year attributable to equity holders of the Company	57,528	41,993	49,295	61,867	55,503
Foreign currency translation	–	1,057	(1,892)	258	–
Dividends	(21,203)	(14,379)	(14,215)	(11,617)	(11,660)
Retained profits carried forward	**337,793**	**301,468**	**272,797**	**239,609**	**189,101**
ASSETS EMPLOYED					
Property, plant and equipment	139,675	150,018	142,597	145,119	146,193
Land held for property development	170,976	208,181	140,379	163,416	143,982
Investment properties	14,142	13,121	13,899	14,830	62,939
Prepaid land lease payments	63,450	62,667	17,144	17,385	17,627
Intangible asset	15,674	15,674	–	–	–
Investment in associates	54,264	47,259	44,090	38,999	35,335
Other investments	485	485	397	397	397
Deferred tax assets	4,934	2,006	1,097	1,998	2,139
Net current assets	160,303	81,412	135,907	79,762	67,325
Long term borrowings	(85,551)	(87,147)	(24,479)	(36,764)	(65,847)
Deferred tax liabilities	(13,866)	(11,228)	(10,444)	(8,982)	(7,130)
Provision for retirement benefits	–	–	–	–	(2,190)
Long term payables	–	–	–	–	(38,901)
Net assets	**524,486**	**482,448**	**460,587**	**416,160**	**361,869**

	Year 31 Dec 2009 RM'000	Year 31 Dec 2008 RM'000	Year 31 Dec 2007 RM'000	Year 31 Dec 2006 RM'000	Year 31 Dec 2005 RM'000
EQUITY					
Share capital	110,339	108,031	107,563	104,126	103,579
Capital reserves	3,967	4,044	4,668	2,317	1,358
Share premium	72,387	68,900	68,322	64,797	64,180
Retained profits	337,793	301,468	272,797	239,609	189,101
Equity attributable to equity holders of the Company	524,486	482,443	453,350	410,849	358,218
Minority interests	–	5	7,237	5,311	3,651
Total equity	**524,486**	**482,448**	**460,587**	**416,160**	**361,869**

FINANCIAL STATISTICS
(Per ordinary share of RM1 each)

	2009	2008	2007	2006	2005
Earnings before taxation (sen)	73.03	55.60	64.39	79.30	76.09
Earnings after taxation (sen)	52.96	38.93	46.45	59.56	53.60
Dividends gross (sen)	28.0	21.0	16.0	15.5	18.0
Dividend cover (times)	3	3	3	5	5
Net assets (RM)	4.75	4.47	4.21	3.95	3.46

chairman's and deputy chairman's statement

On behalf of the Board of Directors, we take great pleasure in presenting the Fortieth Annual Report of Paramount Corporation Berhad (Paramount or the Company) group of companies (the Group).

Our outstanding performance in 2009 is a fitting finale to cap our Ruby Anniversary celebrations that were held to commemorate the Group's growth and success over a span of 40 years. That we were able to deliver yet another year of strong growth, despite operating in a challenging environment, is indeed commendable but more importantly, it underpins our ability to draw on our strengths in building a sustainable future.

We started 2009 on an extremely cautious footing, as mentioned in the previous Chairman's Statement. However, we soon began to build momentum following the swift implementation of stimulus packages by our Government to mitigate the adverse impact of the economic downturn, in particular, the historically low interest rates regime. As a result, the performances of our Property Division exceeded expectations while that of the Educational Services Division were in line with expectations.

FINANCIAL PERFORMANCE

Profit before tax for the year ended 31 December 2009 grew by 32.3% to RM79.3 million (2008:RM60.0 million). Net Profit for the year was RM57.5 million, an increase of 30.6% (2008:RM44.0 million) while Earnings Per Share was an impressive 53 sen, up 36%. (2008:39 sen). Revenue was marginally higher at RM404.9 million (2008:RM398.8 million). In line with the strong performance, shareholders' fund as at 31 December 2009, rose to RM524.5 million (2008:RM482.5 million) while Net Assets per share increased to RM4.75 (2008:RM4.47). Return on equity improved to 12% (2008:9%).

PROPERTY DIVISION

The Group's main contributor, the property development sector, registered a 12.2% increase in revenue during the year to RM262.2 million (2008:RM233.7 million). This was due to higher progressive billings registered on the Group's Kemuning Utama and Bandar Laguna Merbok projects stemming from lock-in sales that were carried forward from the previous year. In the case of Kemuning Utama, the project recorded excellent take up rates of 100% on new launches during the year. During the year, the property development sector also launched Surian Industrial Park – a high value industrial project – that drew overwhelming sales response. Sales from the Bandar Laguna Merbok project during the year was, however, not as robust due to limited products available for sale from a project that is nearing completion. The construction sector, with 70% of its contracts focused on in-house projects, registered a 39.9% decrease in revenue (net of inter-company transactions) to RM42.7 million (2008:RM71.1 million), due to lower progressive billings from depleting external contracts. Revenue (net of inter-company transactions) for the property investment sector was higher at RM555,000 (2008:RM278,000) due to rental income collected on the Section 13 land. On the whole, revenue for the property division was maintained at last year's level of RM305.5 million (2008:RM305.1 million).

On the other hand, profit before tax for the property division increased by 38.0% to RM51.2 million (2008:RM37.1 million) following a higher contribution from the property development sector and a turnaround in the performance of the construction sector, to profitability. The property development sector registered a higher profit before tax of RM39.7 million, an increase of 19% (2008:RM33.4 million), on the back of better performances recorded by its development projects and a gain of RM4.7 million following the disposal of a piece of commercial land. Kemuning Utama recorded a higher profit of RM32.5 million (2008:RM29.7 million) while Bandar Laguna Merbok's profit was marginally higher at RM5.5 million (2008:RM5.3 million). Surian Industrial Park, which was launched during the year, recorded a RM7.4 million profit. The construction sector, which recorded a pre-tax loss of RM1.2 million in the previous year, returned to the black to record a profit before tax of RM7.3 million that was mainly attributable to compensation received following a price escalation in raw materials from an external project, recovery of bad debts provided for in the previous year and a share of profits from an associated company. The property investment sector recorded a lower profit before tax of RM4.2 million (2008:RM4.9 million) due to amortization of leasehold land and higher interest expense.

EDUCATIONAL SERVICES DIVISION

The educational services division continued to grow, albeit at a slower rate, to register an increase in revenue by 6.1% to RM98.5 million (2008:RM92.8 million). Barring the post executive and professional development sector, which registered a lower revenue of RM1.8 million (2008:RM2.1 million), all the other sectors within the division registered positive growth. The Petaling Jaya and Penang campuses of the tertiary education sector registered revenues of RM43.4 million (2008:RM41.9 million) and RM18.7 million (2008:RM16.5 million), respectively. The primary and secondary school registered a revenue of RM33.3 million (2008:RM31.9 million) while the language center in Chongqing, China registered a revenue of RM1.2 million (2008:RM600,000).

In line with strategic plans to invest in organic developments to further strengthen our foundation for sustainable growth in the future, monies were expended on upgrading the status of the tertiary education college license to University-College as well as its facilities at existing campuses, and expansion to a new third campus in Petaling Jaya. The primary and secondary school also incurred preliminary expenses arising from our expansion plans to set up an international school. All these initiatives impacted the profits of the educational services division, which consequently recorded a marginal decline in profit before tax by 5.8% to RM21.3 million (2008:RM22.6 million). The Petaling Jaya campus recorded a lower profit of RM11.4 million (2008:RM13.7 million) while the Penang campus recorded a profit of RM5 million, the same as that achieved the previous year. The primary and secondary school continued to outperform to achieve a new record profit of RM6.9 million (2008:RM6.4 million). The post executive and professional development sector incurred a lower loss amounting to RM200,000 (2008:RM300,000) while the RM1.7 million loss recorded by the language center was the same as that of the previous year.

INVESTMENT

The Group's share of profit from its 20% investment in Jerneh Insurance Berhad (JIB) was higher at RM7.7 million (2008:RM3.2 million) on the back of higher gross written premiums and a significant increase in investment income.

DIVIDENDS

As in the past, the Board remains committed to a progressive dividend policy that is reflective of the Group's performance. Accordingly, following the Group's solid performance for the financial year ending 31 December 2009, the Board is recommending a final dividend of 9%, less tax at 25%, and a special dividend of 6%, less tax at 25%. Together with the interim dividend of 8%, less tax at 25%, and a special dividend of 5%, less tax at 25%, the total dividend declared for the year of 28% is substantially higher than the total dividend of 21% paid in the previous year.

CORPORATE DEVELOPMENTS AND ACHIEVEMENTS

On 19 June 2009, KDU College Sdn Bhd (KDU) received an invitation from the Ministry of Higher Education (MOHE) to convert its Petaling Jaya college campus license to that of a University-College.

In line with the Group's strategy to replenish its land bank to generate long term sustainable income and to implement the college upgrading and expansion plans, the Group, on 3 November 2009, entered into a conditional sale agreement with The Titular Superior of the Brothers of Saint Gabriel for the acquisition of a piece of vacant freehold land measuring in area approximately 21.7 acres forming part of the land held under Master Title Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Negeri Selangor calculated at RM66 per sq ft and estimated at a total cash consideration of RM62,386,632, subject to the sub-division of the Master Title. Part of the land measuring approximately 10 acres has been designated for the building of a new KDU University-College campus. The remaining part measuring approximately 11.79 acres has been earmarked as a mixed development project comprising commercial development and condominiums. Upon completion, the condominiums will serve as student hostels while the commercial development is expected to be a boon to students and office and industrial workers within the vicinity.

A shelf company, Instant Fusion Sdn Bhd, was acquired on the same date specifically to undertake the above acquisition.

On 20 November 2009, the Company made an application to Bank Negara Malaysia (BNM) for approval to commence preliminary negotiations with parties interested in acquiring the Group's 20% equity interest in JIB. The approval was granted on 1 December 2009.

On 9 December 2009, the Company acquired two shelf companies, Macro Victory Sdn Bhd and Agolden Project Sdn Bhd, whose names were subsequently changed to KDU College (PG) Sdn Bhd (KDU (PG)) and KDU College (PJ) Sdn Bhd (KDU (PJ)), respectively.

On 21 December 2009, the Group undertook an asset rationalisation exercise involving the transfer of properties, shares and businesses among the wholly-owned subsidiary companies of the Group. To comply with MOHE's terms and conditions of becoming a University-College, KDU divested its entire equity interests in KDU Smart School Sdn Bhd (KDUSS) and Janahasil Sdn Bhd to Paramount and its Penang campus business operations to a new company, KDU (PG), held directly by Paramount. The Group also took the opportunity to simultaneously rationalise the ownership of the properties utilised by the educational services division to the respective operating units for better accountability resulting in operational efficiency and to facilitate any future restructuring of the educational services division.

On 24 December 2009, the Group, through KDUSS, completed the acquisition of a 10-acre freehold agricultural land in Iskandar Development Region forming part of the land held under HS(D) 450559 No Lot PTD 153275 in Mukim Pulai, Daerah Johor Baru, Johor Darul Takzim from Nusajaya Rise Sdn Bhd and UEM Land Sdn Bhd.

On 4 January 2010, KDU's Petaling Jaya campus welcomed the first batch of students of the School of Business and Law to its new branch campus located at Section 13, 76 Jalan Universiti, Petaling Jaya. The branch was set-up to meet the immediate needs of the existing Petaling Jaya campus, where development of new programmes were hampered due to space constraints, and the need to grow student numbers that the new University-College campus can readily accommodate upon completion.

At the inaugural Putra Brand Awards, a prestigious Public's Choice Award by the Association of Accredited Advertising Agents Malaysia (4A's) and endorsed by MATRADE, held on 24 March 2010, KDU had the distinction of winning the Silver Award.

PROSPECTS

With further improvements in the Malaysian economy expected in 2010, the Group's prospects are expected to be satisfactory given the buoyant property market and the substantial lock-in unbilled sales brought forward. The expansion plans for the educational services division that began in the second half of 2009 will continue well into 2010/11. Revenue for the educational services division is expected to grow. However, budgeted costs for ongoing upgrading and expansion plans may curtail the division's growth in profitability.

In view of the above, the operational profits of the Group are expected to be comparable to that of the previous year.

The key to our success has been and will continue to be the expansion of our range of products and services while providing industry leading levels of customer service, advice and support. Given our ability to respond to market changes and opportunities and to compete effectively, the Board is confident that the Group, going forward, is well positioned to deliver continuing growth.

ACKNOWLEDGEMENTS

On 18 February 2010, the Board welcomed Dato' Michael Yam Kong Choy as an Independent Non-Executive Director. Dato' Yam's experience will be invaluable to the Board given his background as Managing Director /Chief Executive Officer of a renowned high-end property development company backed by years of proven experience in the property and education industries.

To all our staff, thank you for your total commitment, hard work and ability to respond positively to various challenges during the year. It is also heartening to note that the Group's development of human capital from within has been successful given the depth and calibre of talents who manage our businesses. We are confident that the teams we have in place will deliver on the opportunities that arise as markets continue to improve.

To our fellow Board members, our sincere thanks for your invaluable contributions, wise counsel and guidance especially throughout what can be described as a challenging year.

Last but not least, on behalf of the Board, we wish to place on record our deepest appreciation to our partners, clients and shareholders for their continued trust and support.

DATO' TAIB & DATO' TEO

chief executive officer's review of operations

At the outset, I would like to thank my fellow Directors for their trust and confidence in my appointment as Managing Director & Chief Executive Officer of Paramount Corporation Berhad (Paramount or the Company) on 1 December 2009. I am, in particular, both extremely thankful and grateful to my predecessor, Dato' Teo, for ensuring a smooth transition and leaving in my charge, a fundamentally sound and well managed company that he successfully nurtured over the years, given the challenges of the surrounding business environment at the point of my takeover. On that note, I am pleased to present my inaugural Review of Operations.

