

Corporate Social Responsibility

PROMISES MADE



PROMISES KEPT

2006 annual
report

vision

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

mission

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

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

To enhance shareholders' value by growing our businesses

core values

Excellence

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

Integrity and Transparency

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

Goodwill

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

Community

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

Environment

We are committed to protecting the environment

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Corporate Social Responsibility

PROMISES MADE. PROMISES KEPT



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

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

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

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

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

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

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

notice of **annual general meeting**

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

AS ORDINARY BUSINESS

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

Resolution 1

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

Resolution 2

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

- (a) YBhg Dato' Haji Azlan bin Hashim

Resolution 3

- (b) Cik Rohana Tan Sri Mahmood

Resolution 4

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

Resolution 5

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

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

Resolution 6

- (b) "That Mr Geh Cheng Hooi, a Director who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director

of the Company to hold office until the conclusion of the next Annual General Meeting."

Resolution 7

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

Resolution 8

AS SPECIAL BUSINESS

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

Authority to Directors to issue shares

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

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

Resolution 9

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

Proposed Amendments to the Articles of Association of the Company

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

Resolution 10

By Order of the Board

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
27 April 2007

Notes

Appointment of Proxy

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the above meeting.

Explanatory Notes on Special Business

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

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

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

NOTICE OF DIVIDEND ENTITLEMENT

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

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 13 July 2007 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

statement accompanying **notice of thirty-seventh annual general meeting**

pursuant to paragraph 8.28(2) of Bursa Malaysia Securities Berhad Listing Requirements

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

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

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

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

- Mr Quah Chek Tin

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

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

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

group corporate structure



property

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

construction & civil engineering

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

education

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

investment

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

others

- **100%** Berkeley Sdn Bhd
- **30%** Berkeley Maju Sdn Bhd
- **100%** Current Connection Sdn Bhd
- **100%** Paramount Electronics Industries Sdn Bhd
- **49%** Jasarim Bina Sdn Bhd
- **100%** Seleksi Megah Sdn Bhd
- **100%** Wangsa Merdu Sdn Bhd

Paramount Corporation



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

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

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

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

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

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

In 1984, Paramount ceased its rice milling operations.

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

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

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

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

In October 1996, Paramount acquired Berlian Sakti Sdn Bhd (now known as Paramount Engineering & Construction Sdn Bhd), one of the major contractors for the Group's past and present development projects. This alliance was created to reap synergistic benefits for both companies. The same year, KDU further expanded its business by

entering into a joint venture to set up a campus in Sibul, East Malaysia, which was closed in September 2003 due to non-viability, and was subsequently disposed of.

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

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

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

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

Berhad



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

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

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

In line with Paramount's objective to divest non-core assets with a view to improving cash resources and 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 through its wholly-owned subsidiary, Wangsa Merdu Sdn Bhd, disposed of Regency Tower, the 23-storey condominium, in July 2006.

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

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

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

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

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

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



DEDICATED TO EDUCATION, FROM PRIMARY TO TERTIARY LEVEL





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

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



BOARD OF DIRECTORS

Chairman

Dato' Md Taib bin Abdul Hamid*
DSDK

Group Managing Director & Group Chief Executive Officer

Dato' Teo Chiang Quan
DPTJ

Deputy Group Managing Director & Deputy Group Chief Executive Officer

Ong Keng Siew

Members

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

Dato' Haji Azlan bin Hashim*
DSNS, DSSA

Rohana Tan Sri Mahmood

Geh Cheng Hooi*

Quah Chek Tin*

* Independent Non-Executive Directors

SECRETARY

Tay Lee Kong
(MAICSA 772833)

REGISTERED OFFICE

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

REGISTRAR

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

AUDITORS

Ernst & Young
Chartered Accountants

SOLICITORS

S.K. Yeoh & Partners

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

other **information**

required by the listing requirements of bursa malaysia securities berhad

1. EMPLOYEES' SHARE OPTION SCHEME

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

2. NON-AUDIT FEES

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

3. MATERIAL CONTRACTS

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

4. REVALUATION POLICY

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

board of directors



Dato' Md Taib bin Abdul Hamid

Dato' Teo Chiang Quan

Ong Keng Siew



Geh Cheng Hooi

Rohana Tan Sri
Mahmood

Dato' Haji Azlan bin
Hashim

Quah Chek Tin

Tan Sri Dato' Ahmad Sabki
bin Jahidin

board of **directors'** profile



DATO' MD TAIB BIN ABDUL HAMID

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

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

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

Dato' Taib attended all the 5 board meetings.



