

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

PART A

PROPOSED ACQUISITION OF 353,000 ORDINARY SHARES OF RM1.00 EACH IN KDU COLLEGE SDN BHD ("KDU"), REPRESENTING THE REMAINING 15% EQUITY INTEREST IN KDU NOT ALREADY OWNED BY PARAMOUNT CORPORATION BERHAD ("PARAMOUNT"), FROM ROHANA TAN SRI MAHMOOD FOR A TOTAL CASH CONSIDERATION OF RM25,000,000

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED DIRECTORS AND MINORITY SHAREHOLDERS OF PARAMOUNT IN RELATION TO PART A

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Adviser in relation to Part B



KENANGA INVESTMENT BANK BERHAD
Company No. 15678-H

A Participating Organisation of Bursa Malaysia Securities Berhad

The notice convening the Extraordinary General Meeting ("EGM") to be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 September 2008 at 10.00 a.m., together with the Proxy Form are enclosed with this Circular.

A shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his behalf. The Proxy Form should be completed and must be lodged 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 forty-eight (48) hours before the time set for holding the EGM.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting or adjourned meeting should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Sunday, 28 September 2008 at 10.00 a.m.
Date and time of EGM	:	Tuesday, 30 September 2008 at 10.00 a.m.

This Circular is dated 15 September 2008

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular and the accompanying appendices:

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Articles”	: Articles of Association of the Company
“Board”	: Board of Directors
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“CIMB”	: CIMB Investment Bank Berhad
“Circular”	: This Circular dated 15 September 2008 to the shareholders of Paramount on the Proposed Acquisition
“EGM”	: Extraordinary General Meeting
“EPS”	: Earnings per share
“FIC”	: Foreign Investment Committee
“IDR”	: Iskandar Development Region
“KDU”	: KDU College Sdn Bhd
“KDUSS”	: KDU Smart School Sdn Bhd
“KDU Share(s)”	: Ordinary share(s) of RM1.00 each in KDU
“KDU Group”	: KDU and its subsidiaries, collectively
“KIBB”	: Kenanga Investment Bank Berhad
“Latest Practicable Date”	: 28 August 2008, being the latest practicable date prior to the printing of this Circular
“Listing Requirements”	: Listing Requirements of Bursa Securities
“LPS”	: Loss per share
“MOE”	: Ministry of Education
“MOHE”	: Ministry of Higher Education
“NA”	: Net assets
“Paramount” or the “Company”	: Paramount Corporation Berhad
“Paramount Group”	: Paramount and its subsidiaries, collectively
“Paramount Share(s)”	: Ordinary share(s) of RM1.00 each in Paramount
“PAT”	: Profit after taxation
“PBT”	: Profit before taxation

DEFINITIONS (cont'd)

“Proposed Acquisition”	: Proposed acquisition of 353,000 KDU Shares, representing the remaining 15% equity interest in KDU not already owned by Paramount, from Rohana Tan Sri Mahmood for a total cash consideration of RM25,000,000 pursuant to the terms and conditions of the SSA
“Purchase Consideration”	: The total purchase consideration of RM25,000,000 in relation to the Proposed Acquisition
“Sale Shares”	: The 353,000 KDU Shares, representing 15% of the entire issued and paid-up share capital of KDU
“SSA”	: The conditional Share Sale Agreement entered into on 18 July 2008 between Paramount and Rohana Tan Sri Mahmood in respect of the Proposed Acquisition
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“CIMB’s Valuation Report”	: Valuation report in respect of the Sale Shares dated 3 July 2008 prepared by CIMB

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

[The rest of this page has been intentionally left blank]

CONTENTS

	PAGE
PART A	
LETTER TO THE SHAREHOLDERS OF PARAMOUNT IN RELATION TO THE PROPOSED ACQUISITION CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ACQUISITION	2
3. RATIONALE FOR THE PROPOSED ACQUISITION	5
4. RISK FACTORS	5
5. EFFECTS OF THE PROPOSED ACQUISITION	6
6. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION	6
7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	6
8. DIRECTORS' OPINION AND RECOMMENDATION	6
9. ESTIMATED TIME FRAME FOR COMPLETION	7
10. EGM	7
11. FURTHER INFORMATION	7
 PART B	
INDEPENDENT ADVICE LETTER FROM KIBB TO THE NON-INTERESTED DIRECTORS AND MINORITY SHAREHOLDERS OF PARAMOUNT IN RELATION TO THE PROPOSED ACQUISITION	8
 APPENDICES	
I INFORMATION ON KDU	20
II LATEST AUDITED FINANCIAL STATEMENTS OF KDU FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007	25
III SUMMARY LETTER OF CIMB'S VALUATION REPORT	84
IV FURTHER INFORMATION	88
 NOTICE OF EGM	ENCLOSED
 PROXY FORM	ENCLOSED

PART A

**LETTER TO THE SHAREHOLDERS OF PARAMOUNT IN RELATION TO
THE PROPOSED ACQUISITION**

Registered Office:
Level 8, Uptown 1
1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

15 September 2008

Board of Directors:

Dato' Md Taib bin Abdul Hamid (*Chairman/Independent Non-Executive Director*)
Dato' Teo Chiang Quan (*Group Managing Director & Group Chief Executive Officer*)
Mr Ong Keng Siew (*Deputy Group Managing Director & Deputy Group Chief Executive Officer*)
Tan Sri Dato' Ahmad Sabki bin Jahidin (*Independent Non-Executive Director*)
Dato' Haji Azlan bin Hashim (*Independent Non-Executive Director*)
Cik Rohana Tan Sri Mahmood (*Non-Independent Non-Executive Director*)
Mr Geh Cheng Hooi (*Independent Non-Executive Director*)
Mr Quah Chek Tin (*Independent Non-Executive Director*)

To: The Shareholders of Paramount

Dear Sir / Madam

PROPOSED ACQUISITION OF 353,000 KDU SHARES, REPRESENTING THE REMAINING 15% EQUITY INTEREST IN KDU NOT ALREADY OWNED BY PARAMOUNT, FROM ROHANA TAN SRI MAHMOOD FOR A TOTAL CASH CONSIDERATION OF RM25,000,000

1. INTRODUCTION

On 18 July 2008, the Board of Paramount had announced that the Company had on the same day entered into the SSA with Rohana Tan Sri Mahmood in relation to the Proposed Acquisition.

Pursuant to Chapter 10 of the Listing Requirements, the Proposed Acquisition is deemed to be a related party transaction by virtue of Rohana Tan Sri Mahmood being a director of Paramount, a director and substantial shareholder of KDU as well as being the vendor under the Proposed Acquisition.