The first half of the year was particularly challenging for the Paramount group of companies (the Group) due to deteriorating economic conditions and, exacerbated by rapidly declining customer confidence and constraints on the availability of mortgage financing. In the face of such challenges, the Group took several bold, strategic and decisive measures that focused on improving operating efficiency, namely driving sales, managing costs prudently without compromising on quality and generating cash.

As 2009 progressed and a degree of stability returned to the economy, we took advantage of our strengthened position to maximize value for our shareholders. A series of strategic investments were put in place to strengthen our existing businesses – we acquired land with good development potential and expanded the capacity of our educational services business in line with the anticipated growth in student population and student's changing needs. New alliances were forged to support our expansion, enhance our academic quality and to pioneer innovative real world methods in preparing our students to compete in today's global economy.

PROPERTY DIVISION

Property Development

The housing market that had started to deteriorate in the second half of 2008, continued well into the first half of 2009 with sales reaching an all time low. However, the second half of 2009 brought a welcome respite for the property sales market with increasing visitor levels and doubling of reservations rate. Market conditions started to improve -a trend that continued till the end of 2009 - on the back of growing signs of stabilisation and recovery.

Such growing optimism helped boost the property development sector's sales of 548 units of residential homes and 35 units of industrial properties with a sales value of RM198.8 million and RM120.3 million, respectively.

To drive sales, a variety of sales incentives were used to attract buyers, notably the "5/95" scheme for residential properties, which was launched on 1 April 2009. The scheme was well received as purchasers need only pay a 5% down-payment, which could, at the purchasers' option, be financed via a 12-month interest free installment period, and the balance upon completion of the house. This zero entry cost was a boon for many first time young house-buyers without the means for the requisite house purchase deposit.

The residential property development sector under the Kemuning Utama project sold 380 units with a sales value of RM157.1 million as compared to 373 units with a sales value of RM128 million sold in the previous year. A total of 247 units were launched during the year and 788 units with Certificate of Fitness were handed over to house buyers. The Bandar Laguna Merbok project sold 168 units with a sales value of RM41.7 million in 2009 as compared to 212 units with a sales value of RM46 million sold in 2008. 122 units were launched during the year and 227 units with certificate of fitness were handed over to house buyers.

At the inaugural launching of an industrial property development project, Surian Industrial Park, in Kota Damansara, 35 units of innovatively designed 2-storey semi-detached industrial units were sold out of the 38 units launched. The total sales value generated from the launch amounted to RM120.3 million. We believe that the success of our Surian Industrial Park project has helped us to strengthen our presence as a formidable developer in the property development sector. Leveraging on our success, we intend to build small-scale, high-end industrial and commercial developments in prime areas.

Following the robust sales on all our developments, no or little excess stocks were carried forward to the following year, and no cash tied up.

Construction

As at 31 December 2009, approximately 30% of the overall revenue for the construction sector comprised external projects. In the absence of new building projects in the office, retail and leisure segments since mid-2008 due to an acute shortage of work, the construction sector experienced a contraction in revenue during the year following the completion of most of its existing external construction contracts.

Notwithstanding, the construction sector was able to turn in a much better performance than the previous year due to compensation received for an external project, recognition of project management fees from a joint venture project and recovery of bad debts written off in previous years.

Given the growing signs of an improving economy, the construction sector is more optimistic as a larger number of development projects are now readily available in the market. Although the tender opportunities look encouraging, pressure on margins remains, as is the high level of competitive bidding for projects. Although the bulk of activities still stem from in-house projects, there are active and continuous efforts to shift the focus of the sector's attention to external projects to enhance our competitiveness. However, we remain selective in line with our risk management practices.

Our focus is to build strong relationships with our client base and supply chain, and to enhance our operational skills and finances in the current environment.

Property Investment

The activities of the property development sector were primarily rental income derived from the college campus and primary and secondary school that were let to related companies from the educational services division and from the offices and a warehouse at Section 13, Petaling Jaya to third parties. The tenancies at Section 13 to third parties have since been terminated and the premise converted into a temporary campus and leased to KDU College – Petaling Jaya campus.

Following the completion of the rationalisation of the Group's property portfolio at year end, which resulted in the strategic business units of the educational services division taking over the institutional buildings and lands utilised by KDU Petaling Jaya campus and the primary and secondary school, the activities and contribution from this sector will be pared down substantially in 2010.

EDUCATIONAL SERVICES DIVISION

Primary and Secondary School

2009 was once again a year of record performance for the primary and secondary school sector as revenues and profits reached new highs due to an increase in tuition fees and prudent cost management practices.

Student enrolment, however, by end of academic year 2009 dropped to 2,246 (2008: 2,325). The drop in enrolment was due mainly to the laggard effect of the economic slowdown, compounded by an increasing shift of students to international schools. International schools, which had already experienced a surge in enrolment after being allowed to enrol up to 40% Malaysian students, got a further boost when the Ministry of Education announced its decision on the reversal to Bahasa Malaysia for the teaching of Mathematics and Science. This movement to international schools was, however, ameliorated when Sekolah Sri KDU clarified it would continue to maximize the use of English in the teaching of Mathematics and Science. News of Sri KDU's intention to build an international school on its existing campus helped stem transfers to other international schools.

In the field of education, academic success is marked by performance on mandated testing. As in the past, Sekolah Sri KDU achieved great success in its 2009 examinations as evidenced by our excellent results. 61% of UPSR students scored 4A's and above (2008 : 62%); a record high of 47% of PMR students scored 7A's and above (2008 : 38%) and 47% of SPM students scored 7A's and above (2008 : 46%). For our International Baccalaureate Diploma Programme (IBDP), 67% of students scored an IBDP pointage of 35 points and above. UCAS equates an IBDP pointage of 34 points to 4 'A' grades at A levels. The 5-Star School of Excellence Certification awarded by the Ministry of Education is testimony of Sekolah Sri KDU's quest for excellence and a true measure of our capability in our journey of providing quality education.

We are however mindful of the fact that excellence does not lie in taking an exam-driven approach. On the contrary, as an educational entity that is designed to promote holistic learning, Sri KDU continues to place emphasis on character building activities, interactive learning and an infusion of international perspectives into a curriculum that is in line with our “Malaysian Hearts, Global Minds” tagline. Our students continue to attest to our approach by actively participating and making an impact in notable educational world events, such as:

- Global Youth Forum in Washington, D.C
- Peace Camp in Jordan
- International Ambassador Programmes in Harvard University, Columbia University and John Hopkins University
- Project with the indigenous Mah Meris of Pulau Carey, which was selected to be a training video in Washington D.C.
- 3rd Kuala Lumpur International Model United Nations (KLIMUN) conference

In response to the growing preference for an international school education, KDU Smart School is constructing an international school within its existing premise that is expected to be operational in September 2011. Upon completion, students have the option of pursuing an education based on the National curriculum or an International curriculum that is readily available within the same school premises. The international school will be for secondary levels only, in keeping with our ‘Malaysian Hearts, Global Minds’ tagline where students are encouraged to first complete their primary education in the National curriculum in order to develop a stronger understanding about their Malaysian roots.

Response to the international school has been extremely encouraging, thus far. Though the school is not open for registration as yet, several hundred potential customers have already signed up to indicate their interest in enrolment. Expansion into the international school business will allow KDU Smart School to respond in an effective and timely manner to keep abreast of a shift in customer preference. Equally, it will provide a new gateway for the business to grow its profits in future.

Tertiary Education

KDU College continued to record a growth in revenue, and this was due to making further inroads in market share with an overall improvement in student enrolment to 5,150 students (2008: 5,093) and an increase in fees. Our ability to attract students lies in our innovative education delivery approach, strong university and industry partnerships, improved pastoral care and active student engagement in community activities through Corporate Social Responsibility programmes.

In our ongoing quest to differentiate ourselves from competitors, the college is committed to equipping students with the right knowledge, skills and qualities that are needed to succeed in society and the workplace as prescribed by the Malaysian Qualification Agency. The college programmes have begun to have a stronger focus on information literacy and thinking skills that are infused into many subjects. Social media tools such as Blogs, Facebook were also used to encourage active learning among students in a virtual environment. This has enabled the use of a variety of beneficial teaching and learning methods such as problem based learning that require students to solve problems in simulated and real life issues. Many students worked with industry partners to gain practical insights to their selected disciplines of study.

As a pioneer in twinning programmes, KDU College is known for its ability to build and enhance mutually rewarding partnerships with world-renowned universities, industry, and business units. Such collaborative interactions with our partners have given the college the edge in tailoring innovative academic programs that help meet the nation’s human capital needs. We have been able to employ such strong partnerships strategically to facilitate knowledge sharing, professional exposure, improved international recognition of our diploma programs, placement of students for further studies and industrial training. KDU Penang is the only private college selected by Intel-MDEC to attend the train-the-trainer program under the stimulus package steered by the Government. Through this program, our lecturers are equipped with the latest technology and industry-driven knowledge, an important tool for preparing our students to be job-ready graduates. KDU Petaling Jaya was selected over other institutes to collaborate with the Islamic Tourism Centre in organising the Pro-Poor Tourism Conference. The conference provided our staff and students the unique opportunity to gain experience in being among professionals where real international concerns were addressed to elevate the social economic status of 16 countries through the development of the tourism and hospitality industry. Such enriching experiences have resulted in desired learning outcomes, enabling our diploma graduates to gain acceptance into top world-renowned universities such as the Australian National University that admits our diploma students into the third year of its engineering program.

As always, our students are our central concern and towards this end, KDU College remains committed to providing students with personalized and undivided pastoral care. All employees of the College help ensure that students are successfully engaged in all form of activities, from studies to participating actively in college life and college activities to help them develop good qualities, which contribute to and benefit society. Notable student activities included award-winning efforts at competitions and "Walkebrella" that gained KDU College an entry into the Malaysian Guinness Book of Records. Both campuses attained the ISO 9001:2008 certification following an upgrading of systems and processes that comply with the principles of Total Quality Management (TQM), to better serve our students.

Ultimately, what separate us from others is the quality of our teaching modules and lecturers. We have invested considerably to attract the kind of teaching professionals and administrators necessary to provide the educational experience that will create true value for our students. To enhance our human capital, the college is working closely with partner universities to upgrade our staff; three lecturers have obtained their masters from IMI University and PhD opportunities have been offered by Murdoch and Northumbria Universities. The college is also taking a more concerted effort to sustain the continued development of human capital in an environment that recognises and rewards meritocracy.

Given the strong growth and cash generated over the years, the Board decided that the time was right for further investment in the sector's operational capacity. The outcome of that decision is reflected in the new campus at Section 13, which is an expansion of the existing Petaling Jaya campus and improvements to facilities of the existing campuses. KDU College in response to the Ministry of Higher Education's invitation to become a University-College has commenced the process of establishing and registering the University-College. We are in the process of gearing up for the next stage of growth.

Furthermore, our expansion and upgrading plans gave us the perfect opportunity and the right platform to reinvigorate our brand communication with customers by highlighting our ethical and sustainability objectives. The process also saw the adoption of a new tagline, "People inspire people" that essentially revolves around our people, our most distinctive asset.

Post Executive and Professional Development

The post executive and professional development, with its focus on meeting the needs of working adults looking to improve their skills and enhance their potential within the context of their careers, did not perform to expectations. Revenues registered were lower than the previous year due to the lower than budgeted fees registered on some of its programmes. Attractive discounts had to be given to attract participants at the start of the year when the market was sluggish, and competition rife. The shortfall was to a certain extent ameliorated by additional management development programmes that attracted a healthy number of participants to turn in decent margins.

Together with cost savings measures implemented earlier, the sector ended the year with lower losses.

Despite its lackluster performance, the sector made headway in the corporate sector market, when it was successful in entering into a partnership with a large conglomerate to conduct the HAAS Executive Series in December 2009. Going forward, the partnership offers the potential to make further inroads in the corporate sector.

While the sector will focus on offering more market driven management development programmes, its long-term plan is to secure a viable franchised product.

Overseas English Language Center

Our overseas English Language Center continued to perform below expectations. Plans implemented to reduce cost and reap synergistic benefits by working with our tertiary education unit did not bear fruit. Management, as such, is seriously considering the disposal or closure of the operating unit before year-end to stem losses.

THE PILLAR OF OUR STRENGTH – OUR PEOPLE

I am proud of the progress we have made in 2009 - thanks to the more than a thousand dedicated employees who stepped up to the plate in overcoming challenges and setting the stage for sustainable growth. I am confident that with such a dedicated workforce, the road ahead for us will lead to an even brighter future.

Our people remain central to our success. Over the years, they have been instrumental in delivering a consistently high quality of service to our customers. As an organisation that recognises and rewards talent, we not only encourage but also provide the opportunity to help our people reach their potential. In this respect, the Group remains committed to providing the best training for all members of staff and draws on the expertise of its people from all its companies across the country.

The Group continues to make progress on its implementation of its Human Capital Strategy. We have identified actions plans that would attract the right calibre of people for the future growth of the Group, manage and maximise employees' potential as well as nurture, plan and develop career paths. The Group has also set key performance indicators to measure the efficiency and effectiveness of the Group's people strategies and enable it to take appropriate action on staff turnover, retention, sickness, absence and capability.

OVERCOMING CHALLENGES, DRIVING GROWTH

With clear signs of an economic recovery, our main business priority is to build a stronger foundation that we can leverage on to take advantage of opportunities during a complete market upturn. The growth in our businesses over the past twelve months has provided us with the market position and resources to push us on to the next phase of the Group's development. The investment we are making in staff and operating systems will reinforce our capabilities and provide the capacity for us to operate on a much broader front.