DATO' TEO CHIANG QUAN

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

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

Current directorship in a public company includes JIB.

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

Dato' Teo attended all the 5 board meetings.



ONG KENG SIEW

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

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

Ong also serves on the Audit Committee.

Ong attended all the 5 board meetings.



GEH CHENG HOOI

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

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

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

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

Geh attended 3 out of 3 board meetings.



TAN SRI DATO' AHMAD SABKI BIN JAHIDIN

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

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

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

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

Tan Sri attended 4 out of 5 board meetings.



ROHANA TAN SRI MAHMOOD

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

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

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

Rohana attended all the 5 board meetings.



DATO' HAJI AZLAN BIN HASHIM

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

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

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

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

Dato' Azlan attended all the 5 board meetings.



QUAH CHEK TIN

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

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

Quah also serves on the Audit Committee.

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

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

None of the Directors have been charged for any offence.

senior **management**

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

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



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

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

Oh Keng Kooi
Audit Director

Foong Poh Seng
Group Financial
Controller

Tay Lee Kong
Corporate
Affairs
Director



Teh Geok Lian
Chief Executive
Officer
KDU Smart School
Sdn Bhd

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

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

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

BUILDING THE FREEDOM OF SPACES





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



chairman's **statement**

pesanan pengerusi



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

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

Dear Shareholders,

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

FINANCIAL PERFORMANCE

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

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

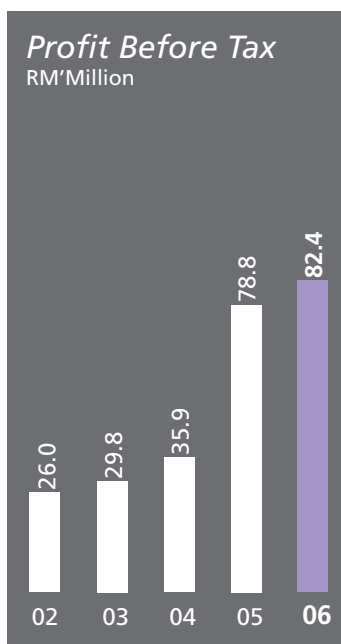
Pemegang Saham yang dikasihi,

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

PRESTASI KEWANGAN

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

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



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

Property division

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

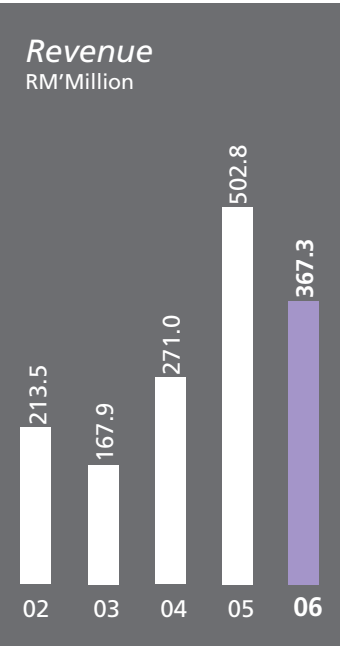
Profit before tax for the property division was correspondingly lower at RM65.3 million from RM79.6 million recorded in the previous year. The property development and construction sectors both registered lower profits, the former by 33.2% to RM41.9 million from RM62.7 million in the previous year, and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

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

Bahagian Harta

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

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



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

Educational Services division

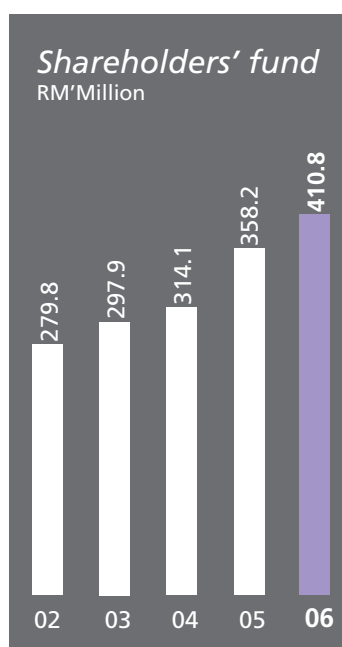
The educational services division saw a substantial increase in revenue by 22% to RM72.5 million during the year from RM59.4 million in the previous year on the back of a growing student population that primarily drove the primary and secondary school and the tertiary education sectors' steady growth.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