In view of the Proposed Acquisition being a related party transaction and in compliance with Paragraph 10.08 of Chapter 10 of the Listing Requirements, the Board of Paramount had on 18 July 2008, announced that KIBB was appointed as the Independent Adviser on 15 July 2008 to advise the non-interested directors and minority shareholders of Paramount as to whether the Proposed Acquisition is fair and reasonable so far as the shareholders are concerned and whether the Proposed Acquisition is detrimental to the minority shareholders of Paramount. KIBB would also recommend to the minority shareholders as to whether to vote in favour of the Proposed Acquisition.

KIBB had vide its letter dated 22 July 2008, confirmed to Bursa Securities on its eligibility to act as the Independent Adviser in respect of the Proposed Acquisition in accordance with Paragraph 10.08(3) of the Listing Requirements.

The purpose of this Circular is to provide you with the relevant information on the Proposed Acquisition and to seek your approval for the resolution to be tabled at the forthcoming EGM of the Company in order to give effect to the Proposed Acquisition. The Notice of EGM together with the Proxy Form is enclosed with this Circular.

THE INDEPENDENT ADVISE LETTER IS ENCLOSED IN PART B OF THIS CIRCULAR TO PROVIDE YOU WITH AN INDEPENDENT OPINION ON THE PROPOSED ACQUISITION. AS A SHAREHOLDER OF PARAMOUNT, YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR, THE RELEVANT APPENDICES TO THE CIRCULAR AND THE INDEPENDENT ADVISE LETTER BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM OF YOUR COMPANY.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Information on KDU

KDU was incorporated in Malaysia under the Act on 19 October 1981 as a private limited company under the name Paramount Academy Sdn Bhd. It commenced its business in 1983 and assumed its present name on 29 October 2001.

KDU has an authorised share capital of RM5,000,000 comprising 5,000,000 KDU Shares of which RM2,353,000 comprising 2,353,000 KDU Shares are issued and fully paid-up.

KDU's principal activity is in the provision of private tertiary education while its subsidiaries are involved in the provision of primary and secondary national curriculum education and the International Baccalaureate Diploma programme.

As at the Latest Practicable Date, 85% of the issued and paid-up share capital of KDU is held by Paramount whilst the balance is held by Rohana Tan Sri Mahmood.

Based on the consolidated audited financial statements for the financial year ended 31 December 2007, KDU recorded a consolidated PAT of RM15,575,405 and its consolidated NA stood at RM48,290,894.

Please refer to Appendix I of this Circular for further information on KDU.

2.2 Salient terms of the SSA

The salient terms of the SSA are as follows:

2.2.1 The SSA is subject to and conditional upon the following conditions precedent:

- (i) the approval, or no objection of the FIC of the Prime Minister's Department, Malaysia to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA, which was obtained vide its letter dated 15 August 2008;
- (ii) the approval of the shareholders of Paramount in general meeting to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA; and
- (iii) the approval, or no objection of the MOHE, Malaysia to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA, which was obtained vide its letter dated 22 August 2008.

The above conditions precedent must be fulfilled within six (6) months from the date of the SSA, or such other date as may be agreed upon between both Paramount and Rohana Tan Sri Mahmood (“**Cut-Off Date**”). The SSA will become unconditional on the day upon which the above conditions precedent have been fulfilled in accordance with the provisions of the SSA (“**Unconditional Date**”). Completion shall take place one (1) month after the Unconditional Date in accordance with the provisions of the SSA.

As at the Latest Practicable Date, save for condition (ii) above, all the other conditions precedent have been fulfilled.

- 2.2.2 The Purchase Consideration shall be satisfied by Paramount in the following manner:
- (i) on the date of the SSA, RM2,500,000 equivalent to 10% of the Purchase Consideration (“**Deposit**”) shall be paid as a refundable deposit to Paramount’s solicitors as stakeholders; and
 - (ii) the balance of RM22,500,000 equivalent to the balance 90% of the Purchase Consideration shall be paid to Rohana Tan Sri Mahmood on completion of the Proposed Acquisition in accordance with the provisions of the SSA.
- 2.2.3 The Sale Shares shall be acquired by Paramount free from all liens, charges and encumbrances and liabilities together with all rights and benefits attached thereto (including all dividends and distributions declared in respect thereof) with effect from the date of the SSA.
- 2.2.4 Rohana Tan Sri Mahmood warrants to Paramount that the warranties and representations, in respect of the facts, made as at the date of the SSA, and immediately before the completion of the conditions precedent are true and accurate in all respects.
- 2.2.5 If at any time prior to the completion of the SSA, Paramount becomes aware that there has been a material breach of the warranties and representations or any other terms of the SSA by Rohana Tan Sri Mahmood, which in Paramount’s opinion, has a material adverse effect on the business, prospects or financial position of KDU Group or the value of KDU to Paramount and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, Paramount may issue notice of termination of the SSA.
- 2.2.6 If at any time after the completion of the SSA it should transpire that any of the warranties and representations is untrue or incorrect in a material respect and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, without prejudice to any other remedy available to Paramount, Rohana Tan Sri Mahmood must immediately pay to Paramount a cash amount sufficient to compensate Paramount against all losses suffered by it as a consequence of such breach taking into account in particular the resulting diminution of the Purchase Consideration.
- 2.2.7 The Deposit (and accrued interest) will be refunded to Paramount if any of the conditions precedent is not satisfied by the Cut-Off Date (not due to a default of any party) and if Paramount has issued a notice of termination to Rohana Tan Sri Mahmood.

2.3 Basis of determining the Purchase Consideration and sources of funding

The Purchase Consideration was arrived at on a “willing buyer willing seller” basis, after taking into consideration CIMB’s Valuation Report, which valued the 15% equity interest in KDU at between RM23 million to RM26 million. In arriving at these values, CIMB had used the Comparable Companies method. The summary letter of CIMB’s Valuation Report is enclosed in this Circular as Appendix III.

The Purchase Consideration is proposed to be financed entirely through the Company’s internally generated funds.

2.4 Information on Rohana Tan Sri Mahmood

Rohana Tan Sri Mahmood, a Malaysian, is a Director of KDU and holds 353,000 KDU Shares, representing 15% equity interest in KDU. She acquired her 15% equity stake in KDU on 18 June 1997 at a cost of RM1,412,000.

Rohana Tan Sri Mahmood is also a Non-Independent, Non-Executive Director of Paramount. As at the Latest Practicable Date, Rohana Tan Sri Mahmood does not, directly or indirectly, hold any Paramount Shares.

2.5 Particulars of liabilities to be assumed by Paramount

Save for the liabilities incurred in the ordinary course of business, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Paramount as a result of the Proposed Acquisition.

Any other financial commitments to be incurred by Paramount pursuant to the Proposed Acquisition will be part of the Paramount Group’s strategy to expand its educational business; the amount of which has not been confirmed.