On the property front, we will continue to focus on building and delivering quality residential, industrial and commercial properties with outstanding value in line with our commitment as a responsible developer. In order to do this, we will continue to selectively increase our landbank predominantly in the Klang Valley.

The diverse nature of our educational services offerings from primary and secondary school to tertiary education and through to post executive and development programmes demonstrate our ability to be responsive to each community and create the most effective programmes aligned with their needs.

Overall, I am extremely proud of our excellent performance in 2009. That we were able to register growth especially during a period of economic uncertainty speaks volumes of our fortitude and ability to overcome challenges. We can only grow stronger from hereon.

In conclusion, I would like to thank the management and staff for their invaluable contributions and hard work. To my fellow board members, your continued support and guidance, as always, have been invaluable. Last but not least, I wish to place on record my deepest appreciation to all our customers, business associates and all stakeholders for continuing to believe in us. Just as you have driven our growth, we hope that we too have driven yours.

ONG KENG SIEW

statement on corporate social responsibility

At Paramount Corporation Berhad (Paramount or the Company), Corporate Social Responsibility (CSR) remains close to our heart as a business practice. 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 Company always maintains the best values and practices in its relationship with all stakeholders, which, we believe, is why Paramount is regarded as a good employer and trusted business partner, and one that cares for and involves itself in the local and wider communities and the environment in which the Paramount group of companies (the Group) operates. Paramount also holds the long-term view that a rapidly changing world brings new responsibilities and concerns that have to be constantly addressed and are not in conflict with the attainment of the Group's objectives.

CSR IN THE ENVIRONMENT

The nature of our business, quite naturally, impacts on the environment, and therefore our interaction with the environment has got to be positive at all times in order to sustain our business in the long term. Our key commitments are to:

- Protect and enhance the environment at large. Our commitment is best exemplified in our development and building approach where a conscious effort is made to preserve the beauty of the natural surroundings.
- Mitigate any possible adverse impact on the environment. Our buildings and homes are designed to incorporate features that promote energy conservation. Given that the construction process typically generates large volumes of waste, there were concerted efforts, over the past year, to mitigate the problem through positive measures to reduce waste generated. In our office environment, we ensure that wastes are re-used or re-cycled as far as possible. The Group is also seeking ways to improve its water and energy consumption.
- Comply with the requirements of all relevant legislation and best practice as a minimum standard. We placed utmost importance in conforming to and satisfying the regulations set by the Department of Environment.
- Provide employees with appropriate literature on environmental issues. We ensure that all our employees have the necessary information they need in order to undertake their work without any adverse impact on the environment and help our customers meet their own environmental targets.
- Promote our environment values to clients, consultants, advisers, suppliers and all business contacts. We also encourage good environmental practices within our supply chain and require all contractors working on our behalf to adopt these standards of care. A winner of numerous national and international FIABCI awards, we walk the talk when it comes to environmental issues.

CSR IN THE WORKPLACE

Employees at every level are encouraged to make the fullest contribution to the Group's performance and the achievement of its goals. This we seek to achieve by:

- Ensuring the people with the right skills and qualities are recruited, trained, supported and retained to create high levels of motivation, achievement and job satisfaction. We aim to be the employer of choice in the industries that we operate.
- Providing employees with the opportunity to have a direct ownership of the Company through its Employees' Share Option Scheme participation.
- Creating a working environment that is conducive to good working relations by demonstrating good leadership and adopting the best in Human Resource practice with well developed policies and procedures. These are continually subject to review, and we are in the process of drawing up a Human Resource policy that would enhance our people management and to attract and retain the highest calibre people with the appropriate experience.

- Employing a workforce that reflects the diversity of our society by promoting our commitment to equal opportunities for all regardless of age, gender, race, religion, disability, nationality, etc.

- Providing training and career development so that employees can grow and achieve their potential. We strive to maintain a knowledgeable, stable and motivated workforce that increases the satisfaction levels of our customer base whilst reducing recruitment and retention costs. In our employees' annual appraisal, training and personal development requirements are mutually agreed, and plans for training and development are drawn up and budgeted for each year. We also take a proactive approach in providing opportunities for our employees to obtain professional and nationally recognised qualifications and in encouraging continuous professional development programmes that are conducted internally and externally. Senior managers are selected to attend the post executive education programme at The Wharton Business School and all our senior managers are encouraged to attend the Management Development Programmes organised by our post executive and professional development sector.

- Ensuring 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. Regular health and safety training are provided.

- Recognising that effective employee communication and consultation are particularly important in achieving our business objectives, information on the progress and activities of the Group and the external financial and economic factors affecting it, both from sources in the public domain and those published internally, are readily made available to employees through the intranet.

- Promoting family friendly policies and work-life balance initiatives to encourage the general well-being of our employees.

CSR IN THE COMMUNITY

Paramount is committed to operating in ways that meets the needs of the present without compromising the world we leave to the future. We aim to add value to the communities in which we operate and through this engagement enhance the long term sustainability of our business. We support this through:

- Contributing to local charities and voluntary organisations. We have made significant inroads in promoting community interaction through social programmes and activity. We also support numerous charitable causes both in cash and kind, and through the provision of scholarships to deserving students.

- Supporting local communities through opportunities for employment, interaction with schools, liaison and support for local well-being. In communities that are directly impacted by our project work, we keep them appropriately informed of the progress made on any issues that affect them.

- Encouraging wider employee participation in community projects organised. We encourage our people to volunteer in order to help others in the community and we recognise the benefits that volunteering can bring through the development of skills and competencies.

- Using our influence to steer change for the better.

CSR IN THE MARKETPLACE

We constantly and actively engage and respond to our other stakeholders including shareholders, analyst, fund managers, customers, suppliers and government and non-government bodies with a view to fostering better relations and understanding. We engage with our stakeholders in a number of ways. These include:

- Committing to high ethical standards in the areas of marketing, advertising and procurement. Our customers remain at the heart of everything that we do. Their feedback is reviewed on an ongoing basis and used to improve our customer service. We seek to protect our customers' rights through responsive customer complaint procedures and by meeting the strictest data protection requirements.

- Building long term partnerships with our suppliers based on the compatibility of their values and behaviour as well as product quality and price. We believe that this is key to servicing our customers' needs and developing the highest products and quality standards. By working closely with suppliers, we continue to find new ways to improve efficiency, lower costs for our customers and address growing health and safety and environmental requirements.

- Maintaining clear, timely and open communications with shareholders, analyst and fund managers. Paramount is committed to helping its shareholders, analyst and fund managers develop a clear understanding of the Company's strategy, performance and growth potential through timely and open communications. Information on the Group's website are to ensure that they are accessible to all interested parties.

- Maintain high standards of corporate governance. We monitor and evaluate risk on an ongoing basis as part of our commitment to sustainable business. A full report on Corporate Governance and Internal Control are found on pages 23 to 26 and 30.

statement on corporate governance

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

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

DIRECTORS

As at the end of the financial year, the Board of Paramount has seven members comprising two executive directors and five non-executive directors, all 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 9 to 10.

Dato' Md Taib bin Abdul Hamid, an independent non-executive director, chairs the Board and the Managing Director & Chief Executive Officer is Mr Ong Keng Siew. 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 and members of the Audit Committee, Nomination Committee and Remuneration Committee 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 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
Dato’ Haji Azlan bin Hashim	5 out of 5
Datuk Rohana Tan Sri Mahmood	5 out of 5
Geh Cheng Hooi	5 out of 5
Quah Chek Tin	5 out of 5

The Board also meets on an ad-hoc basis to deliberate urgent issues and matters that require expeditious board direction or approval.

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, and the senior management. The Board also has the full and unrestricted access to information relating to the business and affairs of the Company in the discharge of their duties. 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 2009, a briefing on Financial Reporting Standards was organised for the directors and senior management.

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 27 to 29 of this Annual Report.

Nomination Committee

The Nomination Committee comprises exclusively of three independent non-executive directors: Dato’ Md Taib bin Abdul Hamid, 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 recommending candidates for Directorship to be filled by the shareholders or the Board, and for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, as well as the Chief Executive Officer 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 through annual reviews, as well as ensure that all Directors receive appropriate continuous training.

Employees’ Share Option Scheme (ESOS) Committee

The ESOS Committee comprises exclusively of the Managing Director & Chief Executive Officer, who is the Chairman of the Committee, the Group Financial Controller, 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 three independent non-executive directors: Dato' Md Taib bin Abdul Hamid, 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 and senior management are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain its Executive Directors and senior management to manage the Company and continuously build for the future, giving due regard to the interest of shareholders and to the financial and commercial health of the Company.

Remuneration Policy

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

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

The Company also provides long term incentives in the form of share schemes. On 29 August 2005, the Company has implemented a five-year Employees' Share Option Scheme, which will expire on 28 August 2010. Under this scheme, all employees, who are in permanent full-time employment of the Group for a period of at least one (1) year continuous year are entitled to participate in the scheme.

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

The details of the remuneration of each Director during the financial year are as follows:

Director	Basic Salary (RM'000)	Bonus (RM'000)	Professional fees (RM'000)	Directors' fees (RM'000)	Benefits -in-kind (RM'000)
Dato' Md Taib bin Abdul Hamid	–	–	–	73	–
Dato' Teo Chiang Quan	940	450	–	40	84
Ong Keng Siew	591	283	–	40	25
Dato' Haji Azlan bin Hashim	–	–	–	64	–
Datuk Rohana Tan Sri Mahmood	–	–	–	48	–
Geh Cheng Hooi	–	–	–	54	–
Quah Chek Tin	–	–	–	50	–

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, where possible, 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 Meeting. 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 and Deputy Chairman's Statement and the Chief Executive Officer's Review of Operations. An explanation of the respective responsibilities of the Directors and the auditors in the preparation of the accounts is set out in the Statement of Directors' Responsibilities section of the printed report.

Internal control

The Directors are responsible for the Group's system of internal controls and for regularly reviewing its effectiveness. The principal aim of the system of internal controls is the management of financial and business risks that are significant to the fulfilment 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 management framework encompassing the required risk procedures.

Relationship with External Auditor

The Company has always maintained a close and transparent relationship with its external auditor 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 auditor may be found in the Report on Audit Committee set out on pages 27 to 29.

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 2009.

MEMBERS AND MEETINGS

The Audit Committee comprises four independent non-executive directors.

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

Directors	Status	Attendance
YBhg Dato' Haji Azlan Bin Hashim (Chairman)	Independent Non-Executive Director/ Accountant	4 out of 4 meetings
Mr Geh Cheng Hooi	Independent Non-Executive Director/Accountant	4 out of 4 meetings
Mr Quah Chek Tin	Independent Non-Executive Director/Accountant	4 out of 4 meetings
YBhg Dato' Md Taib Bin Abdul Hamid*	Independent Non-Executive Director	4 out of 4 meetings

* Dato' Md Taib Bin Abdul Hamid was appointed as a member of the Audit Committee on 5 February 2009.

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) non-executive 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 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 (the 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:

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

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

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

    i) Any changes in accounting policies and practices;

    ii) Significant adjustments arising from the audit;

    iii) The going concern assumption; and

    iv) Compliance with accounting standards and other legal requirements.

d) To discuss problems and reservations arising from interim and final audits and any matter the external auditor may wish to discuss;

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

f) 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;

g) 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;

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

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

j) To take cognisance of resignation of senior internal audit staff and to provide the staff an opportunity to submit his/her reasons for resigning; and

k) To consider other topics deemed fit by the committee within its Terms of Reference and/or as defined by the Board.

Review of the Committee

The board shall review the term of office and performance of the committee annually. This would be done as part and parcel of the board's self assessment of directors.

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 included:

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 auditor before commencement of the statutory audit;

    iii) Reviewed the external auditor's 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 auditor 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 organisational structure of finance departments within the Group and advised the board on its strengths and appropriateness.

c) Employee's Share Option Scheme

i) Reviewed the implementation of Paramount's Employee's Share Option Scheme during the year 2009 pursuant to Bursa Malaysia Securities Berhad's Listing Requirements.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

a) Internal Audit Function

The internal audit function of Paramount is carried out in-house by the internal audit department. The internal audit department reports functionally and independently to the Audit Committee and is independent of management and of the activities it reviews. Its role encompasses risk-based 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 and the Board.

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

b) Activities

For the year 2009, the internal audit department carried out audit assignments in accordance with the approved audit plan and audit reports were presented to the Audit Committee for deliberation. This includes follow-up review on the prompt implementation of audit recommendations, checks on related party transactions, and verification on employees' allocations under the Group's Employee's Share Option Scheme. The cost incurred for the internal audit department for year was RM492,321.

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 (the Group) for this financial year.

BOARD'S RESPONSIBILITY

The 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 through the Audit Committee reviews and monitors as an on-going process, the adequacy and integrity of the internal control and management information systems. Such systems are designed to manage rather than to eliminate the risk of failure to achieve the 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 company as it does not have any direct control over its operations. However, board representation in Paramount's associated company does provide vital information necessary for decisions on the investment and the safeguarding of the Group's interest.

RISK MANAGEMENT/STRATEGIC PLAN

The Board regards risk management as an important process and acknowledges that it plays an integral part in achieving the Group's business objectives. The Board supports the on-going implementation of a risk management program for the Group which allows management to identify, assess, evaluate and manage risks of the Group and keeps abreast of its development.

Principal risks are highlighted to the Board for deliberation on a quarterly basis and further assessment is made during the Board's review of the Group's strategic plan. The established risk framework includes the Board's evaluation of risks relating to new businesses and major investments during the year.