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

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

Bahagian Perkhidmatan Pendidikan

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



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

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

Investment and Others

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

DIVIDENDS

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

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

CORPORATE DEVELOPMENTS AND AWARDS

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

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

Pelaburan dan Lain-lain

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

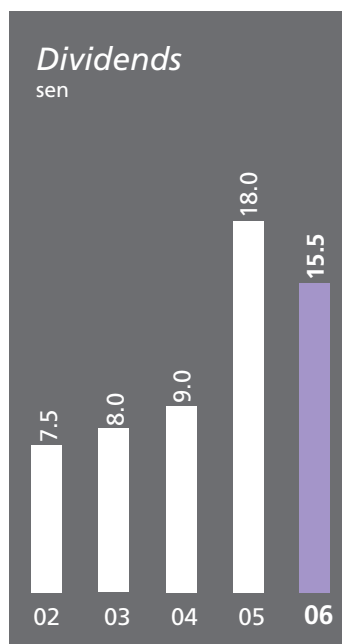
DIVIDEN

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

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

PERKEMBANGAN KORPORAT DAN ANUGERAH

Pada 26 April 2006 dan 31 Mei 2006, Jawatankuasa Pelaburan Luar Negeri (FIC) dan Badan Kuatkuasa Negeri, masing-masing, telah meluluskan penjualan Regency Tower



subsidiary, Wangsa Merdu Sdn Bhd (WMSB), to HKH Holdings Sdn Bhd, a wholly-owned subsidiary of Keck Seng (Malaysia) Berhad, for a total cash consideration of RM62.5 million. The sale was completed on 11 July 2006.

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

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

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

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

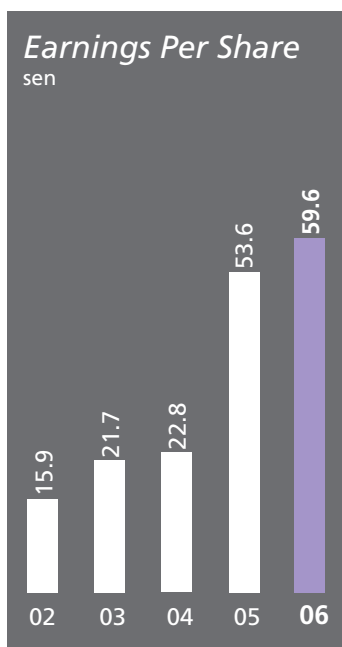
oleh Wangsa Merdu Sdn Bhd (WMSB), subsidiari penuhmilik Syarikat, kepada HKH Holdings Sdn Bhd (HKH), subsidiari penuhmilik Keck Seng (Malaysia) Berhad untuk jumlah harga tunai sebanyak RM62.5 juta. Penjualan dimuktamatkan pada 11 Julai 2006.

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

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

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

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



PROSPECTS

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

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

ACKNOWLEDGEMENTS

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

HARAPAN

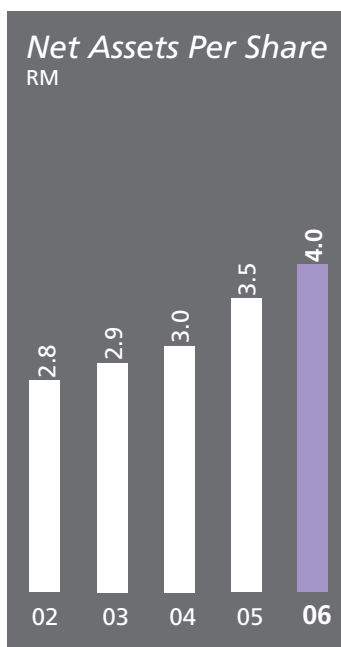
Prestasi Kumpulan sejauh ini, dipandu oleh sektor pembangunan harta. Dengan hampir tamatnya projek perkembangan Utara di Sungai Petani dan bil progresif kian rendah dari Lembah Kelang, sumbangan dari bahagian harta dijangka lebih rendah. Akan tetapi sumbangan dari bahagian perkhidmatan pendidikan dijangka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

Walaupun demikian, dengan simpanan tunai yang sihat dan prestasi yang kukuh pada tahun-tahun lepas, Kumpulan akan dapat menangani peluang yang timbul untuk pertumbuhan jangka sederhana dan panjang.