2.6 Future prospects

As mentioned in Section 2.1 above, the KDU Group is primarily involved in the provision of private tertiary education and primary and secondary national curriculum education.

As at 30 June 2007, there are 139 private primary and secondary schools, 47 private religious primary and secondary schools, 40 international schools, 60 chinese private schools and 13 expatriate schools in Malaysia. (*Source: Malaysian Educational Statistics 2007*)

At the end of June 2008, there are 525 private institutions of higher education, comprising 37 private universities and 488 private colleges. The number of foreign students in Malaysia is expected to increase by 7.5% to 51,310 students in 2008 (2007: 47,928 students), of which 42,300 students are in private higher learning institutions. (*Source: Economic Report 2008/2009*)

Enrolment in Government and Government-assisted primary schools increased from 3,069,111 in year 2003 to 3,167,775 in year 2007. Enrolment of secondary school students in Government and Government-assisted secondary schools increased from 2,071,077 in year 2003 to 2,253,383 in year 2007. Post-secondary enrolment i.e. in colleges (comprising polytechnics, KTAR and community colleges) also increased by 50% from 83,637 in year 2003 to 125,814 in year 2007. The MOE has projected the enrolment of students in primary schools at 3,195,977, secondary schools at 2,306,478 and the post-secondary students at 277,904 by year 2010.

The average annual growth rate of enrolment in tertiary education institutions at certificate, diploma, degree, masters and PhD levels in Malaysia between years 2002 to year 2007 is recorded at 6.5% for public tertiary education institutions and 5.5% for private tertiary education institutions. As projected by the MOHE, the average annual growth rate of enrolment from year 2006 to year 2010 is expected to be 16.9% for public tertiary education institutions and 6.7% for private tertiary education institutions. In the year 2007, the private tertiary education recorded a total enrolment of 365,800 students and the public tertiary education recorded a total enrolment of 382,997 students. By the year 2010, the MOHE expects the private tertiary education institutions to have a total enrolment of 472,750 students as opposed to the public tertiary education enrolment of 853,590 students. (Source: 9MP, MOE, MOHE, Malaysian Education Statistics 2007)

KDU has experienced steady growth while establishing its reputation as a premier education service provider since it commenced operations 25 years ago. From a handful of programmes available in the early years, KDU has widened its programme offerings in Certificate, Diploma, Degree and Masters levels to more than forty programmes currently. Leveraging on its experience and brandname, KDU has successfully established the primary and secondary schools, i.e. Sekolah Sri KDU®.

In line with this steady growth, and as affirmed by the MOHE's forecast above, plans are underway for KDU to expand its current tertiary education campus in Petaling Jaya to accommodate increasing enrolment as student population reaches near full capacity. Further to this, in taking advantage of the expected increase in overall student enrolments in the country as well as complementing its campuses in Petaling Jaya and Penang, KDU is looking into spreading its services into the southern region of Malaysia.

This is evidenced by KDU's acquisition of a 10-acre freehold agricultural land located in Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim, through its wholly owned subsidiary, namely Janahasil Sdn Bhd, on 25 March 2008, which was acquired as part of the Paramount Group's objective to expand its educational services. The said land is centrally located within Nusajaya, which is part of the IDR and is 3 kilometers away from the Johor State New Administrative Centre. By positioning itself in the IDR region, which is expected to lead to various spin-offs for Johor's economy and create new demand for quality education services, the KDU Group will be well positioned to serve this largely untapped market for private education in the southern region of Malaysia.

KDU's immediate plan for its said 10-acre freehold agricultural land located within the IDR region is to develop a primary and secondary school. The IDR project team is currently researching various school education models to select the best fit to suit the target market and, concurrently, planning and design on the physical infrastructure is in progress.

3. RATIONALE FOR THE PROPOSED ACQUISITION

Upon completion of the Proposed Acquisition, KDU shall be a wholly-owned subsidiary of Paramount and this will enable the Company to expand its educational services business to capitalise on KDU's future prospects. Paramount will be able to consolidate in full the profits of KDU which will provide immediate additional income contribution to the Paramount Group.

4. RISK FACTORS

The Board does not foresee any additional material risks arising pursuant to the Proposed Acquisition as KDU is already an existing subsidiary of the Company via its 85% equity stake.

As the Paramount Group is currently involved in the provision of private educational services, it is already exposed to similar risks as KDU. As such, any risks arising from the Proposed Acquisition will be addressed as part of the Company's ordinary course of business.

5. EFFECTS OF THE PROPOSED ACQUISITION

5.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of Paramount as the completion of the Proposed Acquisition does not entail any new issuance of Paramount Shares.

5.2 NA per share, EPS and gearing

The Proposed Acquisition is not expected to have any material effect on the NA per share, EPS and gearing of the Paramount Group. However, barring any unforeseen circumstances, the completion of the Proposed Acquisition is expected to contribute positively to the Paramount Group's future earnings.

6. APPROVALS REQUIRED FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to the following approvals being obtained:

- (i) the MOHE, which was obtained vide its letter dated 22 August 2008. MOHE has required the Company to submit the Form 32A as evidence of the transfer of the Sale Shares from Rohana Tan Sri Mahmood to Paramount upon the completion of the Proposed Acquisition;
- (ii) the FIC, which was obtained vide its letter dated 15 August 2008. There were no conditions imposed; and
- (iii) the shareholders of Paramount at an EGM to be convened.

The Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by Paramount.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Rohana Tan Sri Mahmood is a director of Paramount, a director and a shareholder of KDU as well as the vendor under the Proposed Acquisition. As such, she is deemed interested in the Proposed Acquisition and has abstained and will continue to abstain from deliberating and voting on the resolution in relation to the Proposed Acquisition at the relevant Board of Paramount meetings.

Further, Rohana Tan Sri Mahmood undertakes to ensure that she and persons connected to her shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution for the Proposed Acquisition to be tabled at an EGM to be convened.

Save as disclosed above, none of the other directors and/or major shareholders of Paramount and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

8. DIRECTORS' OPINION AND RECOMMENDATION

Save for Rohana Tan Sri Mahmood, who is deemed interested in the Proposed Acquisition, the Board of Paramount, after taking into consideration all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is fair and reasonable, and is in the best interest of the Paramount Group.

Therefore, the Board of Paramount (save for Rohana Tan Sri Mahmood) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition at the forthcoming EGM to be convened.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approval as stated in Section 6 above being obtained, the Proposed Acquisition is expected to be completed by the fourth quarter of 2008.

10. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 September 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you should complete and return the Proxy Form enclosed in this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at our Registered Office at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time fixed for the EGM.

The completion and return of the Proxy Form does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so, but if you do, your proxy shall be precluded from attending the EGM.