INTERNAL AUDIT FUNCTION

The Board through the Audit Committee endorsed and approved the scope of work for the internal audit function through review of its five years detailed 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 carry out its work and report to the Audit Committee on the internal control system of the Group.

The internal audit function submits regular audit reports to the Audit Committee for its review and conducts follow-up action with management on matters highlighted. The head of internal audit reports independently to the Audit Committee which ensures the audit function's impartiality, proficiency and due professional care.

INFORMATION SYSTEMS

Management holds Finance Committee meetings on a quarterly basis where comprehensive financial results are reviewed by comparing actual performance against approved budget and forecast. The quarterly financial results and management reviews are then summarised for presentation to the Board during 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 practised throughout the Group and expected code of conduct from management staff.
- A management 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 15 April 2010

SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM113,694,949
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	62	1.58	1,660	0.00
100 – 1,000	1,130	28.85	1,028,367	0.90
1,001 – 10,000	2,134	54.48	8,926,305	7.85
10,001 – 100,000	508	12.97	15,635,538	13.75
100,001 – 5,684,746 (*)	81	2.07	46,139,079	40.58
5,684,747 AND ABOVE (**)	2	0.05	41,964,000	36.92
TOTAL	**3,917**	**100.00**	**113,694,949**	**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	27.55
2.	Southern Palm Industries Sdn Bhd	10,639,000	9.36
3.	Southern Acids (M) Berhad	5,519,000	4.85
4.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	4,821,750	4.24
5.	Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Azlan Bin Hashim (KLC)	4,000,000	3.52
6.	Bunga Indah (M) Sdn Bhd	3,309,391	2.91
7.	Southern Realty (M) Sdn Bhd	2,999,000	2.64
8.	Angsana Sutera Sdn Bhd	1,924,000	1.69
9.	Kenanga Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Teo Pek Swan (6Q-31037)	1,190,000	1.05
10.	Teo Chiang Quan	1,044,000	0.92
11.	Teh Wei Siong	1,040,000	0.91
12.	Citigroup Nominees (Asing) Sdn Bhd GSCO for Truffle Hound Global Value LLC	1,000,000	0.88
13.	Yayasan Kelantan Darulnaim	958,000	0.84
14.	Glamour Partnership Sdn Bhd	868,700	0.76
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Win Kee (8016787)	850,800	0.75

Name of Shareholders	No. of Shareholdings	%
16. Cheong Hon Keong	686,300	0.60
17. Lim Chee Meng	675,000	0.59
18. Goh Beng Choo	647,800	0.57
19. Ong Keng Siew	612,000	0.54
20. Cartaban Nominees (Tempatan) Sdn Bhd AXA Affin General Insurance Berhad	600,000	0.53
21. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Teh Wao Kheng (PB)	597,000	0.53
22. HDM Nominees (Tempatan) Sdn Bhd Pledged securities account for Oh Kim Sun (M12)	525,700	0.46
23. Yeo Khee Huat	430,000	0.38
24. HLB Nominees (Tempatan) Sdn Bhd Pledged securities account for Teh Chee Tong	400,000	0.35
25. Yeo Khee Nam	375,000	0.33
26. Lim Yan Pok Holdings Sdn Bhd	370,000	0.33
27. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Leong Kok Tai (JRC)	370,000	0.33
28. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Teh Chee Tong (8058971)	344,000	0.30
29. Tay Lee Kong	337,500	0.30
30. Southern Edible Oil Industries (M) Sdn Bhd	333,000	0.29

SUBSTANTIAL SHAREHOLDERS AS AT 15 APRIL 2010

Name	No. of Ordinary Shares of RM1.00 each Direct	Indirect		Percentage of Issued Share Capital %
Paramount Equities Sdn Bhd	31,325,000	–		27.55
Dato' Teo Chiang Quan	1,122,000	31,654,888	(1)	28.83
Southern Acids (M) Berhad	5,519,000	–		4.85
Southern Palm Industries Sdn Bhd	10,639,000	5,519,000	(2)	14.21
Southern Edible Oil Industries (M) Sdn Bhd	333,000	16,158,000	(3)	14.50
Southern Realty (M) Sdn Bhd	2,999,000	16,491,000	(4)	17.14
Banting Hock Hin Estate Co Sdn Bhd	184,000	19,490,000	(5)	17.30
Dato' Low Mong Hua	67,000	19,674,000	(6)	17.36

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 15 APRIL 2010

In Paramount Corporation Berhad:

	Direct		Indirect	
	No. of Shareholdings	**%**	**No. of Shareholdings**	**%**
Dato' Teo Chiang Quan	1,122,000	0.99	31,654,888	27.84
Dato' Haji Azlan bin Hashim	4,000,000	3.52	–	–
Ong Keng Siew	612,000	0.54	–	–
Dato' Md Taib bin Abdul Hamid	–	–	50,000	0.04
Dato' Yam Kong Choy	10,000	0.01	–	–

In Related Corporations:

	Direct		Indirect	
	No. of Shareholdings	**%**	**No. of Shareholdings**	**%**
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 15 APRIL 2010

In Paramount Corporation Berhad:

	No. of Options over Ordinary Shares of RM1.00 each	
	Offered	**Exercised**
Dato' Teo Chiang Quan	1,000,000	519,000
Ong Keng Siew	750,000	249,000
Total	**1,750,000**	**768,000**

schedule of properties

held by the Group

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2009 (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 dan Daerah Klang Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Held for future development)	–	Freehold	9,723,412	64,231
28.04.2000 (2.12.2009)	Nos 3, 5 & 7, 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, a 4-storey block and a sports complex (Sekolah Sri KDU)	5 - 8 years	99 years lease commencing 02.11.2000	520,579	63,981
23.06.2006	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Agricultural land – 20,094,236 sq. ft. Development land – 1,316,811 sq. ft. (Held for future development)	–	Freehold	21,411,047	47,800
20.02.2008 (29.10.2009)	Lot 94, Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan held under Title No. PN17345	Land approved for industrial development (Temporary college campus – KDU College campus)	44 years	99 years lease commencing 04.06.1964	225,680	46,788
13.11.2008 (28.02.2008)	Lots 7 & 9 Jalan Teknologi 3/1 Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land approved for industrial development (Held for future development)	2 years	99 years lease commencing 19.01.2008	411,642	43,990
21.04.1993 (10.12.2009)	No 32, Jalan Anson 10400 Penang	Land with private institutional buildings comprising a 5-storey block and a 8-storey block (College campus – KDU Penang campus)	13 years	Freehold	86,046	29,540

Date of Acquisition (Date of Last Revaluation)	Location of Property	Description (Existing Use)	Age of Building	Tenure	Land Area (Sq. Ft.)	NBV as at 31.12.2009 (RM'000)
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	5,069,457	19,769
23.06.2003	Lots 138, 1327-1329, 2190, 2849, 2850, 3397, 3398, 11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129, Seksyen 32 & 33 Shah Alam Mukim dan Daerah Klang Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Under development)	–	Freehold	5,267,466	12,501
13.06.2008	Lot PTD 153275 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Land approved for institution (Vacant)	–	Freehold	435,600	12,743
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	1,140,313	9,290

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 2009.

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 16 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	57,528	32,647

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2008 were as follows:

	RM'000
In respect of the financial year ended 31 December 2008 as reported in the directors' report of that year:	
Final dividend of 8% less 25% taxation, on 108,077,000 ordinary shares, declared on 26 February 2009 and paid on 15 June 2009	6,485
Special dividend of 5% less 25% taxation, on 108,077,000 ordinary shares, declared on 26 February 2009 and paid on 15 June 2009	4,053
In respect of the financial year ended 31 December 2009:	
Interim dividend of 8% less 25% taxation, on 109,385,000 ordinary shares, declared on 13 August 2009 and paid on 16 September 2009	6,563
Special dividend of 5% less 25% taxation, on 109,385,000 ordinary shares, declared on 13 August 2009 and paid on 16 September 2009	4,102
	21,203

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final dividend of 9% less 25% taxation and a special dividend of 6% less 25% taxation in respect of the financial year ended 31 December 2009 on 110,339,000 ordinary shares, amounting to dividends payable of RM7,448,000 (6.75 sen net per ordinary share) and RM4,965,000 (4.50 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 earnings in the financial year ending 31 December 2010, and are payable on 16 June 2010.

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
Dato' Haji Azlan bin Hashim
Datuk Rohana Tan Sri Mahmood
Geh Cheng Hooi
Quah Chek Tin
Dato' Yam Kong Choy (Appointed on 18 February 2010)

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 the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the 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 or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) 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.

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 2009	**Acquired**	**Sold**	**At 31 December 2009**
The Company				
Direct interest:				
Dato' Teo Chiang Quan	998,000	124,000	–	1,122,000
Ong Keng Siew	446,000	166,000	–	612,000
Dato' Haji Azlan bin Hashim	4,000,000	–	–	4,000,000
Deemed interest:				
Dato' Teo Chiang Quan	31,654,888	–	–	31,654,888
Dato' Md Taib bin Abdul Hamid	50,000	–	–	50,000

DIRECTORS' INTERESTS (CONT'D)

	<---- Number of ordinary shares of HKD1 each ----> At 1 January 2009	Acquired	Sold	At 31 December 2009
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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM108,031,000 to RM110,339,000 by way of the issuance of the following ordinary shares of RM1 each for cash pursuant to the Company's Employee Share Options Scheme:

- 1,366,000 ordinary shares of RM1 each at the exercise price of RM2.01 per share;
- 119,000 ordinary shares of RM1 each at the exercise price of RM1.66 per share;
- 507,000 ordinary shares of RM1 each at the exercise price of RM2.20 per share; and
- 316,000 ordinary shares of RM1 each at the exercise price of RM1.97 per share.

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

EMPLOYEE SHARE OPTIONS SCHEME

The Paramount Corporation Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the 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 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 option holders, other than directors, who have been granted options to subscribe for less than 220,000 ordinary shares of RM1 each. The names of option holders granted options to subscribe for 220,000 or more ordinary shares of RM1 each during the financial year are as follows:

	Number of options over ordinary shares of RM1 each			
	1 January 2009	Granted	Exercised	31 December 2009
The Company				
Granted in 2005 at an option price of RM2.01 per share				
Dato' Teo Chiang Quan	247,000	–	(124,000)	123,000
Ong Keng Siew	330,000	–	(166,000)	164,000
Granted in 2007 at an option price of RM2.20 per share				
Ong Keng Siew	87,000	–	–	87,000
Granted in 2009 at an option price of RM2.20 per share				
Dato' Teo Chiang Quan	–	250,000	–	250,000
Ong Keng Siew	–	250,000	–	250,000

The terms of share options outstanding at 31 December 2009 are as follows:

			<---Number of options over ordinary shares of RM1 each--->				
Grant Date	Expiry Date	Exercise Price RM	At 1 January 2009 '000	Granted '000	Exercised '000	Lapsed '000	At 31 December 2009 '000
15 September 2005	28 August 2010	2.01	7,174	–	(1,366)	(2,767)	3,041
15 September 2006	28 August 2010	1.66	889	–	(119)	(523)	247
15 September 2007	28 August 2010	2.20	1,450	–	(245)	(350)	855
15 September 2008	28 August 2010	1.97	804	–	(316)	(148)	340
15 September 2009	28 August 2010	2.20	–	2,642	(262)	(5)	2,375

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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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 the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(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

The significant events are disclosed in Note 37 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2010.

DATO' MD TAIB BIN ABDUL HAMID **ONG KENG SIEW**

statement by directors

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

We, Dato' Md Taib bin Abdul Hamid and Ong Keng Siew, 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 46 to 106 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 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 24 February 2010.

DATO' MD TAIB BIN ABDUL HAMID

ONG KENG SIEW

statutory declaration

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

I, Foong Poh Seng, 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 46 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by
the abovenamed Foong Poh Seng at
Petaling Jaya in Selangor Darul Ehsan
on 24 February 2010

FOONG POH SENG

Before me,

Commissioner for Oaths

KOH TWEE YONG
No. B357
69A, Jalan SS 21/37
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

independent auditors' report

to the members of Paramount Corporation Berhad

Report on the financial statements

We have audited the financial statements of Paramount Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 106.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

(c) We are satisfied that the accounts 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.