PENGHARGAAN

Pada 23 Mei 2006, kami mengalu-alukan En. Geh Cheng Hooi ke Lembaga sebagai Pengarah Bukan Eksekutif Bebas.

Seperti dilaporkan, En. Geh telah mengosongkan jawatan sebagai Pengarah Paramount kerana mematuhi Artikel 95(c) Tataurus Persatuan Syarikat, yang menyatakan jawatan pengarah dikosongkan apabila pengarah tersebut tidak hadir lebih daripada 50% mesyuarat lembaga pada tahun kewangan Kumpulan. Memandangkan pengalaman En. Geh yang luas dan kebiasaan dengan Kumpulan, beliau dilantik sebagai ahli jawatankuasa Audit, Pelantikan dan Gaji pada 15 September. Seperti pernah dilaporkan, Dr. Brian Shoy Teng telah meletak jawatan pada 29 Mac 2006.



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

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

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

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

DATO' MD TAIB BIN ABDUL HAMID
Chairman

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

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

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

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

DATO' MD TAIB BIN ABDUL HAMID
Pengerusi

five-year group *financial highlights*

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

Year 31 Dec 2006 RM'000	Year 31 Dec 2005 RM'000	Year 31 Dec 2004 RM'000	Year 31 Dec 2003 RM'000	Year 31 Dec 2002 RM'000
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ASSETS EMPLOYED

Property, plant and equipment	145,119	146,193	146,025	123,904	118,412
Land held for property development	163,416	143,982	164,166	221,529	40,283
Investment properties	14,830	62,939	58,194	59,332	60,609
Prepaid land lease payments	17,385	17,627	17,820	18,061	10,893
Investment in associates	38,999	35,335	33,723	31,462	36,544
Other investments	397	397	370	252	271
Deferred tax assets	4,099	2,139	1,581	1,819	–
Net current assets	79,762	67,325	67,229	19,689	38,533
Long term borrowings	(36,764)	(65,847)	(85,775)	(43,953)	(18,440)
Deferred tax liabilities	(11,083)	(7,130)	(5,977)	(4,401)	(2,413)
Provision for retirement benefits	–	(2,190)	(1,920)	(1,243)	(782)
Long term payables	–	(38,901)	(77,802)	(124,818)	–
Net assets	416,160	361,869	317,634	301,633	283,910

EQUITY

Share capital	104,126	103,579	103,552	103,552	101,301
Capital reserves	2,317	1,358	1,181	1,176	1,171
Share premium	64,797	64,180	64,153	64,153	63,756
Retained profits	239,609	189,101	145,258	129,039	113,580
Equity attributable to holders of the Company (Shareholders' fund)	410,849	358,218	314,144	297,920	279,808
Minority interests	5,311	3,651	3,490	3,713	4,102
Total equity	416,160	361,869	317,634	301,633	283,910

Note:

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

FINANCIAL STATISTICS

(Per ordinary share of RM1 each)

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

CONTRIBUTING TO THE HEALTH OF THE ENVIRONMENT





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



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



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

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



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

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

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

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



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

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

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

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

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

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



PROPERTY DIVISION

Property Development

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

BAHAGIAN HARTA

Pembangunan Harta

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



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

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

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

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

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

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

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



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

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

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

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



Construction

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

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

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

Pembinaan

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

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

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



Investment

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

EDUCATIONAL SERVICES

Primary and Secondary School

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

Pelaburan

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

PERKHIDMATAN PENDIDIKAN

Sekolah Rendah dan Menengah

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



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

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

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

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

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

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



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

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

Tertiary Education

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

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

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

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

Pendidikan Tertiar

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

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



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

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

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

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

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

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



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

Executive Education and Professional Development Centre

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

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

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

Pusat Pendidikan Eksekutif dan Perkembangan Profesional

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

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



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

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

Overseas English Language Centre

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

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

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

Pusat Bahasa Inggeris Luar Negeri

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



INVESTMENT AND OTHERS

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

OUR PEOPLE, OUR STRENGTH

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

PELABURAN DAN LAIN-LAIN

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

SUMBER MANUSIA KEKUATAN KAMI

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



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

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



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

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

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

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

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

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

statement on corporate governance

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

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

DIRECTORS

The Board of Paramount has eight members comprising two executive directors and six non-executive directors, five of whom are independent. This strong and independent element brings an objective and independent judgement to the decision-making process of the Board. The biographical details of the Board members are set out in the Board section on pages 14 to 17.