11. FURTHER INFORMATION

We request that you refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of Directors of
PARAMOUNT CORPORATION BERHAD

Dato' Md Taib bin Abdul Hamid
Chairman

[The rest of this page has been intentionally left blank]

PART B

**INDEPENDENT ADVICE LETTER FROM KIBB TO THE NON-INTERESED DIRECTORS AND
MINORITY SHAREHOLDERS OF PARAMOUNT IN RELATION TO
THE PROPOSED ACQUISITION**



KENANGA INVESTMENT BANK BERHAD

Company No. 15678-H
(formerly known as K&N Kenanga Bhd)

8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Tel (60) 3 2164 9080, 2162 1490
Fax (60) 3 2161 4990, 2163 5927
www.kenanga.com.my

A Participating Organisation of
Bursa Malaysia Securities Berhad

15 September 2008

Registered Office:

Paramount Corporation Berhad
Level 8, Uptown 1
1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

To: The Non-Interested Directors and Minority Shareholders of Paramount Corporation Berhad

Dear Sirs

PARAMOUNT CORPORATION BERHAD ("PARAMOUNT" OR THE "COMPANY")

PROPOSED ACQUISITION OF 353,000 ORDINARY SHARES OF RM1.00 EACH IN KDU COLLEGE SDN BHD ("KDU"), REPRESENTING THE REMAINING 15% EQUITY INTEREST IN KDU NOT ALREADY OWNED BY PARAMOUNT, FROM ROHANA TAN SRI MAHMOOD FOR A TOTAL CASH CONSIDERATION OF RM25,000,000 ("PROPOSED ACQUISITION")

This Independent Advice Letter ("IAL") forms part of the circular to Paramount's shareholders dated 15 September 2008, which provides, inter alia, details of the Proposed Acquisition. Unless the context otherwise requires or when otherwise defined herein, all definitions used in this IAL shall have the same meanings as defined in the definitions section of the Circular.

1. INTRODUCTION

On 18 July 2008, the Board of Paramount had announced that the Company had on the same day entered into the SSA with Rohana Tan Sri Mahmood in relation to the Proposed Acquisition.

Pursuant to Chapter 10 of the Listing Requirements, the Proposed Acquisition is deemed to be a related party transaction by virtue of Rohana Tan Sri Mahmood being a director of Paramount, a director and substantial shareholder of KDU as well as the vendor under the Proposed Acquisition.

In view of the Proposed Acquisition being a related party transaction and in compliance with Paragraph 10.08 of Chapter 10 of the Listing Requirements, the Board of Paramount had on 18 July 2008, announced that KIBB was appointed as the Independent Adviser on 15 July 2008 to advise the non-interested directors and minority shareholders of Paramount as to whether the Proposed Acquisition is fair and reasonable so far as the shareholders of Paramount are concerned and whether the Proposed Acquisition is detrimental to the minority shareholders of Paramount.

KIBB had vide its letter dated 22 July 2008, confirmed to Bursa Securities on its eligibility to act as the Independent Adviser in respect of the Proposed Acquisition in accordance with Paragraph 10.08(3) of the Listing Requirements.

**INVESTMENT
FOR ALL™**

The purpose of this IAL is to provide the non-interested directors and minority shareholders of Paramount with the following:

- (i) an independent evaluation on whether the terms and conditions of the Proposed Acquisition is fair and reasonable;
- (ii) our opinion on whether the Proposed Acquisition is to the detriment of the independent minority shareholders of Paramount; and
- (iii) our recommendation on whether the independent minority shareholders of Paramount should vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM,

subject to the scope and limitation of our role and evaluation as specified in Section 2 of this IAL.

This IAL is prepared solely for the use of the non-interested directors and minority shareholders of Paramount and to provide them with the relevant information relating to the Proposed Acquisition and our recommendation thereon, and should not be used or relied upon for any other purpose and/or by any other persons and/or reproduced, wholly or partially, without the express written consent of KIBB.

THE MINORITY SHAREHOLDERS OF PARAMOUNT ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES AND TO CONSIDER CAREFULLY THE RECOMMENDATION INCLUDING THE RATIONALE CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.

2. LIMITATIONS ON THE EVALUATION OF THE PROPOSED ACQUISITION

KIBB was not involved in the formulation of the Proposed Acquisition nor any deliberations and negotiations pertaining to the terms and conditions of the Proposed Acquisition nor were we involved in the deliberations leading up to the decision of the Board of Paramount regarding the Proposed Acquisition.

KIBB does not express any opinion on the commercial merits of the Proposed Acquisition, which is the sole responsibility of the Board of Paramount. In evaluating the Proposed Acquisition, KIBB has not taken into consideration any specific investment objectives, financial situation and particular needs of any shareholder or any specific group of shareholders of the Company who are independent to the Proposed Acquisition. We therefore recommend that any individual shareholder or any specific group of shareholders who may require advice in relation to the Proposed Acquisition within the context of their objective, financial situation and particular needs to consult their stockbrokers, bankers, solicitors, accountants and other professional advisers.

[The rest of this page has been intentionally left blank]

In preparing this IAL, we had relied on the information and documents provided to us or which are available to us up to 28 August 2008, being the latest practicable date prior to the issuance of this IAL (“**Latest Practicable Date**”) including:

- a) Part A of the Circular and the appendices thereto;
- b) the SSA;
- c) the indicative range of values for the 15% equity stake in KDU as per the CIMB’s Valuation Report;
- d) information/documents relating to the Proposed Acquisition obtained from the directors and senior management of Paramount; and
- e) other publicly available information which we deem relevant.

We have not, however, independently verified such information, whether written or verbal, and shall not assume responsibility for the accuracy, completeness and/or correctness of such information. Nevertheless, the Board of Paramount have, however, collectively and individually, confirmed to us that all relevant material facts and information essential to the Proposed Acquisition have been disclosed to us. The Board of Paramount have also accepted full responsibility for the accuracy, completeness and correctness of the information provided and given herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other information and/or facts, the omission of which would make any information supplied to us and contained in this IAL misleading, incomplete or inaccurate.

As Independent Adviser, we have evaluated the Proposed Acquisition based on certain factors as set out in Section 5 of this IAL, which we believe are of importance in enabling us to form an opinion on the fairness and reasonableness of the terms and conditions of the Proposed Acquisition so far as the independent minority shareholders of Paramount are concerned and whether the Proposed Acquisition is to the detriment of the independent minority shareholders of Paramount.