(d) The auditors' reports on the accounts 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.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

HABIBAH BTE ABDUL
No. 1210/05/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2010

consolidated income statement

for the year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Revenue	3	404,909	398,761
Other income		26,146	19,184
Property development costs	12(b)	(200,362)	(180,684)
Construction contract costs		(29,380)	(63,761)
Employee benefits expense	6	(65,176)	(61,877)
Depreciation and amortisation		(11,280)	(11,524)
Other expenses		(52,888)	(40,861)
Operating profit		71,969	59,238
Finance costs	4	(2,432)	(2,418)
Share of profit of associates		9,795	3,157
Profit before tax	5	79,332	59,977
Income tax expense	8	(21,804)	(15,939)
Profit for the year		57,528	44,038
Attributable to:			
Equity holders of the Company		57,528	41,993
Minority interests		–	2,045
		57,528	44,038
Earnings per share attributable to equity holders of the Company (sen)			
Basic	9 (a)	52.96	38.93
Diluted	9 (b)	51.99	38.89

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

consolidated balance sheet
as at 31 December 2009

	Note	2009 RM'000	2008 RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	139,675	150,018
Land held for property development	12(a)	170,976	208,181
Investment properties	13	14,142	13,121
Prepaid land lease payments	14	63,450	62,667
Intangible asset	15	15,674	15,674
Investments in associates	17	54,264	47,259
Other investments	18	485	485
Deferred tax assets	29	4,934	2,006
		463,600	499,411
Current assets			
Property development costs	12(b)	56,287	58,106
Inventories	19	–	221
Trade receivables	20	87,997	55,355
Due from customers on contracts	21	108	3,810
Other receivables	22	20,410	11,857
Tax recoverable		4,099	3,055
Cash and bank balances	24	207,535	123,414
		376,436	255,818
Total assets		840,036	755,229
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	25	110,339	108,031
Reserves	26	414,147	374,412
		524,486	482,443
Minority interests		–	5
Total equity		524,486	482,448
Non-current liabilities			
Borrowings	28	85,551	87,147
Deferred tax liabilities	29	13,866	11,228
		99,417	98,375
Current liabilities			
Borrowings	28	1,813	6,151
Trade payables	31	109,592	80,532
Due to customers on contracts	21	28,014	17,255
Other payables	32	72,984	66,887
Tax payable		3,730	3,581
		216,133	174,406
Total liabilities		315,550	272,781
Total equity and liabilities		840,036	755,229

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

consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
	<-----------Attributable to equity holders of the Company---------->							
		<-------Non-Distributable------>			Distributable			
At 1 January 2008	107,563	68,322	2,695	1,973	272,797	453,350	7,237	460,587
Foreign currency translation, representing expense recognised directly in equity	–	–	(1,016)	–	1,057	41	–	41
Profit for the year	–	–	–	–	41,993	41,993	2,045	44,038
Total recognised income and expense for the year	–	–	(1,016)	–	43,050	42,034	2,045	44,079
Dividends (Note 10)	–	–	–	–	(14,379)	(14,379)	–	(14,379)
Acquisition of minority interest	–	–	–	–	–	–	(9,326)	(9,326)
Acquisition of shares in a subsidiary	–	–	–	–	–	–	49	49
Issue of ordinary shares pursuant to ESOS	468	578	–	(131)	–	915	–	915
Share options granted under ESOS	–	–	–	523	–	523	–	523
At 31 December 2008	108,031	68,900	1,679	2,365	301,468	482,443	5	482,448
At 1 January 2009	108,031	68,900	1,679	2,365	301,468	482,443	5	482,448
Profit for the year, representing total recognised income and expense for the year	–	–	–	–	57,528	57,528	–	57,528
Dividends (Note 10)	–	–	–	–	(21,203)	(21,203)	–	(21,203)
Acquisition of minority interest	–	–	–	–	–	–	(5)	(5)
Issue of ordinary shares pursuant to ESOS	2,308	3,487	–	(1,114)	–	4,681	–	4,681
Share options granted under ESOS	–	–	–	1,037	–	1,037	–	1,037
At 31 December 2009	110,339	72,387	1,679	2,288	337,793	524,486	–	524,486

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

consolidated cash flow statement

for the year ended 31 December 2009

	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before tax	79,332	59,977
Adjustments for:		
Depreciation of property, plant and equipment	9,886	10,441
Depreciation of investment properties	309	316
Amortisation of prepaid land lease payments	1,085	767
Impairment for property, plant and equipment	92	–
Impairment for investment properties	1,637	–
Property, plant and equipment written off	227	66
Reversal of impairment for investment properties	(134)	(32)
Reversal of provision for doubtful debts	(2,679)	(275)
Share options granted under ESOS	1,037	523
Gain on disposal of property, plant and equipment	(92)	(458)
Loss/(gain) on disposal of investment properties	39	(3)
Gain on disposal of land held for development	(5,027)	–
Short term accumulating compensated absences	(3)	100
Share of profit of associates	(9,795)	(3,157)
Interest expense	2,432	2,418
Interest income	(2,104)	(2,626)
Operating profit before working capital changes	76,242	68,057
(Increase)/decrease in receivables	(34,814)	27,119
Decrease in development properties	60,514	21,542
Decrease/(increase) in inventories	221	(221)
Increase in payables	46,244	3,058
Cash generated from operations	148,407	119,555
Taxes paid	(22,989)	(15,229)
Interest paid	(3,790)	(2,418)
Net cash generated from operating activities	121,628	101,908

consolidated cash flow statement

for the year ended 31 December 2009 (cont'd.)

	2009 RM'000	2008 RM'000
Cash flows from investing activities		
Increase in land held for development	(16,690)	(67,802)
Dividends received from an associate	2,790	–
Purchase of property, plant and equipment	(8,032)	(19,799)
Purchase of investment properties	(4,111)	–
Prepayment of land lease	(510)	(46,290)
Purchase of shares in a subsidiary	–	(51)
Purchase of shares from minority interest	(15,236)	(25,000)
Purchase of shares in an associate	–	(12)
Purchase of other investment	–	(88)
Proceeds from disposal of property, plant and equipment	92	620
Proceeds from disposal of investment properties	1,239	541
Proceeds from disposal of land held for development	23,303	–
Interest received	2,104	2,626
Net cash used in investing activities	(15,051)	(155,255)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	4,681	915
Dividends paid	(21,203)	(14,379)
Repayment of borrowings, net of drawdown	(5,849)	63,343
Net cash (used in)/generated from financing activities	(22,371)	49,879
Net increase/(decrease) in cash and cash equivalents	84,206	(3,468)
Cash and cash equivalents at beginning of year	123,329	126,797
Cash and cash equivalents at end of year (Note 24)	207,535	123,329

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

income statement

for the year ended 31 December 2009

	Note	2009 RM'000	2008 RM'000
Revenue	3	47,918	47,908
Other income		2,136	123
Employee benefits expense	6	(5,030)	(4,975)
Depreciation		(358)	(346)
Other expenses		(4,626)	(9,410)
Operating profit		40,040	33,300
Finance costs	4	(1,462)	(720)
Profit before tax	5	38,578	32,580
Income tax expense	8	(5,931)	(10,563)
Profit for the year		32,647	22,017

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

balance sheet
as at 31 December 2009

	Note	2009 RM'000	2008 RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	471	819
Investment property	13	750	–
Investments in subsidiaries	16	364,308	153,750
Other investments	18	165	165
		365,694	154,734
Current assets			
Other receivables	22	3,899	203
Tax recoverable		1,365	1,672
Due from subsidiaries	23	91,103	172,989
Cash and bank balances	24	16,338	1,576
		112,705	176,440
Total assets		478,399	331,174
Equity and liabilities			
Equity			
Share capital	25	110,339	108,031
Reserves	26	169,962	155,108
Total equity		280,301	263,139
Current liabilities			
Other payables	32	2,824	1,616
Due to subsidiaries	23	195,241	66,419
		198,065	68,035
Non-current liabilities			
Deferred tax liabilities	29	33	–
Total liabilities		198,098	68,035
Total equity and liabilities		478,399	331,174

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

statement of changes in equity

for the year ended 31 December 2009

	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
	<------ Non-Distributable		------>	Distributable	
At 1 January 2008	107,563	68,322	1,973	76,204	254,062
Profit for the year, representing total recognised income and expense for the year	–	–	–	22,017	22,017
Dividends (Note 10)	–	–	–	(14,379)	(14,379)
Issue of ordinary shares pursuant to ESOS	468	579	(131)	–	916
Share options granted under ESOS:					
Recognised in profit or loss	–	–	224	–	224
Included in investments in subsidiaries	–	–	299	–	299
At 31 December 2008	108,031	68,901	2,365	83,842	263,139
At 1 January 2009	108,031	68,901	2,365	83,842	263,139
Profit for the year, representing total recognised income and expense for the year	–	–	–	32,647	32,647
Dividends (Note 10)	–	–	–	(21,203)	(21,203)
Issue of ordinary shares pursuant to ESOS	2,308	3,487	(1,114)	–	4,681
Share options granted under ESOS:					
Recognised in profit or loss	–	–	316	–	316
Included in investments in subsidiaries	–	–	721	–	721
At 31 December 2009	110,339	72,388	2,288	95,286	280,301

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

cash flow statement

for the year ended 31 December 2009

	2009 RM'000	2008 RM'000
Cash flows from operating activities		
Profit before tax	38,578	32,580
Adjustments for:		
Depreciation of property, plant and equipment	358	346
Impairment of investment in a subsidiary	–	2,778
Write down of loans and advances	216	3,518
Short-term accumulating compensated absences	8	12
Share options granted under ESOS	316	224
Interest expense	1,462	720
Gain on disposal of property, plant and equipment	(11)	(121)
Dividend income	(40,881)	(41,795)
Interest income	(137)	(213)
Operating loss before working capital changes	(91)	(1,951)
(Increase)/decrease in receivables	(3,696)	282
Increase in payables	1,200	17
Changes in subsidiaries balances	35,302	2,455
Cash generated from operations	32,715	803
Interest paid	(1,462)	(720)
Tax paid	(179)	(216)
Net cash generated from/(used in) operating activities	31,074	(133)
Cash flows from investing activities		
Interest received	137	213
Dividend received	35,469	30,928
Purchase of equity interest in subsidiaries	(1,000)	(28,799)
Subscription in ordinary shares of subsidiaries	(33,647)	–
Proceeds from disposal of property, plant and equipment	11	121
Purchase of property, plant and equipment	(10)	(454)
Transfer of investment property from a subsidiary	(750)	–
Net cash generated from investing activities	210	2,009
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	4,681	916
Dividends paid	(21,203)	(14,379)
Net cash used in financing activities	(16,522)	(13,463)
Net increase/(decrease) in cash and cash equivalents	14,762	(11,587)
Cash and cash equivalents at beginning of year	1,576	13,163
Cash and cash equivalents at end of year (Note 24)	16,338	1,576

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

notes to the financial statements
– 31 December 2009

1. CORPORATE INFORMATION

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 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 16 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, except for certain freehold land included within property, plant and equipment which 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(h). 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.

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.

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.)

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.

(b) 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.

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 associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

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 policies 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(h).

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

(c) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, 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(h). 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.

(d) 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 except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land are stated at cost or revalued amount (the fair value at the date of the revaluation) less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. The freehold land of the Company have not been revalued since they were first revalued in 1980. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of FRS 116: Property, Plant and Equipment, these assets continue to be stated at their 1980 valuation less accumulated depreciation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Property, plant and equipment, and depreciation (cont'd.)

The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard FRS 116: Property, Plant and Equipment which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 would require revaluation to be carried out at regular intervals.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(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(h).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(h).

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

(ii) Property development costs

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

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by 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.

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 are 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.

(g) Construction contracts

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date 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 goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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 first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, 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 in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

(i) 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.

(j) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Financial instruments (cont'd.)

(i) Cash and cash equivalents

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

(ii) 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.

(iii) 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.

(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 loan and 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, re-issuance 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.)

(k) 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(d).

(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.

(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(p)(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(l) 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.

(m) 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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(n) Employee benefits (cont'd.)

(iii) Share-based compensation

The Paramount Corporation Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, 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.

(o) 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 the monetary items, and on the translation of monetary items, are included in the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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 in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

– Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

– The resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2.2(f).

(ii) Construction contracts

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Revenue recognition (cont'd.)

(iii) Revenue from educational fees

Revenue from educational fees is recognised on an accrual basis.

(iv) Rental and interest income

Rental and interest income is recognised on an accrual basis.

(v) Dividend income

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

2.3 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Company:

FRSs, Amendments to FRSs and IC Interpretations

Effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments

Effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Improvement to FRSs 2009	Improvement to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and interpretations issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and interpretations issued but not yet effective (cont'd.)

Amendments to FRSs 'Improvements to FRSs (2009)'

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

IC Interpretation I5: Agreements for the Construction of Real Estate

This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.

The Group is in the process of assessing the impact of this Interpretation.

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 5% variance in the Group's estimated profit on project recognised during the year.

(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 6% variance in the Group's estimated profit on project recognised during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant accounting estimates and judgements (cont'd.)

(iii) Impairment of goodwill

The Company carried out the impairment test based on estimation of the value-in-use. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 was RM15,674,000 (2008: RM15,674,000). Further details are disclosed in Note 15.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed 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 RM4,200,000 (2008: RM7,548,000) and the unrecognised tax losses and capital allowances of the Group was RM20,602,000 (2008: RM30,252,000).