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

As the Chairmen of the Audit Committee, Nomination Committee

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

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

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

- Setting and monitoring objectives, goals and strategic directions for management

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

The Board met five times during the year, and the attendance record of directors during the year was as follows

<i>Director</i>	<i>Attendance</i>
Dato' Md Taib bin Abdul Hamid	5 out of 5
Dato' Teo Chiang Quan	5 out of 5
Ong Keng Siew	5 out of 5
Tan Sri Dato' Ahmad Sabki bin Jahidin	4 out of 5
Dato' Haji Azlan bin Hashim	5 out of 5
Rohana Tan Sri Mahmood	5 out of 5
Geh Cheng Hooi*	3 out of 3
Dr Brian Shoy Teng To**	1 out of 2

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

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

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

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of their duties. Appropriate training and briefing are available to all Directors on appointment to the Board, and subsequently as necessary, taking into account their individual qualifications and experience.

During the financial year ended 31 December 2006, the following three in-house seminars were organized for the directors and senior management:

- i. Strategic Enterprise Management;
- ii. Blue Ocean Strategy; and
- iii. Preview of the Blue Ocean Strategy.

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

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

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

Audit Committee

A detailed report on this committee is contained on pages 54 and 55 of this Annual Report.

Nomination Committee

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

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

Employees' Share Option Scheme (ESOS) Committee

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

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

The ESOS Committee meets as and when necessary.

DIRECTORS' REMUNERATION

Remuneration Committee

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

The Remuneration Committee is responsible for ensuring that the Company's Directors are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to

attract and retain its Executive Directors and senior management to manage the Company and continuously build for the future, giving due regard to the interest of shareholders and to the financial and commercial health of the Company.

Remuneration Policy

Total remuneration, comprising salaries, bonus and benefits, of Executive Directors and senior management are reviewed annually. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalization and are set around the median point of the comparator group. The salaries are set by the committee after

consideration of the Company's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individuals based on their performance and responsibility.

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

The Company also provides long term

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

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

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

<i>Director</i>	<i>Basic Salary (RM'000)</i>	<i>Professional Bonus (RM'000)</i>	<i>Directors Fees (RM'000)</i>	<i>Benefits Fees (RM'000)</i>	<i>In-Kind (RM'000)</i>
Dato' Md Taib bin Abdul Hamid	–	–	–	64	–
Dato' Teo Chiang Quan	991	454	–	65	62
Ong Keng Siew	377	220	–	56	36
Tan Sri Dato' Ahmad Sabki bin Jahidin	–	–	–	50	–
Dato' Haji Azlan bin Hashim	–	–	–	55	–
Rohana Tan Sri Mahmood	–	–	198	45	25
Geh Cheng Hooi	–	–	–	36	–

Shareholders

The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the Annual General Meeting and timely dissemination of information on significant company developments and price sensitive information in accordance with Bursa Malaysia Securities Berhad's Listing Requirements. The Company obliges the requests of analyst and fund managers for company visits and briefings, and at least once every year

a scheduled company briefing is held, coinciding with the release of the Group's final quarter results. The Group's web-site at www.pcb.com.my contains corporate and customer information updated on a regular basis.

The Company's Annual General Meeting not only deals with the formal business of the Company but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. Shareholders are invited to ask questions and express their views

about the Company's business at the meeting. The Company presents to shareholders an overview of the Group's performance during the year at Annual General Meetings. A Press conference is normally held after the Annual General Meeting to brief members of the Press on the performance of the Group for the benefit of potential investors as well as those shareholders who have been unable to be at the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

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

Although no system of internal controls can provide absolute assurance that business risks will be mitigated, the Group has in place an internal control system, which the Group is committed to continually strengthen, to meet the Group's particular needs and the risks to which it is exposed. The key areas that

have been established include a risk management policy designed to ensure its proper implementation and a risk framework encompassing the required risk procedures.

Risk Management

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

Relationship with External Auditors

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia. The report on the role of the audit committee in relation to the external auditors may be found in the Report on the Audit Committee set out on pages 54 and 55.