WE RECOMMEND THAT ANY INDIVIDUAL SHAREHOLDER OR SPECIFIC GROUP OF SHAREHOLDERS OF PARAMOUNT WHO IS IN DOUBT AS TO THE ACTION TO BE TAKEN OR REQUIRE SPECIFIC ADVICE IN RELATION TO THE PROPOSED ACQUISITION, IN THE CONTEXT OF THEIR INDIVIDUAL INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS, TO CONSULT THEIR RESPECTIVE STOCKBROKERS, BANKERS, SOLICITORS, ACCOUNTANTS, OR OTHER PROFESSIONAL ADVISERS. WE SHALL NOT BE LIABLE FOR ANY DAMAGE OR LOSS OF ANY KIND SUSTAINED OR SUFFERED BY ANY INDIVIDUAL SHAREHOLDER OR ANY GROUP OF SHAREHOLDERS OF PARAMOUNT IN RELIANCE OF THE OPINION SET OUT IN THIS IAL, WHICH IS PARTICULAR TO ANY INDIVIDUAL SHAREHOLDER OR ANY GROUP OF SHAREHOLDERS OF PARAMOUNT, FOR ANY PURPOSE WHATSOEVER.

3. SALIENT DETAILS IN RESPECT OF THE PROPOSED ACQUISITION

3.1 Information on KDU

KDU was incorporated in Malaysia under the Companies Act, 1965 on 19 October 1981 as a private limited company under the name Paramount Academy Sdn Bhd. It commenced business in 1983 and assumed its present name on 29 October 2001.

KDU has an authorised share capital of RM5,000,000 comprising 5,000,000 KDU Shares of which RM2,353,000 comprising 2,353,000 KDU Shares are issued and fully paid-up.

KDU's principal activity is in the provision of private tertiary education while its subsidiaries are involved in the provision of primary and secondary national curriculum education and the International Baccalaureate Diploma programme.

As at the Latest Practicable Date, 85% of the issued and paid-up share capital of KDU is held by Paramount whilst the balance is held by Rohana Tan Sri Mahmood.

Based on the consolidated audited financial statements for the financial year ended 31 December 2007, KDU recorded a consolidated PAT of RM15,575,405 and its consolidated NA stood at RM48,290,894.

Please refer to Appendix I of the Circular for further information on KDU.

3.2 Salient terms of the SSA

The salient terms of the SSA are as follows:

3.2.1 The SSA is subject to and conditional upon the following conditions precedent:

- (i) the approval, or no objection of the FIC of the Prime Minister's Department, Malaysia to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA, which was obtained vide its letter dated 15 August 2008;
- (ii) the approval of the shareholders of Paramount in general meeting to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA; and
- (iii) the approval, or no objection of the MOHE, Malaysia to the acquisition of the Sale Shares by Paramount in accordance with the provisions of the SSA, which was obtained vide its letter dated 22 August 2008.

The above conditions precedent must be fulfilled within six (6) months from the date of the SSA, or such other date as may be agreed upon between both Paramount and Rohana Tan Sri Mahmood ("**Cut-Off Date**"). The SSA will become unconditional on the day upon which the above conditions precedent have been fulfilled in accordance with the provisions of the SSA ("**Unconditional Date**"). Completion shall take place one (1) month after the Unconditional Date in accordance with the provisions of the SSA.

As at the Latest Practicable Date, save for condition (ii) above, all the other conditions precedent have been fulfilled.

3.2.2 The Purchase Consideration shall be satisfied by Paramount in the following manner:

- (i) on the date of the SSA, RM2,500,000 equivalent to 10% of the Purchase Consideration ("**Deposit**") shall be paid as a refundable deposit to Paramount's solicitors as stakeholders; and
- (ii) the balance of RM22,500,000 equivalent to the balance 90% of the Purchase Consideration shall be paid to Rohana Tan Sri Mahmood on completion of the Proposed Acquisition, in accordance with the provisions of the SSA.

- 3.2.3 The Sale Shares shall be acquired by Paramount free from all liens, charges and encumbrances and liabilities together with all rights and benefits attached thereto (including all dividends and distributions declared in respect thereof) with effect from the date of the SSA.
- 3.2.4 Rohana Tan Sri Mahmood warrants to Paramount that the warranties and representations, in respect of the facts, made as at the date of the SSA, and immediately before the completion of the condition precedents are true and accurate in all respects.
- 3.2.5 If at any time prior to the completion of the SSA, Paramount becomes aware that there has been a material breach of the warranties and representations or any other terms of the SSA by Rohana Tan Sri Mahmood, which in Paramount's opinion, has a material adverse effect on the business, prospects or financial position of KDU Group or the value of KDU to Paramount and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, Paramount may issue notice of termination of the SSA.
- 3.2.6 If at any time after the completion of the SSA it should transpire that any of the warranties and representations is untrue or incorrect in a material respect and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, without prejudice to any other remedy available to Paramount, Rohana Tan Sri Mahmood must immediately pay to Paramount a cash amount sufficient to compensate Paramount against all losses suffered by it as a consequence of such breach taking into account in particular the resulting diminution of the Purchase Consideration.
- 3.2.7 The Deposit (and accrued interest) will be refunded to Paramount if any of the conditions precedent is not satisfied by the Cut-Off Date (not due to a default of any party) and if Paramount has issued a notice of termination to Rohana Tan Sri Mahmood.

3.3 Basis of determining the Purchase Consideration and sources of funding

The Purchase Consideration was arrived at on a "willing-buyer, willing seller" basis, after taking into consideration CIMB's Valuation Report, which valued the 15% equity interest in KDU at between RM23 million to RM26 million. In arriving at these values, CIMB had used the Comparable Companies method. The summary letter of CIMB's Valuation Report is enclosed as Appendix III of the Circular.

The Purchase Consideration is proposed to be financed entirely through the Company's internally generated funds.

3.4 Information on Rohana Tan Sri Mahmood

Rohana Tan Sri Mahmood, a Malaysian, is a Director of KDU and holds 353,000 KDU Shares, representing 15% equity interest in KDU. She acquired her 15% equity stake in KDU on 18 June 1997 at a cost of RM1,412,000.

Rohana Tan Sri Mahmood is also a Non-Independent, Non-Executive Director of Paramount. As at the Latest Practicable Date, Rohana Tan Sri Mahmood does not, directly or indirectly, hold any Paramount Shares.

3.5 Particulars of liabilities to be assumed by Paramount

Save for the liabilities incurred in the ordinary course of business, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Paramount as a result of the Proposed Acquisition.

Any other financial commitments to be incurred by Paramount pursuant to the Proposed Acquisition will be part of the Paramount Group's strategy to expand its educational business; the amount of which has not been confirmed.

4. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

As set out in Section 7 of Part A of the Circular, with the exception of Rohana Tan Sri Mahmood, none of the other directors and/or major shareholders of Paramount and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition.

Rohana Tan Sri Mahmood is a director of Paramount, a director and a shareholder of KDU as well as the vendor under the Proposed Acquisition. As such, she is deemed interested in the Proposed Acquisition and has abstained and will continue to abstain from deliberating and voting on the resolution in relation to the Proposed Acquisition at the relevant Board of Paramount meetings.