3. REVENUE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of properties	261,615	233,150	–	–
Construction contracts	42,746	71,073	–	–
Educational fees	98,475	92,794	–	–
Membership fee	628	578	–	–
Interest income from third party	137	213	137	213
Dividends from subsidiaries	–	–	40,881	41,795
Management fees from subsidiaries	–	–	6,900	5,900
Rental income	1,308	953	–	–-
	404,909	398,761	47,918	47,908

4. FINANCE COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest expense on:				
Bank borrowings	2,432	2,418	1	127
Advances from subsidiaries	–	–	1,461	593
	2,432	2,418	1,462	720

5. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-executive directors' remuneration (Note 7)	290	467	272	285
Auditors' remuneration				
– Statutory audit	255	236	53	53
– Other services	101	11	67	5
Operating lease:				
– minimum lease payments for premises	2,641	2,254	494	452
– minimum lease payments for equipment	217	159	–	–
Direct operating expenses of investment properties	662	655	–	–
Amortisation of prepaid land lease payments	1,085	767	–	–
Impairment of:				
– investment in subsidiaries	–	–	–	2,778
– property, plant and eqipment	92	–	–	–
– investment properties	1,637	–	–	–
Reversal of provision of impairment for investment properties	(134)	(32)	–	–
Depreciation of:				
– property, plant and equipment	9,886	10,441	358	346
– investment properties	309	316	–	–
Property, plant and equipment written off	227	66	–	–
(Gain)/loss on disposal of:				
– property, plant and equipment	(92)	(458)	(11)	(121)
– investment properties	39	(3)	–	–
– land held for development	(5,027)	–	–	–
Write down of loans and advances to subsidiaries	–	–	216	3,518
Reversal of provision for doubtful debts	(2,679)	(275)	–	–
Interest income	(2,104)	(2,626)	–	–
Rental income	(3,419)	(3,202)	–	–
Net foreign exchange (gains)/loss:				
– realised	(569)	(401)	–	–
– unrealised	218	(270)	–	–

6. EMPLOYEE BENEFITS EXPENSE

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Wages and salaries	55,048	52,169	3,647	3,699
Short term accumulating compensated absences	(3)	100	8	12
Contributions to defined contribution plan	6,267	6,026	409	369
Share options granted under ESOS	1,037	523	316	224
Other benefits	2,827	3,059	650	671
	65,176	61,877	5,030	4,975

7. DIRECTORS' REMUNERATION

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive:				
Salaries and other emoluments	1,533	1,581	742	548
Fees	80	115	80	80
Bonus	733	714	356	266
Defined contribution plan	272	276	132	98
Share options granted under ESOS	201	56	201	56
Executive directors' remuneration excluding benefits-in-kind	2,819	2,742	1,511	1,048
Estimated monetary value of benefits-in-kind	155	105	74	23
	2,974	2,847	1,585	1,071
Non-executive:				
Fees	290	295	272	285
Consultancy fees	–	153	–	–
Non-executive directors' remuneration excluding benefits-in-kind	290	448	272	285
Estimated monetary value of benefits-in-kind	–	19	–	–
	290	467	272	285
	3,264	3,314	1,857	1,356
Directors of subsidiaries				
Executive:				
Salaries and other emoluments	1,205	1,104	–	–
Fees	–	13	–	–
Bonus	447	361	–	–
Defined contribution plan	197	176	–	–
Share options granted under ESOS	110	53	–	–
Executive directors' remuneration excluding benefits-in-kind	1,959	1,707	–	–
Estimated money value of benefits-in-kind	83	121	–	–
	2,042	1,828	–	–
Non-executive:				
Fees	33	27	–	–
Benefits-in-kind	18	–	–	–
	2,093	1,855	–	–
Total	5,357	5,169	1,857	1,356

7. DIRECTORS' REMUNERATION (CONT'D.)

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	
	2009	**2008**
Executive directors:		
RM800,001 – RM900,000	–	1
RM1,100,001 – RM1,200,000	1	–
RM1,700,001 – RM1,800,000	1	–
RM1,900,001 – RM2,000,000	–	1
Non-executive directors:		
Below RM50,000	1	2
RM50,000 – RM100,000	4	4

8. INCOME TAX EXPENSE

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Current income tax:				
Malaysian income tax	22,375	15,383	5,881	10,507
(Over)/under provision in prior years	(281)	681	17	56
	22,094	16,064	5,898	10,563
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	45	1,655	(71)	–
Relating to changes in tax rates	–	(316)	–	–
(Over)/under provision in prior years	(335)	(1,464)	104	–
	(290)	(125)	33	–
Total income tax expense	21,804	15,939	5,931	10,563

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

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

8. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit before tax 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:

	2009 RM'000	2008 RM'000
Group		
Profit before tax	79,332	59,977
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	19,833	15,594
Effect of income subject to tax rate of 20%	–	(120)
Different tax rates in other countries	(1)	(4)
Effect of changes in tax rates on opening balance of deferred tax	–	(304)
Deferred tax recognised at different tax rates	–	(65)
Effect of share of profits of associate	(2,448)	(821)
Income not subject to tax	(55)	(128)
Expenses not deductible for tax purposes	4,311	1,329
Tax losses not allowable for future utilisation	12	51
Movement in other temporary differences	(37)	(3)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	805	1,193
Over provision of deferred tax in prior year	(335)	(1,464)
(Over)/under provision of tax expense in prior year	(281)	681
Income tax expense	21,804	15,939
Company		
Profit before tax	38,578	32,580
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	9,645	8,471
Income not subject to tax	(5,339)	–
Expenses not deductible for tax purposes	1,541	2,036
Movement in other temporary differences	(37)	–
Under provision of deferred tax in prior years	104	–
Under provision of tax expense in prior years	17	56
Income tax expense	5,931	10,563

9. EARNINGS PER SHARE

(a) Basic

	Group 2009	Group 2008
Profit attributable to ordinary equity holders of the Company (RM'000)	57,528	41,993
Weighted average number of ordinary shares in issue ('000)	108,622	107,863
Basic earnings per share (sen)	52.96	38.93

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company 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 2009	Group 2008
Profit attributable to ordinary equity holders of the Company (RM'000)	57,528	41,993
Weighted average number of ordinary shares in issue ('000)	108,622	107,863
Effect of dilution: share options ('000)	2,028	104
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	110,650	107,967
Diluted earnings per share (sen)	51.99	38.89

10. DIVIDENDS

	Group and Company			
	Amount		Net dividends paid per ordinary share	
	2009 RM'000	2008 RM'000	2009 Sen	2008 Sen
Recognised during the year:				
For the financial year ended 31 December 2009				
Interim dividend of 8.0% less 25% taxation	6,563	–	6.00	–
Special dividend of 5.0% less 25% taxation	4,102	–	3.75	–
For the financial year ended 31 December 2008				
Interim dividend of 8.0% less 26% taxation	–	6,395	–	5.92
Final dividend of 8.0% less 25% taxation	6,485	–	6.00	–
Special dividend of 5.0% less 25% taxation	4,053	–	3.75	–
For the financial year ended 31 December 2007				
Final dividend of 10.0% less 26% taxation	–	7,984	–	7.40
	21,203	14,379	19.50	13.32

At the forthcoming Annual General Meeting, a final dividend of 9% less 25% taxation and a special dividend of 6% less 25% taxation in respect of the financial year ended 31 December 2009 on 110,339,000 ordinary shares, amounting to dividends payable of RM7,448,000 (6.75 sen net per ordinary share) and RM4,965,000 (4.50 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 earnings in the financial year ending 31 December 2010, and are payable on 16 June 2010.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Group			
Cost or valuation			
At 1 January 2008	131,768	77,178	208,946
Additions	13,179	6,620	19,799
Disposals	–	(2,624)	(2,624)
Transfer	(1,737)	–	(1,737)
Write-off	–	(148)	(148)
Exchange differences	–	112	112
At 31 December 2008	143,210	81,138	224,348
Additions	–	8,032	8,032
Adjustments	(325)	–	(325)
Disposals	–	(464)	(464)
Transfer to land held for development (Note 12a)	(7,845)	–	(7,845)
Write-off	–	(2,260)	(2,260)
At 31 December 2009	135,040	86,446	221,486
Representing:			
At cost	133,058	86,446	219,504
At valuation	1,982	–	1,982
At 31 December 2009	135,040	86,446	221,486
Accumulated depreciation and impairment			
At 1 January 2008	12,381	53,968	66,349
Depreciation charge for the year	1,592	8,849	10,441
Disposals	–	(2,462)	(2,462)
Write-off	–	(82)	(82)
Exchange differences	–	84	84
At 31 December 2008	13,973	60,357	74,330
Depreciation charge for the year	1,590	8,296	9,886
Impairment charge for the year	–	92	92
Disposals	–	(464)	(464)
Write-off	–	(2,033)	(2,033)
At 31 December 2009	15,563	66,248	81,811

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

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Group (cont'd.)			
Net carrying amount			
At 31 December 2009			
At cost	117,495	20,198	137,693
At valuation	1,982	–	1,982
	119,477	20,198	139,675
At 31 December 2008			
At cost	127,255	20,781	148,036
At valuation	1,982	–	1,982
	129,237	20,781	150,018

*** Land and building**

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold building RM'000	Total RM'000
Group				
Cost or valuation				
At 1 January 2008				
At cost	23,568	55,517	50,701	129,786
At valuation	1,982	–	–	1,982
	25,550	55,517	50,701	131,768
Transfers	(1,737)	–	–	(1,737)
Additions	13,068	111	–	13,179
At 31 December 2008	36,881	55,628	50,701	143,210
Adjustments	(325)	–	–	(325)
Transfers to land held for development (Note 12a)	(7,845)	–	–	(7,845)
At 31 December 2009	28,711	55,628	50,701	135,040

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

*** Land and building (cont'd.)**

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold building RM'000	Total RM'000
Group				
Cost or valuation (cont'd.)				
At 1 January 2009				
At cost	26,729	55,628	50,701	133,058
At valuation	1,982	–	–	1,982
	28,711	55,628	50,701	135,040
At 31 December 2008				
At cost	34,899	55,628	50,701	141,228
At valuation	1,982	–	–	1,982
	36,881	55,628	50,701	143,210
Accumulated depreciation				
At 1 January 2008	–	2,204	10,177	12,381
Depreciation charge for the year	–	578	1,014	1,592
At 31 December 2008	–	2,782	11,191	13,973
Depreciation charge for the year	–	577	1,013	1,590
At 31 December 2009	–	3,359	12,204	15,563
Net carrying amount				
At 31 December 2009				
At cost	26,729	52,269	38,497	117,495
At valuation	1,982	–	–	1,982
	28,711	52,269	38,497	119,477
At 31 December 2008				
At cost	34,899	52,846	39,510	127,255
At valuation	1,982	–	–	1,982
	36,881	52,846	39,510	129,237

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

Company

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Cost	
At 1 January 2008	3,940
Additions	454
Disposals	(402)
At 31 December 2008	3,992
Additions	10
Disposals	(55)
Write-off	(617)
At 31 December 2009	3,330
Accumulated depreciation	
At 1 January 2008	3,229
Depreciation charge for the year	346
Disposals	(402)
At 31 December 2008	3,173
Depreciation charge for the year	358
Disposals	(55)
Write-off	(617)
At 31 December 2009	2,859
Net carrying amount	
At 31 December 2009	471
At 31 December 2008	819

(a) The freehold land of a subsidiary 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 FRS 116: 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 as at 31 December 2009 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 2009 would be RM35,000 (2008: 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 RM47,159,000 (2008: RM39,694,000) and RM1,794,000 (2008: RM1,852,000) respectively which are still in use.

(c) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 28) are as follows:

	Group	
	2009 RM'000	**2008 RM'000**
Freehold land and building	32,088	32,759
Long term leasehold land and buildings	52,270	52,847
	84,358	85,606

(d) Included in freehold land of the Group is a piece of land with net book value of RM12,743,000 (2008: RM13,068,000), which title is pending transfer.

(e) Included in leasehold land and buildings is interest capitalised amounting to RM607,000 (2008: RM607,000).

12. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2009 RM'000	**2008 RM'000**
Freehold land		
At 1 January	93,516	99,696
Additions	315	–
Transfer from property, plant and equipment	5,079	–
Disposals	(11,237)	–
Transfer to property development costs (Note 12(b))	(5,821)	(6,180)
At 31 December	81,852	93,516
Leasehold land		
At 1 January	72,510	–
Additions	2,539	72,510
Transfer to property development costs (Note 12(b))	(31,058)	–
At 31 December	43,991	72,510
Development costs		
At 1 January	42,155	40,683
Costs incurred during the financial year	13,836	7,600
Transfer from property, plant and equipment	2,766	–
Disposals	(7,039)	–
Transfer to property development costs (Note 12(b))	(6,585)	(6,128)
At 31 December	45,133	42,155
Carrying amount at 31 December	170,976	208,181

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

(b) Property development costs, at cost

	Group 2009 RM'000	Group 2008 RM'000
Freehold land		
At 1 January	163,911	161,341
Reversal of completed projects	(1,886)	(5,347)
Transfer from property, plant and equipment	–	1,737
Transfer from land held for property development (Note 12(a))	5,821	6,180
At 31 December	167,846	163,911
Leasehold land		
At 1 January	–	–
Transfer from land held for property development	31,058	–
At 31 December	31,058	–
Cumulative property development costs		
At 1 January	967,294	860,408
Cost incurred during the year	154,858	147,055
Transfer from land held for property development	6,585	6,128
Reversal of completed projects	(18,383)	(46,076)
Transferred from/(to) inventories	221	(221)
At 31 December	1,110,575	967,294
Cumulative costs recognised in income statement		
At 1 January	(1,073,099)	(943,838)
Recognised during the financial year	(200,362)	(180,684)
Reversal of completed projects	20,269	51,423
At 31 December	(1,253,192)	(1,073,099)
Property development costs at 31 December	56,287	58,106

The freehold land and leasehold land of the Group with the carrying amounts of RM nil and RM43,991,000 (2008: RM40,000,000 and RM41,736,000) respectively have been pledged as securities for borrowings as disclosed in Note 28.

Included in property development costs is interest capitalised amounting to RM2,007,000 (2008: RM286,000).

13. INVESTMENT PROPERTIES

	Group		
	Freehold land RM'000	**Building RM'000**	**Total RM'000**
Cost			
At 1 January 2008	6,024	11,188	17,212
Disposals	(87)	(517)	(604)
Exchange differences	–	44	44
At 31 December 2008	5,937	10,715	16,652
Additions	–	4,111	4,111
Disposals	–	(1,594)	(1,594)
At 31 December 2009	5,937	13,232	19,169
Accumulated depreciation and impairment losses			
At 1 January 2008	–	3,313	3,313
Depreciation charge for the year	–	316	316
Disposal	–	(66)	(66)
Impairment loss reversed in income statement	–	(32)	(32)
At 31 December 2008	–	3,531	3,531
Depreciation charge for the year	–	309	309
Impairment charge for the year	1,637	-	1,637
Disposal	–	(316)	(316)
Impairment loss reversed in income statement	–	(134)	(134)
At 31 December 2009	1,637	3,390	5,027
Analysed as:			
Accumulated depreciation	–	3,390	3,390
Impairment losses	1,637	–	1,637
	1,637	3,390	5,027
Net carrying amount			
At 31 December 2009	4,300	9,842	14,142
At 31 December 2008	5,937	7,184	13,121
Market value			
At 31 December 2009	4,300	12,029	16,329

13. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
Cost	
At 1 January 2009	–
Transferred from a subsidiary	750
At 31 December 2009	750
Net carrying amount	
At 31 December 2009	750
At 31 December 2008	–
Market value	
At 31 December 2009	750

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

(b) There is no depreciation charge on the building of the Company during the year as it was transferred from a subsidiary on 31 December 2009.