CORPORATE SOCIAL RESPONSIBILITY

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

As a developer, Paramount is committed to both preserving the environment and minimizing any harmful impact upon it in the conduct of our business activities. We place utmost importance in conforming to and satisfying the regulations set by the Department of Environment. Our commitment and actions are best exemplified in our development and building approach where a conscious effort is made to maintain the beauty of natural surroundings. Equally,

environmental concerns and energy conservation are important issues that shape the design of our buildings. A winner of numerous national and international FIABCI awards, we walk the talk when it comes to environmental issues

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

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

report of the **audit committee**

The Board of Directors of Paramount Corporation Berhad (Paramount or the Company) is pleased to issue the following Audit Committee Report and its activities for the year ended 31 December 2006.

MEMBERS AND MEETINGS

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

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

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

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

TERMS OF REFERENCE

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

Membership

The members shall be appointed by the board and the committee shall consist of at least three (3) directors, a majority of whom are independent directors. The Chairman of the committee shall be an independent non-executive director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or is appropriately qualified as an accountant.

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

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

Meetings

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

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

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

The committee shall record its conclusions on issues discussed during meetings and report to the board at the quarterly board meetings.

Authority

The Audit Committee is hereby authorised by the board to:

- a) investigate any matter within its terms of reference;

- b) have resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company and the Paramount group of companies (Group);
- d) have direct communication channels with the external auditors and internal auditor; and
- e) obtain independent professional or other advice as deemed necessary.

Reporting of Breaches to the Exchange

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

Duties of the Committee

The duties of the committee shall be as follows:

- i) To consider the appointment of external auditors, the audit fee and any questions of resignation or dismissal;
- ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii) To review the quarterly and year-end financial statements of the Company/Group, focusing particularly on:
 - a) Any changes in accounting policies and practices;
 - b) Significant adjustments arising from the audit;
 - c) The going concern assumption; and
 - d) Compliance with accounting standards and other legal requirements.
- iv) To discuss problems and reservations arising from interim and final audits, and any matter the external auditor may wish to discuss;
- v) To review the external auditors' management letter and management's response;
- vi) To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- vii) To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
- viii) To consider major findings of internal investigations and management's response;

- ix) To consider any related party transactions that may arise within the Company or Group; and
- x) To consider other topics deemed fit by the committee within its terms of reference and/or as defined by the board.

ACTIVITIES OF THE AUDIT COMMITTEE

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

a) Financial Statements

- i) Reviewed the quarterly and year-end financial statements prior to board's approval for release to Bursa Malaysia Securities Berhad and the press;
- ii) Discussed audit plans with the external auditors before commencement of the statutory audit;
- iii) Reviewed the external auditors' management letter and management's response;
- iv) Reviewed the external auditors audit fee and proposed the same to the board for its approval; and
- v) Considered the intention of the external auditors, Messrs Ernst & Young, to be re-appointed and to propose the re-appointment to the board accordingly.

b) Internal Controls

- i) Reviewed internal audit plans with the internal auditors covering the adequacy of scope, functions and resources of internal audit function;
- ii) Discussed results of internal audit process and deliberated on highlighted issues of concern;

- iii) Considered related party transactions that arose and advised the board on the appropriate actions to be taken;
 - iv) Advised the board on the state of internal control of the Group and the issuance of the Statement on Internal Control;
 - v) Discussed the Report of the Audit Committee and proposed the report to the board for its approval; and
 - vi) Reviewed the organizational structure of finance departments within the Group and advised the board on its strengths and appropriateness.
- #### **c) Employees' Share Option Scheme**
- i) Reviewed the implementation and allocation of options of Paramount's Employees' Share Option Scheme during the year 2006 pursuant to Bursa Malaysia Securities Berhad's Listing Requirements.

INTERNAL AUDIT FUNCTION

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

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

statement on **internal control**

PREAMBLE

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

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

BOARD'S RESPONSIBILITY

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

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

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

RISK MANAGEMENT/ STRATEGIC PLAN

The Board regards risk management as an integral part of the Group's business objectives. The established risk framework allows management to identify, assess and manage the

risks of the Group. Principal risks are highlighted to the Board for deliberation on a quarterly basis and further review is made during the Board's annual assessments of the Group's strategic plan.