Further, Rohana Tan Sri Mahmood undertakes to ensure that she and persons connected to her shall abstain from voting in respect of their direct and indirect shareholdings (if any) on the resolution for the Proposed Acquisition to be tabled at an EGM to be convened.

5. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following factors in forming our opinion:

- (i) the rationale for the Proposed Acquisition;
- (ii) the basis of determining the Purchase Consideration;
- (iii) the effects of the Proposed Acquisition;
- (iv) the risk factors relating to the Proposed Acquisition; and
- (v) Malaysia's education industry outlook and prospects of the KDU Group.

[The rest of this page has been intentionally left blank]

5.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition, as stated in Section 3, Part A of the Circular, is as follows:

Upon completion of the Proposed Acquisition, KDU shall be a wholly-owned subsidiary of Paramount and this will enable the Company to expand its educational services business to capitalise on KDU's future prospects. Paramount will be able to consolidate in full the profits of KDU which will provide immediate additional income contribution to the Paramount Group.

We noted that apart from KDU's continuous efforts in upgrading the facilities at the existing campuses and improving KDU's staff's skill-set, KDU is also planning to expand its school to the southern part of Malaysia, namely Johor. Through its wholly-owned subsidiary, namely Janahasil Sdn Bhd, KDU had acquired a 10-acre freehold agricultural land within IDR, Johor Bahru, Johor, which KDU plans to invest in primary and secondary school education. By positioning itself in IDR, KDU will be well positioned to serve this largely untapped market for private education in the southern region of Malaysia. This is in line with the Paramount Group's strategy to expand its educational business through the establishment of new schools and campuses geographically as well as increasing its range of products and services offered. Paramount can benefit from this expansion plan, which in turn, will increase Paramount's market share in the educational services business.

We also noted that KDU's vision to continue being the premier education provider that benefits society is in line with Paramount's mission in providing superior education products and services that exceed its customers' expectations. With the Proposed Acquisition, Paramount will be able to fully benefit from the success of the abovementioned initiatives via its wholly-owned interest in KDU and its group of companies.

Premised from the above, we are of the opinion that the rationale for the Proposed Acquisition is fair and reasonable.

5.2 Basis of Determining the Purchase Consideration

As per section 2.3, Part A of the Circular, the basis for determining the Purchase Consideration for the Proposed Acquisition are as follows:

The Purchase Consideration was arrived at on a "willing buyer willing seller" basis, after taking into consideration CIMB's Valuation Report, which valued the 15% equity interest in KDU at between RM23 million to RM26 million. In arriving at these values, CIMB had used the Comparable Companies method.

Paramount had appointed CIMB to perform a valuation of KDU, in particular, the valuation of the 15% equity stake in KDU. In arriving at the recommended value, CIMB had adopted the Comparable Companies method. Under this method, the value of a company is derived from the pricing of comparable companies, standardized using a common variable. For the purposes of valuing KDU, CIMB have used the historical Price-to-Earnings Ratio ("PER") for comparable companies within the education industry.

The Purchase Consideration is within the range of CIMB's valuation of KDU's 15% equity stake of between RM23 million to RM26 million.

We also noted that the PER based on the Purchase Consideration is approximately 10.7 times based on KDU's audited consolidated PAT for the financial year ended 31 December 2007 of RM15,575,405 ("**Acquisition PER**"). For comparison purposes, we have considered the PER of comparable companies listed on Bursa Securities within Malaysia which are involved in the education industry ("**Comparable Companies**") as at the Latest Practicable Date. As illustrated below, the Acquisition PER represents a discount of approximately 11.20% to the market-capitalised weighted average PER of the Comparable Companies of 12.05 times and below the range of the PERs of the Comparable Companies, as follows:

Name	Latest audited net (LPS) / EPS (RM)	Closing price as at the Latest Practicable Date (RM)	PER (Times)
Stamford College Berhad	(0.122)	0.27	N/A
Inti Universal Holdings Berhad	0.0091	1.18	129.67
SEG International Berhad	0.0603	0.77	12.76
HELP International Corporation Berhad	0.1200	1.36	11.33
Market-capitalised Weighted Average*			12.05
Range*			11.33 – 12.76

Notes:-

N/A – not applicable

* Excludes Stamford College Berhad and Inti Universal Holdings Berhad (which is an outlier within the sample)

(Source: The latest available Annual Reports of the Comparable Companies and the Star as at the Latest Practicable Date)

We have also considered the available PER of comparable companies within the South East Asia region of Malaysia, Singapore, the Philippines and Hong Kong which are involved in the education industry and listed on their respective country's stock exchange ("**Regional Comparable Companies**") as at the Latest Practicable Date. As illustrated below, the Acquisition PER represents a discount of approximately 42.44% to the average of the market-capitalised weighted average PER of the Regional Comparable Companies of 18.59 times and is within the range of the market-capitalised weighted average PERs of the Regional Comparable Companies.

Country	Market-Capitalised Average PER (Times)
Malaysia	12.05
Singapore	41.55
The Philippines	11.69
Hong Kong	9.05
Average	18.59
Range	9.05 – 41.55

(Source: Bloomberg as at the Latest Practicable Date)

We noted that there is no one particular Comparable Company and Regional Comparable Company that we consider to be truly comparable to the KDU Group in terms of composition of business activities, scale of operations, geographical spread of activities, track record, shareholders' profile, marketability, liquidity of shares and future prospects. In addition to that, the stock exchanges in the selected countries may not be identical to those in Malaysia in terms of market valuation, liquidity and investor profile. However, for illustration purposes only, we have compared the Acquisition PER to those of the Comparable Companies and the Regional Comparable Companies listed and traded under the category of "Schools", which we have extracted from the Bloomberg. The Comparable Companies and the Regional Comparable Companies are in our belief, engaged in activities that are similar to those of the KDU Group and are able to provide an indication of the current market expectations with regard to the valuation of companies involved in the business of a similar nature.

In light of the above, we are of the view that the Purchase Consideration is fair and reasonable.

5.3 Effects of the Proposed Acquisition

As set out in Section 5, Part A of the Circular, the effects of the Proposed Acquisition are as follows:

5.1 *Share Capital and substantial shareholders' shareholdings*

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of Paramount as the completion of the Proposed Acquisition does not entail any new issuance of Paramount Shares.

5.2 *NA per share, EPS and gearing*

The Proposed Acquisition is not expected to have any material effect on the NA per share, EPS and gearing of the Paramount Group. However, barring any unforeseen circumstances, the completion of the Proposed Acquisition is expected to contribute positively to the Paramount Group's future earnings.

The Proposed Acquisition will not have any effect on the share capital and the substantial shareholders' shareholdings of Paramount as the Proposed Acquisition does not involve issuance of any new Paramount Shares.