(c) The impairment loss of RM1,637,000 was due to the write down of the freehold land to its market value as assessed by an independent professional valuer.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2009 RM'000	2008 RM'000
Long term leasehold land		
At 1 January	62,667	17,144
Addition	510	45,193
Interest capitalised	1,358	1,097
Amortisation for the year	(1,085)	(767)
At 31 December	63,450	62,667
Representing:		
Cost	67,680	65,812
Accumulated amortisation	(4,230)	(3,145)
	63,450	62,667

Leasehold lands with an aggregate carrying value of RM62,584,000 (2008: RM61,784,000) have been pledged as securities for borrowing as disclosed in Note 28.

15. INTANGIBLE ASSET

	Group 2009 RM'000	Group 2008 RM'000
Goodwill		
At 1 January	15,674	–
Acquisition of minority interest	–	15,674
At 31 December	15,674	15,674

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a seven year period. Cash flows beyond the seven year period are computed based on year eight cash flow into perpetuity. The discount rate used is 11.04%.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Discount rate

The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

(b) Bond rate

The bond rates used are the yield on 10-year Malaysian government bond rates at the beginning of the budgeted year.

Sensitivity to changes in assumptions

With regards to the assessment of value in use of the education unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the unit to materially exceed their recoverable amounts.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares, at cost	233,912	173,544
Investment in Non-cumulative Redeemable Convertible Preference Shares	150,190	–
Less: Accumulated impairment losses	(19,794)	(19,794)
	364,308	153,750

During the financial year, the Company subscribed for 58,647,000 new ordinary shares of RM1 each at an issue price of RM1 per share in settlement of RM25,000,000 owed by several wholly-owned subsidiaries of the Company and the remaining balance of RM33,647,000 by cash.

On 31 December 2009, the Company subscribed for 30,038 Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") of RM1 each at a premium of RM4,999 each in settlement of RM150,190,000 owed by several wholly-owned subsidiaries of the Company. The salient terms of the NCRCPS subscribed are summarised below:

(i) Preferential non-cumulative dividends are payable at a rate to be mutually agreed and are payable on a date determined by the issuer subject to availability of profits.

(ii) The NCRCPS are redeemable at the issuer's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the holder option at any time into ordinary shares of RM1 each in the issuer. Conversion rate is on the basis of 1 NCRCPS for 1 new ordinary share of RM1 in the issuer.

Details of the subsidiaries are as follows:

Name of Subsidiaries	Effective Interest 2009 %	Effective Interest 2008 %	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	RM5,000	Building and engineering contractor
Paramount Construction Sdn. Bhd.	100	100	RM750	Building and engineering contractor
Paramount Building Materials Sdn. Bhd.	100	100	RM150	Trading of building materials
Paramount Projects Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor and project management and property development
Current Connection Sdn. Bhd.	100	100	RM500	Inactive
KDU College Sdn. Bhd.	100	100	RM15,000	Educational services
Janahasil Sdn. Bhd.	100	100	RM1,000	Inactive

16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Effective Interest 2009 %	Effective Interest 2008 %	Paid-up Capital '000	Principal Activities
Incorporated in Malaysia				
KDU Smart School Sdn. Bhd.	100	100	RM20,000	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	RM5,000	Property development
Kelab Bandar Laguna Merbok Sdn. Bhd.	100	100	*	Operator of club house
Paramount Global Assets Sdn. Bhd.	100	100	RM35,360	Investment holding
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Inactive
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM5,000	Property development
Seleksi Megah Sdn. Bhd.	100	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	100	100	RM5,000	Property investment
Supreme Essence Sdn. Bhd.	100	51	RM5,000	Property development
Broad Projects Sdn. Bhd.	100	100	RM100	Investment holding
Agolden Project Sdn. Bhd.	100	–	RM5,000	Inactive
Macro Victory Sdn. Bhd.	100	–	RM5,000	Inactive
Instant Fusion Sdn. Bhd.	100	–	*	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	#RMB18,200	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

17. INVESTMENTS IN ASSOCIATES

	Group	
	2009	**2008**
	RM'000	**RM'000**
Unquoted shares, at cost	22,264	22,264
Share of post-acquisition reserves	32,000	24,995
	54,264	47,259

The summarised financial information of the associates are as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Assets and liabilities		
Non-current assets	357,043	315,648
Current assets	386,232	319,597
Total assets	743,275	635,245
Current liabilities	344,803	397,688
Total liabilities	344,803	397,688
Results		
Revenue	488,494	375,509
Profit for the year	43,841	17,109

Details of the associates are as follows:

Name of Associates	Effective Interest 2009 %	Effective Interest 2008 %	Paid-up Capital '000	Principal Activities
Incorporated in Malaysia				
Jerneh Insurance Berhad*	20	20	RM100,000	General Insurance business
Kane Paramount Sdn. Bhd.*	40	40	RM30	Building and engineering contractor

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

18. OTHER INVESTMENTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares, at cost	11,402	11,402	–	–
Less: Accumulated impairment losses	(11,402)	(11,402)	–	–
Club memberships, at cost	485	485	165	165
	485	485	165	165

19. INVENTORIES

	Group 2009 RM'000	Group 2008 RM'000
Cost		
Properties held for sale	–	221

20. TRADE RECEIVABLES

	Group 2009 RM'000	Group 2008 RM'000
Third parties	77,412	46,619
Accrued billings in respect of property development costs	3,011	2,573
Retention sums on contracts	8,348	8,301
	88,771	57,493
Less: Provision for doubtful debts	(774)	(2,138)
Trade receivables, net	87,997	55,355

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

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2009	**2008**
	RM'000	**RM'000**
Construction contract costs incurred to date	1,286,730	1,148,111
Attributable profits	127,228	113,701
	1,413,958	1,261,812
Less: Progress billings	(1,441,864)	(1,275,257)
	(27,906)	(13,445)
Due from customers on contracts	108	3,810
Due to customers on contracts	(28,014)	(17,255)
	(27,906)	(13,445)

22. OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits and prepayments	13,648	8,189	3,894	197
Sundry receivables	7,047	5,268	5	6
	20,695	13,457	3,899	203
Less: Provision for doubtful debts	(285)	(1,600)	–	–
Other receivables, net	20,410	11,857	3,899	203

Included in deposits and prepayments for the current year is deposit amounting to RM3,363,703 (2008: Nil) paid for the purchase of land.

23. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured and repayable on demand.

The amounts due to subsidiaries bear no interest other than amounts totalling RM192,595,000 (2008: RM7,881,000) which bear interest at prevailing base lending rate of 5.55% (2008: 3.47%) per annum. Included in the said interest-bearing amount is RM162,217,000 (2008: Nil) of which no interest has been charged during the year as the amount arose on 31 December 2009.

The amounts due from subsidiaries bear no interest other than amounts totalling RM89,010,000 (2008: Nil) which bear interest at prevailing base lending rate of 5.55% (2008: Nil) per annum. No interest has been charged during the year on the said interest-bearing amount as the amount arose on 31 December 2009.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash on hand and at banks	61,216	74,885	551	1,507
Deposits with licensed banks	146,319	48,529	15,787	69
Cash and bank balances	207,535	123,414	16,338	1,576
Bank overdraft	–	(85)	–	–
Cash and cash equivalents	207,535	123,329	16,338	1,576

Included in cash and bank balances of the Group are amounts of RM55,511,000 (2008: RM66,486,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which are restricted from use in other operations.

Deposits with licensed banks of the Group amounting to RM170,000 (2008: RM170,000) are pledged as security for bank guarantee facilities granted by the banks.

Other information on financial risks of cash and cash equivalents are disclosed in Note 38(b).

25. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised share capital				
At 1 January/31 December	200,000	200,000	200,000	200,000
Issued and fully paid				
At 1 January	108,031	107,563	108,031	107,563
Ordinary shares issued pursuant to ESOS (Note 30)	2,308	468	2,308	468
At 31 December	110,339	108,031	110,339	108,031

26. OTHER RESERVES

The nature and purpose of each category of reserve are as follows:

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

27. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM74,424,000 (2008: RM95,627,000) out of its retained earnings. If the balance of the retained earnings were to be distributed as dividends, the Company may distribute such dividend under the single tier system.

28. BORROWINGS

	Group 2009 RM'000	Group 2008 RM'000
Short term borrowings		
Secured:		
Bank overdraft	–	85
Revolving credits	–	1,167
Bankers' acceptances	–	3,281
Term loans	1,813	1,618
	1,813	6,151
Long term borrowings		
Secured:		
Term loans	85,551	87,147
Total borrowings		
Bank overdraft	–	85
Revolving credits	–	1,167
Bankers' acceptances	–	3,281
Term loans	87,364	88,765
	87,364	93,298
Maturity of borrowings		
Within one year	1,813	6,151
More than 1 year and less than 2 years	19,707	11,831
More than 2 years and less than 5 years	63,344	61,816
More than 5 years	2,500	13,500
	87,364	93,298

The term loans of the Group are secured by the following:

(i) First legal charge over the freehold lands, leasehold lands and buildings of the Group as disclosed in Notes 11, 12 and 14;

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

(iii) Corporate guarantee by the Company.

Other information on financial risks of borrowings are disclosed in Note 38.

29. DEFERRED TAX (ASSETS)/LIABILITIES

	Group 2009 RM'000	Group 2008 RM'000
At 1 January	9,222	9,347
Recognised in the income statement (Note 8)	(290)	(125)
At 31 December	8,932	9,222

Presented after appropriate offsetting as follows:

	2009 RM'000	2008 RM'000
Deferred tax assets	(4,934)	(2,006)
Deferred tax liabilities	13,866	11,228
	8,932	9,222

	At 1 January 2009 RM'000	Recognised in the income statement RM'000	At 31 December 2009 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	13,208	1,199	14,407
Others	(1,354)	(538)	(1,892)
	11,854	661	12,515
Deferred tax assets of the Group:			
Property, plant and equipment	(127)	(94)	(221)
Unutilised tax losses and unabsorbed capital allowances	(1,887)	837	(1,050)
Others	(618)	(1,694)	(2,312)
	(2,632)	(951)	(3,583)
	9,222	(290)	8,932

29. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2008 RM'000	Recognised in the income statement RM'000	At 31 December 2008 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	12,385	823	13,208
Others	520	(1,874)	(1,354)
	12,905	(1,051)	11,854
Deferred tax assets of the Group:			
Property, plant and equipment	(83)	(44)	(127)
Unutilised tax losses and unabsorbed capital allowances	(2,125)	238	(1,887)
Others	(1,350)	732	(618)
	(3,558)	926	(2,632)
	9,347	(125)	9,222

	Company	
	2009 RM'000	2008 RM'000
At 1 January	–	–
Recognised in the income statement (Note 8)	33	–
At 31 December	33	–

	At 1 January 2009 RM'000	Recognised in the income statement RM'000	At 31 December 2009 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	92	(20)	72
Deferred tax assets of the Company:			
Unutilised tax losses and unabsorbed capital allowances	(92)	92	–
Others	–	(39)	(39)
	–	33	33

29. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2008 RM'000	Recognised in the income statement RM'000	At 31 December 2008 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	97	(5)	92
Deferred tax assets of the Company:			
Unutilised tax losses and unabsorbed capital allowances	(97)	5	(92)
	–	–	–

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unutilised tax losses	20,316	20,021	–	–
Unabsorbed capital allowances	286	10,231	–	3,643
Others	365	388	–	147
	20,967	30,640	–	3,790

The unutilised tax losses and unabsorbed capital allowances of the Group and of the Company are available indefinitely for offsetting against future taxable profits of the respective entities within the Group and the Company, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that they may be used to offset taxable profits of other subsidiaries of the Group.

30. EMPLOYEE BENEFITS

Employee Share Options 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

30. EMPLOYEE BENEFITS (CONT'D.)

Employee Share Options Scheme ("ESOS") (cont'd.)

(iii) The option price under the ESOS shall be the average of the mean market quotation (calculated as the average of the highest and lowest price transacted) of the shares as shown in the daily official list in the Bursa Securities for the five trading days immediately preceding the date of offer subject to a discount not more than ten per cent (10%) at the ESOS Committee's discretion, or at par value of the shares whichever is higher.

(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.

The terms of share options outstanding at 31 December 2009 are as follows:

			<---Number of options over ordinary shares of RM1 each--->				
Grant Date	Expiry Date	Exercise Price RM	At 1 January 2009 '000	Granted '000	Exercised '000	Lapsed '000	At 31 December 2009 '000
15 September 2005	28 August 2010	2.01	7,174	–	(1,366)	(2,767)	3,041
15 September 2006	28 August 2010	1.66	889	–	(119)	(523)	247
15 September 2007	28 August 2010	2.20	1,450	–	(245)	(350)	855
15 September 2008	28 August 2010	1.97	804	–	(316)	(148)	340
15 September 2009	28 August 2010	2.20	–	2,642	(262)	(5)	2,375

As disclosed in Note 25, options exercised during the financial year resulted in the issuance of 2,308,000 (2008: 468,000) ordinary shares at an average price of RM2.03 (2008: RM1.96) each. The related weighted average share price at the date of exercise was RM2.49 (2008: RM2.14).