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

INTERNAL AUDIT FUNCTION

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

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

INFORMATION SYSTEMS

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

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

OTHER KEY AREAS OF INTERNAL CONTROL/ CONTROL PROCESSES

Other key areas of internal control/control processes include:

- Continuous upgrading and development of internal control system upon reported recommendations by both external and internal auditors highlighted at the Audit Committee and Board levels.
- Clearly defined areas of responsibilities for all committees of the Board and clear lines of authority and accountability for various levels of management.
- 5-year Group strategic planning process including detailed budgeting and monitoring, reviewed by the Board on an annual basis.
- Professionalism and competence of staff are maintained through a rigorous recruitment process, a performance appraisal and review system and a wide variety of training and development programmes.
- Good management culture practiced throughout the Group and expected code of conduct from management staff.
- A tender committee ensuring proper procurement process for material purchases of goods and services.

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

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

analysis of **shareholdings**

as at 30 March 2007

SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM104,625,949
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

<i>Size of Shareholdings</i>	<i>No. of Shareholders</i>	<i>%</i>	<i>No. of Shareholdings</i>	<i>%</i>
1 – 99	55	1.33	1,397	0.00
100 – 1,000	1,364	32.95	1,261,015	1.21
1,001 – 10,000	2,216	53.54	9,128,180	8.72
10,001 – 100,000	445	10.75	12,139,838	11.60
100,001 – 5,231,296 (*)	56	1.35	34,612,519	33.08
5,231,297 AND ABOVE (**)	3	0.07	47,483,000	45.38
TOTAL	4,139	100.00	104,625,949	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

THIRTY (30) LARGEST SHAREHOLDERS

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

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

SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2007

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

Notes:

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

DIRECTORS' SHAREHOLDINGS AS AT 30 MARCH 2007

In Paramount Corporation Berhad:

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

In Related Corporations:

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

* Held in trust for Paramount Corporation Berhad

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

DIRECTORS' OPTIONS TO SUBSCRIBE FOR SHARES AS AT 30 MARCH 2007

In Paramount Corporation Berhad:

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

schedule of **properties**

held by Paramount Corporation Berhad and its subsidiaries

<i>Date of Acquisition (Date of Last Revaluation)</i>	<i>Location of Property</i>	<i>Description (Existing Use)</i>	<i>Age of Building</i>	<i>Tenure</i>	<i>Land Area (Sq. Ft.)</i>	<i>NBV as at 31.12.2006 (RM'000)</i>
19.12.1978 (29.11.2006)	43, Jalan SS22/41 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Land with private institutional buildings comprising 2 blocks of 5-storey and 1 block of 4-storey (College campus – KDU Petaling Jaya campus)	24 years	Freehold	116,082	7,974
28.04.2000 (27.11.2006)	No 3, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with Sports Complex (Sekolah Sri KDU)	4 years	99 years lease commencing 02-11-2000	160,943	9,794
28.04.2000 (27.11.2006)	No 5, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with private institutional buildings comprising a 3-storey block and a 4-storey block (Sekolah Sri KDU – Primary Block)	5 years	99 years lease commencing 02-11-2000	169,339	24,041
28.04.2000 (27.11.2006)	No 7, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with private institutional building comprising a 3-storey block (Sekolah Sri KDU – Secondary Block)	2 years	99 years lease commencing 02-11-2000	190,297	32,511
13.06.2001 (24.11.2006)	Block B, Gugusan Teratai (Mawaria), Jalan Cecawi 6/30 Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Land with a 5-storey block comprising 60 units of apartments (KDU Hostel apartments)	4 years	Leasehold (under master title)	Strara Title	3,841
11.03.1998 (27.11.2006)	No. 17, Jalan Ara SD7/3B Bandar Sri Damansara 52200 Kuala Lumpur	Land with a 4-storey shopoffice (Tenanted)	10 years	Freehold	1,760	616
25.10.2005 (17.10.2005)	PT 11042 & PT 11043 Town of Serendah District of Ulu Selangor Selangor	2 parcels of residential development land (Vacant)	–	Freehold	1,131,796	5,937
08.04.1982	Lots 11882 to 11886 HS(D) 13157 to 13161 T/K Jalan Batu Tiga Klang	Vacant Land	–	Freehold	6,698	3