The Proposed Acquisition will be financed entirely through the Company's internally generated funds. Hence, the Company's current gearing level is not expected to be affected.

Barring unforeseen circumstances, the completion of the Proposed Acquisition is expected to contribute positively to the Paramount Group's future earnings as Paramount will be able to consolidate in full the profits of KDU which will provide immediate additional income contribution to Paramount Group.

Premised from the above, we are of the opinion that the Proposed Acquisition is expected to enhance the future earnings and NA of the Paramount Group.

5.4 Risk factors relating to the Proposed Acquisition

As set out in Section 4, Part A of the Circular, the Board of Paramount do not foresee any additional material business risks arising pursuant to the Proposed Acquisition primarily on the basis that the Paramount Group is already actively involved in this business via its 85% shareholding in KDU. Nonetheless, in evaluating the Proposed Acquisition, the minority shareholders of Paramount should also consider carefully the following risk factors which might have an effect on the Paramount Group pursuant to the Proposed Acquisition:

(i) Termination of the SSA

If any of the conditions precedent are not satisfied within the Cut-Off Date (not due to a default of any party), then any party will be entitled to issue notice of termination to the other party. The Deposit together the accrued interest, will be returned to Paramount accordingly.

As per the SSA, Paramount's solicitor is required to invest the Deposit in an interest bearing account with a bank of their choice. Hence, should any party issue a notice of termination (not due to the default of any party), Paramount should not have any problems in recuperating the Deposit as well as the accrued interest.

However, in the event that Rohana Tan Sri Mahmood terminates the SSA due to Paramount's default in the satisfaction of the Purchase Consideration or is otherwise in fundamental breach of its obligations under the SSA, Rohana Tan Sri Mahmood may forfeit or retain the sum of the Deposit as agreed liquidated damages.

(ii) Default by Rohana Tan Sri Mahmood

The SSA states that if any time prior to the completion of the SSA, Paramount becomes aware that there has been a material breach of the warranties and representations or any other term of the SSA by Rohana Tan Sri Mahmood, which in Paramount's opinion, has a material adverse effect on the business, prospects or financial position of KDU Group or the value of KDU to Paramount and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, Paramount may issue notice of termination. If such notice of termination is served, Rohana Tan Sri Mahmood would have to return the Deposit together with the accrued interest to Paramount.

The SSA further states that if at any time after the completion of the SSA it should transpire that any of the warranties and representations is untrue or incorrect in a material respect and which, if capable of rectification, has not been rectified by Rohana Tan Sri Mahmood within 14 days of being so requested to do by Paramount, or such longer period as may be mutually agreed between the parties, without prejudice to any other remedy available to Paramount, Rohana Tan Sri Mahmood must immediately pay to Paramount a cash amount sufficient to compensate Paramount against all loss suffered by it as a consequence of such breach taking into account in particular the resulting diminution of the purchase consideration.

5.5 Malaysia's Education Industry Outlook and Prospects of the KDU Group

5.5.1 Outlook on the education industry in Malaysia

Education is a priority of the Federal Government of Malaysia and it is committed to providing quality education to all. The 9th Malaysian Plan ("9MP") from 2006 to 2010 has placed great importance on education, training and lifelong learning. In line with greater focus on human development under the 9MP, a total of RM403 billion (about 21% of the total budget allocated) has been allocated for expenditure on education and training development.

In ensuring that Malaysia realizes its aim of becoming a centre of educational excellence, the Government has allocated more than 20% of the national budget for education and training. It aspires to enable 40% of the 17 to 24 years age group to have tertiary education, provide primary school education for all children and to have 100,000 international students by 2010.

(Source: www.studymalaysia.com, Education Guide Malaysia 11th Edition Chapter 1)

5.5.2 Future prospects of KDU Group

In line with the Government's aspiration in making Malaysia a centre of education excellence, KDU is maintaining a long-term commitment to enhancing its operational efficiency and ensures that both its campuses in Petaling Jaya and Penang continue to standardize products and services to drive down costs and improve quality. The continuous upgrading of facilities at KDU remains the norm and for 2007 this included an investment of RM1.5 million in upgrading the specialist-training kitchen for the hospitality and chef training students.

As highlighted in Section 2.6, Part A of the Circular, since it commenced operations 25 years ago, KDU has widened its programme offerings in Certificate, Diploma, Degree and Masters from a handful of programmes available in the early years to more than 40 programmes currently. We also noted that KDU had acquired a 10-acre freehold agricultural land within the IDR region, which it plans to develop a primary and secondary school. With the completion of the Proposed Acquisition, Paramount will be able to fully enjoy the benefits from KDU's expansion plans.

Further details in support of the KDU Group's future prospects are set out in Section 2.6 of the Circular and with the positive future prospects of the education sector, we are of the view that the Company's rationale in undertaking the Proposed Acquisition is in line with the prospects of this sector.

[The rest of this page has been intentionally left blank]

6. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition, the details of which are set out in the foregoing sections. In arriving at our opinion, we have taken the following pertinent points into consideration:

- (i) the Proposed Acquisition is in line with the Paramount Group's strategy to expand its education business as set out in Section 5.1 of this IAL;
- (ii) CIMB's valuation of KDU's 15% equity stake of between RM23 million to RM26 million;
- (iii) the Acquisition PE is at a discount to the market-capitalised weighted average PER of the Comparable Companies and the Regional Comparable Companies as set out in Section 5.2 of this IAL and that the Acquisition PER is also below and within the range of the market-capitalised weighted average PER of the Comparable Companies and the Regional Comparable Companies, respectively;
- (iv) the effects of the Proposed Acquisition as set out in Section 5.3 of this IAL;
- (v) the risk factors associated with the Proposed Acquisition as set out in Section 5.4 of this IAL; and
- (vi) the positive industry outlook in which KDU Group is directly involved and the prospect of KDU Group as set out in Section 5.5 of this IAL.

On the basis of the foregoing and our evaluation of the Proposed Acquisition, subject to the risk factors and future prospects which cannot be predicted with certainty, we are of the opinion that the Proposed Acquisition is fair and reasonable, and is not detrimental to the minority shareholders of Paramount.