30. EMPLOYEE BENEFITS (CONT'D.)

Employee Share Options Scheme ("ESOS") (cont'd.)

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:

	2009	2008
Fair values of share options at the following grant dates (RM):		
15 September 2008	Not applicable	0.28
15 September 2009	0.36	Not applicable
Weighted average share price	2.48	2.18
Expected volatility (%)	35.0%	25.0%
Expected life (years)	0.95	1.95
Risk free rate (%)	2.1%	3.9%
Expected dividend yield (%)	6.9%	7.0%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

31. TRADE PAYABLES

	Group	
	2009 RM'000	2008 RM'000
Trade payables	43,652	49,876
Progress billings in respect of property development costs	53,151	18,319
Retention sums on contracts	12,789	12,337
	109,592	80,532

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2008: 30 to 90 days).

32. OTHER PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term accumulating compensated absences	1,083	1,070	153	145
Other payables	40,388	30,112	2,671	1,471
Tuition fees paid in advance	18,577	19,318	–	–
Tenants deposits	330	351	–	–
Refundable deposits	12,606	16,036	–	–
	72,984	66,887	2,824	1,616

33. OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

The Group and Company have entered into non-cancellable operating lease agreements for the use of land, buildings and certain plant and equipment. These leases have an average life of 3 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group and Company by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

	Group		**Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Future minimum rentals payments:				
Not later than 1 year	2,587	1,644	572	470
Later than 1 year and not later than 5 years	4,001	210	1,097	–
	6,588	1,854	1,669	470

The lease payments recognised in income statements during the financial year are disclosed in Note 5.

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between 2 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2009 RM'000	**2008 RM'000**
Not later than 1 year	796	887
Later than 1 year and not later than 5 years	715	946
	1,511	1,833

34. COMMITMENTS

	Group		**Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Capital expenditure				
Approved and contracted for:				
– Property, plant & equipment	56,497	–	56,497	–
– Investment property	1,155	–	–	–
	57,652	–	56,497	–

35. CONTINGENT LIABILITIES

	Company	
	2009	**2008**
	RM'000	**RM'000**
Unsecured:		
Guarantees extended in support of banking and other credit facilities granted to subsidiaries	351,982	286,982
Amount utilised	111,573	180,785
Performance guarantees extended to developers for contracts awarded to subsidiary	2,250	2,250
	113,823	183,035

36. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Acquisition of remaining 15% equity interest in KDU from Datuk Rohana Tan Sri Mahmood, a director of the Company, which was approved by the shareholders at an EGM convened on 30 September 2008	–	25,000	–	25,000
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	1,045	939	24	50
Insurance premium charged by Jerneh Insurance Berhad, an associate	1,216	974	321	302
Sale of property to Bright Fusion Sdn. Bhd., a company in which Dato' Teo Chiang Quan has substantial interests	3,159	–	–	–
Sale of property to Dato' Liew Yin Chew, Mr. Chuan Yeong Ming, Ms. Tay Lee Kong and others, of whom the former three persons are directors of the subsidiaries	3,660	–	–	–
Sale of properties to Dato' Teo Chiang Quan	2,055	–	–	–

36. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions (cont'd.)

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan has financial interest	519	519	519	519
Disposal of motor vehicle to Datuk Rohana Tan Sri Mahmood	–	105	–	–
Rental charges paid to Uptown Conference Centre Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan has financial interest	118	44	–	–
Transfer of investment property from a subsidiary, Paramount Property Holding Sdn. Bhd.	–	–	750	–
Rental charges paid to Mr. Edward Ewe Thean Teik, spouse of Dr. Chia Chee Fen who is a director of a subsidiary	24	24	–	–

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

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Short term employee benefits	5,734	5,672	2,440	2,275
Defined contribution plan	637	619	269	238
Share-based payment	341	178	229	108
	6,712	6,469	2,938	2,621

Included in key management personnel are directors remunerations as follows:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Executive	2,819	2,742	1,511	1,048
Non-executive	290	448	272	285
Directors of subsidiaries				
Executive	1,959	1,707	–	–
Non-executive	33	27	–	–
	5,101	4,924	1,783	1,333

36. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel (cont'd.)

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

	Group		Company	
	2009 **'000**	**2008** **'000**	**2009** **'000**	**2008** **'000**
At 1 January	3,025	3,187	1,565	1,764
Granted	930	60	676	–
Exercised	(1,747)	(222)	(845)	(199)
At 31 December	2,208	3,025	1,396	1,565

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 30).

37. SIGNIFICANT EVENTS

During the financial year,

(a) On 15 January 2009, Broad Projects Sdn. Bhd., a wholly owned subsidiary of the Company, acquired 49,000 ordinary shares of RM1.00 each in Supreme Essence Sdn. Bhd. (SESB), representing the remaining 49% of the issued and paid up share capital of SESB, for a total cash consideration of RM15,190,000.

(b) On 15 September 2009, a fifth offer under the existing Employee Share Options Scheme for a total 689,000 options, were made to 233 employees, who had served one year or had achieved long service and/or were promoted during the year, at RM2.20 per share. As at the close of the offer period on 14 October 2009, a total of 515,000 options were accepted by 165 employees.

(c) On 15 September 2009, a special offer under the existing Employee Share Options Scheme for a total 2,559,000 options, were made to 771 employees, who had served one year during the year, at RM2.20 per share. As at the close of the offer period on 14 October 2009, a total of 2,127,000 options were accepted by 549 employees.

(d) On 3 November 2009, the Company entered into a conditional Sale Agreement (SA) with The Titular Superior of the Brothers of Saint Gabriel, for the acquisition of a piece of freehold vacant land measuring in area approximately 21.7 acres forming part of the land held under Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Negeri Selangor (the Master Title) for a total cash consideration calculated at the rate of RM66/-per sq. ft. and estimated at a total sum of RM62,387,000 only subject to the subdivision of the Master Title and on the terms and conditions as contained in the SA.

(e) On 20 November 2009, the Company made an application to Bank Negara Malaysia for the commencement of preliminary negotiations for the acquisition by interested parties of the Group's 20% equity interest in Jerneh Insurance Berhad. The application was approved on 1 December 2009.

37. SIGNIFICANT EVENTS (CONT'D.)

(f) On 21 December 2009, the Group undertook an asset rationalisation exercise involving the transfer of properties, shares and business among certain wholly owned subsidiaries within the Group, inter alia the following:

(i) transfer of KDU College Sdn. Bhd.'s (KDU) business operations in its Penang campus to Macro Victory Sdn. Bhd. ("MVSB"). The divestment is pending completion on 31 December 2009.

(ii) transfer of KDU's investment in KDU Smart School Sdn. Bhd. (KDUSS) and Janahasil Sdn. Bhd. to the Company for a consideration of RM1,000,000 and RM100 respectively. The transfer was completed on 31 December 2009.

(iii) transfer of KDU's freehold land and buildings to MVSB for a consideration of RM52,720,000. The transfer was completed on 31 December 2009.

(iv) transfer of Paramount Property Holdings Sdn. Bhd.'s (PPH) leasehold land and buildings to KDUSS for a consideration of RM86,000,000. The transfer was completed on 31 December 2009.

(v) transfer of PPH's freehold land and buildings to Agolden Project Sdn. Bhd. for a consideration of RM49,200,000. The transfer was completed on 31 December 2009.

(vi) transfer of PPH's freehold building to the Company for a consideration of RM750,000. The transfer was completed on 31 December 2009.

38. 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 2009. The investments in financial assets are short-term in nature and have been mostly placed in fixed deposits.

The following tables set out the carrying amounts, the weighted average effective interest rates 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:

	Effective 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 2009								
Group								
Floating rate								
Cash and bank balances								
(HDA accounts)	1.00 – 1.10	55,511	–	–	–	–	–	55,511
Deposits with licensed banks	0.90 – 2.98	146,319	–	–	–	–	–	146,319
Term loans	5.70 – 6.56	(9,313)	(22,711)	(26,845)	(16,995)	(9,000)	(2,500)	(87,364)

38. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest rate risk (cont'd.)

	Effective 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
Company								
Floating rate								
Deposits with licensed banks	1.80 – 2.98	15,787	–	–	–	–	–	15,787

At 31 December 2008

	Effective 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
Group								
Floating rate								
Cash and bank balances (HDA accounts)	1.50 – 2.00	66,486	–	–	–	–	–	66,486
Deposits with licensed banks	2.00 – 3.70	48,529	–	–	–	–	–	48,529
Revolving credit	6.00 – 8.38	(1,167)	–	–	–	–	–	(1,167)
Bankers' Acceptance	4.78 – 5.55	(3,281)	–	–	–	–	–	(3,281)
Term loans	6.00 – 7.75	(1,618)	(10,500)	(24,507)	(24,645)	(17,295)	(10,200)	(88,765)
Company								
Floating rate								
Deposits with licensed banks	2.28 – 3.45	69	–	–	–	–	–	69

(c) Foreign exchange risk

The Group's exposures to foreign exchange risk primarily arises from its investment in foreign subsidiaries and an associate. Functional currencies in foreign subsidiaries and an associate are mainly Hong Kong Dollar, Renminbi and Australian Dollar, 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.

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.

38. 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 into by the parties involved and without incurring excessive estimation costs. However, the Company does 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.

	Group	
	Carrying amount RM'000	Fair value RM'000
As at 31 December 2009		
Term loan	39,563	32,028
Other term loans	47,801	*
As at 31 December 2008		
Term loan	34,000	27,977
Other term loans	54,765	*

* The carrying value of other term loans at balance sheet date are approximately at their fair value.

39. SEGMENTAL INFORMATION

(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.

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

31 December 2009	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	Total operations RM'000
Revenue and expenses								
Revenue								
Sales to external customers	555	262,242	42,746	98,476	890	404,909	–	404,909
Inter-segment sales	9,174	–	99,712	–	48,781	157,667	(157,667)	–
Total revenue	9,729	262,242	142,458	98,476	49,671	562,576	(157,667)	404,909
Results								
Operating profit	6,416	39,725	5,368	21,403	41,400	114,312	(42,343)	71,969
Finance costs	(2,245)	–	(99)	(87)	(1,463)	(3,894)	1,462	(2,432)
Share of profits of associates	–	–	2,053	–	7,742	9,795	–	9,795
Profit before tax	4,171	39,725	7,322	21,316	47,679	120,213	(40,881)	79,332
Income tax expense								(21,804)
Profit for the year								57,528
Assets and liabilities								
Segment assets	53,886	423,688	75,042	187,049	46,107	785,772	–	785,772
Investment in associates	–	–	25	–	54,239	54,264	–	54,264
	53,886	423,688	75,067	187,049	100,346	840,036	–	840,036
Segment liabilities	70,764	109,850	75,995	55,718	3,223	315,550	–	315,550
Other segment information								
Capital expenditure	1,868	327	2,982	7,268	21	12,466	–	12,466
Depreciation and amortisation	2,313	1,419	676	6,186	687	11,281	–	11,281
Non-cash expenses other than depreciation, amortisation and impairment losses	(129)	150	1,797	1,709	325	3,852	–	3,852

39. SEGMENTAL INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

31 December 2008	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	Total operations RM'000
Revenue and expenses								
Revenue								
Sales to external customers	278	233,728	71,074	92,793	888	398,761	–	398,761
Inter-segment sales	9,050	–	99,758	–	47,695	156,503	(156,503)	–
Total revenue	9,328	233,728	170,832	92,793	48,583	555,264	(156,503)	398,761
Results								
Operating profit	6,922	33,426	(1,043)	22,732	39,589	101,626	(42,388)	59,238
Finance costs	(2,032)	(49)	(115)	(95)	(720)	(3,011)	593	(2,418)
Share of profits of associates	–	–	–	–	3,157	3,157	–	3,157
Profit before tax	4,890	33,377	(1,158)	22,637	42,026	101,772	(41,795)	59,977
Income tax expense								(15,939)
Profit for the year								44,038
Assets and liabilities								
Segment assets	127,466	400,841	60,293	92,593	26,777	707,970	–	707,970
Investment in associates	–	–	–	–	47,259	47,259	–	47,259
	127,466	400,841	60,293	92,593	74,036	755,229	–	755,229
Segment liabilities	64,918	78,698	65,382	61,879	1,904	272,781	–	272,781
Other segment information								
Capital expenditure	46,393	42,942	1,277	18,007	455	109,074	–	109,074
Depreciation and amortisation	1,488	1,637	636	6,500	1,263	11,524	–	11,524
Non-cash expenses other than depreciation, amortisation and impairment losses	(29)	(177)	(101)	562	115	370	–	370

proxy form

PARAMOUNT®
CORPORATION BERHAD
(8578-A)

I/We ______________________ NRIC No./Passport No./Company No. ______________

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 Fortieth Annual General Meeting of the Company to be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 3 June 2010 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 & Special Dividend		
Resolution 3	Directors' Fees		
Re-election and re-appointment of Directors:			
Resolution 4	YBhg Dato' Teo Chiang Quan		
Resolution 5	YBhg Dato' Haji Azlan bin Hashim		
Resolution 6	YBhg Dato' Michael Yam Kong Choy		
Resolution 7	YBhg Dato' Md Taib bin Abdul Hamid		
Resolution 8	Mr Geh Cheng Hooi		
Resolution 9	Re-appointment of Auditors and to fix their remuneration		
Resolution 10	Authority to Directors to issue shares		

Dated this ________ day ______________________ 2010.

CDS ACCOUNT NO.	NO. OF SHARES HELD

Signature/Common Seal

NOTES

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

Fold along this line (1)

Please
Affix
30 sen Stamp

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

Fold along this line (2)

PARAMOUNT CORPORATION BERHAD (8578-A)
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