<i>Date of Acquisition (Date of Last Revaluation)</i>	<i>Location of Property</i>	<i>Description (Existing Use)</i>	<i>Age of Building</i>	<i>Tenure</i>	<i>Land Area (Sq. Ft.)</i>	<i>NBV as at 31.12.2006 (RM'000)</i>
26.06.2003	Lots 138, 1327-1329, 2190, 2849, 2850, 3397, 3398, 11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129, Seksyen 32 & 33, Shah Alam Mukim of Daerah Klang Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Held for future development)	–	Freehold	13,597,950	88,566
26.06.2003	Lots 138, 1327-1329, 2190, 2849, 2850, 3397, 3398, 11468, 15850, 15851, 72113, 72114, 72117, 72118 & 88127-88129, Seksyen 32 & 33, Shah Alam Mukim of Daerah Klang Selangor Darul Ehsan	Land approved for commercial and residential development – Kemuning Utama (Under development)	–	Freehold	3,132,001	56,293
08.04.1982	Mukim of Sungai Petani and Sungai Pasir, District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Taman Patani Jaya (Held for future development)	–	Freehold	160,662	232
30.09.1994	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Bandar Laguna Merbok (Under development)	–	Freehold	2,897,134	21,259
30.09.1994	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Land approved for commercial and residential development – Bandar Laguna Merbok (Held for future development)	–	Freehold	5,764,652	22,879
23.06.2006	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	Agricultural land – 21,124,844 sq. ft. Development land – 1,316,811 sq. ft. (Held for future development)	–	Freehold	22,441,655	39,019
15.05.2001 (29.11.2006)	1 Lorong BLM 1/1 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Land with a 2/3-storey shopoffice (Office Premise occupied by Paramount Property (Utara) Sdn Bhd and Paramount Engineering & Construction Sdn Bhd)	6 years	Freehold	6,890	1,335
30.09.1994 (29.11.2006)	Persiaran BLM 3 Bandar Laguna Merbok 08000 Sungai Petani Kedah Darul Aman	Commercial development land (P.T. 68352 & 68354 – Vacant) (P.T. 68353 – Bandar Laguna Merbok clubhouse)	5 years	Freehold	1,414,336	13,873

<i>Date of Acquisition (Date of Last Revaluation)</i>	<i>Location of Property</i>	<i>Description (Existing Use)</i>	<i>Age of Building</i>	<i>Tenure</i>	<i>Land Area (Sq. Ft.)</i>	<i>NBV as at 31.12.2006 (RM'000)</i>
04.07.2000	Geran 1711, Lot 1143 Mukim of Semiling District of Kuala Muda Kedah Darul Aman	Land approved for low cost development (Under development)	–	Freehold	644,453	2,785
10.01.1999 (29.11.2006)	No 7 Lorong 1 Taman Sutera 08000 Sungai Petani Kedah Darul Aman	Land with a 2-storey shopoffice (Tenanted)	15 years	Freehold	1,679	166
21.04.1993 (27.11.2006)	No 32, Jalan Anson 10400 Penang	Land with private institutional buildings comprising a block of 5-storey and a block of 8-storey (College Campus – KDU Penang Campus)	10 years	Freehold	86,046	31,356
28.07.1998 (27.11.2006)	No 12, Jalan Khaw Sim Bee 10450 Penang	Land with a 4-storey block comprising 12 units of apartments (KDU Penang Campus hostel apartment)	12 years	Freehold	14,184 (Floor Area)	2,746
18.08.1999 (29.11.2006)	No 16, Lorong Binajaya 3 Kawasan Perusahaan Ringan Usahajaya Permatang Tinggi 14000 Bukit Mertajam	Land with a 2-storey detached factory (Available for Tenancy)	8 years	Freehold	1,916	156
16.02.2000 (29.11.2006)	Nos 2, 4, 6, 8, 10, 12, 14 & 16 Jalan Pala 12, Kawasan Ind. Ringan Permatang Tinggi 14000 Bukit Mertajam Penang	Land with 8 units of 2-storey semi-detached factories (Tenanted)	8 years	Freehold	52,041	2,389
30.12.1995 (4.12.2006)	Senai III Industrial Park Johor Bahru Johor Darul Takzim	Factory land & building (Tenanted)	10 years	30 years lease commencing 28-02-1996	164,221	5,981
30.04.1997 (20.02.2002)	10/F, Parkview Commercial Building, 9-11 Shelter Street Causeway Bay, Hong Kong	Office premise (Occupied by Paramount Corporation Ltd)	24 years	999 years lease commencing 20-05-1889	1,400	880

statement of **directors' responsibility**

in relation to the financial statements

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

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

The Directors consider that in preparing the financial statements:

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

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

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