ACCORDINGLY, WE RECOMMEND THAT THE MINORITY SHAREHOLDERS OF PARAMOUNT VOTE IN FAVOUR OF THE ORDINARY RESOLUTION RELATING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

Yours faithfully,
KENANGA INVESTMENT BANK BERHAD

DEBBIE LEONG
Head
Corporate Finance

HOOD ABDUL AZIZ
Assistant Vice President
Corporate Finance

APPENDIX I – INFORMATION ON KDU

1. HISTORY

KDU was incorporated in Malaysia under the Companies Act, 1965 on 19 October 1981 as a private limited company under the name Paramount Academy Sdn Bhd. It commenced its business in 1983 and assumed its present name on 29 October 2001.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued and paid-up share capital of KDU is as follows:

	No. of ordinary shares	Par value	Amount
		RM	RM
Authorised share capital	5,000,000	1.00	5,000,000
Issued and paid-up share capital	2,353,000	1.00	2,353,000

The changes in the issued and paid-up share capital of KDU since the date of incorporation to the Latest Practicable Date are as follows:

Date of Allotment	No. of Shares	Par Value	Consideration	Total issued and paid-up share capital
		RM		RM
19-10-1981	2	1.00	Cash	2
31-03-1983	1,999,998	1.00	Cash	2,000,000
18-06-1997	353,000	1.00	Cash	2,353,000

3. SUBSIDIARY AND ASSOCIATED COMPANIES

Details of subsidiary companies of KDU as at the Latest Practicable Date are set out as below:

Name of Company	Date/Place of incorporation	Issued and paid-up share capital	Effective Equity Interest (%)	Principal Activities
Janahasil Sdn Bhd	12 September 1994 Malaysia	100,000	100.00	Educational services
KDUSS	15 August 2001 Malaysia	1,000,000	100.00	Educational services

As at the Latest Practicable Date, KDU does not have any associated companies.

APPENDIX I – INFORMATION ON KDU (cont'd)

4. BOARD OF DIRECTORS

The Board of KDU and their shareholdings in KDU based on the Register of Directors' Shareholdings of KDU as at the Latest Practicable Date are as follows:

Name	Nationality	<---No. of KDU Shares held--->			
		Direct	%	Indirect	%
Dato' Teo Chiang Quan	Malaysian	-	-	2,000,000 ⁽¹⁾	85.00
Ong Keng Siew	Malaysian	-	-	-	-
Dato' Haji Azlan bin Hasim	Malaysian	-	-	-	-
Rohana Tan Sri Mahmood	Malaysian	353,000	15.00	-	-
Emeritus Professor Tan Sri Dato' Dr Khoo Kay Kim	Malaysian	-	-	-	-
Chia Chee Fen	Malaysian	-	-	-	-

Note:

⁽¹⁾ Deemed to have an indirect interest in KDU Shares by virtue of his substantial shareholding interest of not less than 15% in Paramount, the holding company of KDU pursuant to Section 6A of the Act.

5. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of KDU and their shareholdings in KDU based on the Register of Members of KDU as at the Latest Practicable Date are as follows:

Name	Nationality/ Place of incorporation	<---No. of KDU Shares held--->			
		Direct	%	Indirect	%
Paramount	Malaysia	2,000,000	85.00	-	-
Rohana Tan Sri Mahmood	Malaysian	353,000	15.00	-	-

6. BUSINESS ACTIVITY

KDU Group's core business comprises the provision of tertiary educational services which is undertaken by KDU and primary and secondary educational services which is carried out by KDUSS through Sekolah Sri KDU®.

6.1 Tertiary Education

KDU was established in 1983 as one of the pioneers in private higher education and was the first local private college to operate a purpose-built campus in Petaling Jaya. Spurred by the success of the Petaling Jaya campus, KDU opened a branch campus in Penang in July 1991. In year 2000, KDU became an ISO 9002 certified college and its School of Computing was awarded the Multimedia Super Corridor ("MSC") status. The MSC status allows KDU's School of Computing to enjoy many benefits including 100% exemption from taxable statutory income, freedom to source funds globally for its investment, unrestricted employment of foreign knowledge workers, protection of intellectual property laws and cyberlaws, and eligibility for MSC research and development grants.

It is one of the first private institutions in Malaysia to introduce the overseas twinning programmes which allowed many young Malaysians to pursue an affordable overseas education. Today, KDU is known for its high quality twinning programmes with prestigious universities and reputable institutions in the United Kingdom, Australia and Switzerland.

KDU has become a well-recognised name in private tertiary education, not only in Malaysia, but also internationally, with students from more than 45 countries. At present, there are approximately 900 foreign students in its Petaling Jaya campus and 178 foreign students in its Penang campus.

The college's academic programmes are aligned into three (3) main schools, namely School of Arts and Social Science, School of Engineering Science and Technology and School of Hospitality, Tourism and Culinary Arts. KDU offers a wide range of programmes at Certificate, Diploma, Degree and Masters levels. The Certificate and Diploma courses are internally developed while the Degrees and Masters programmes are conducted in association with overseas universities.

There are currently more than 40 programmes offered by KDU.

6.2 Primary and Secondary Education

On 22 August 2001, Paramount established a private primary and secondary smart school (subsequently known as Sekolah Sri KDU®) and the formation of KDUSS to operate and manage the school which opened in January 2003.

The concept of smart school signifies a paradigm shift in education where the education system focuses on students' needs and capabilities and individual development.

In this regard, Sekolah Sri KDU® provides a comprehensive physical infrastructure, state-of-the-art information technology environment, solid academic support and a customer-centric administration capable of handling the day-to-day needs of the school. The teaching-learning pedagogy at the school adopts the most innovative practices for education in the 21st century including the creation of a learner centered environment, adoption of interactive activity-based learning with students being trained to set their own standards and pace of learning. Sekolah Sri KDU® also focuses on the provision of an all-round education with emphasis being given to sports, music and other such activities as part of the school curriculum. Sekolah Sri KDU® encourages community involvement with the parents, students, teachers and school administrators as active stakeholders to create a vibrant and cohesive environment for the children. This defining feature allows the school to focus on its students.

[The rest of this page has been intentionally left blank]

APPENDIX I – INFORMATION ON KDU (cont'd)

7. PROFIT AND DIVIDEND RECORD

A summary of the consolidated audited results of KDU for the past five (5) financial years ended from 31 December 2003 to 31 December 2007 are as follows:

	<-----Audited----->					Unaudited
	<-----Financial year ended ("FYE") 31 December----->					Financial period ended 30 June 2008
	2003 (RM)	2004 (RM)	2005 (RM)	2006 (RM)	2007 (RM)	(RM)
Revenue	45,397,738	46,138,754	56,963,801	71,092,628	81,657,489	46,538,091
PBT	943,814	(487,860)	2,025,072	14,490,516	22,179,198	14,719,463
Taxation	(358,313)	(511,534)	(1,385,484)	(3,009,820)	(6,603,793)	(4,583,796)
PAT before minority interest	585,501	(999,394)	639,588	11,480,696	15,575,405	10,135,667
Minority interest	62,819	-	-	-	-	-
PAT and minority interest	648,320	(999,394)	639,588	11,480,696	15,575,405	10,135,667
No. of shares in issue	2,353,000	2,353,000	2,353,000	2,353,000	2,353,000	2,353,000
Net EPS (RM)	0.25	(0.42)	0.27	4.88	6.62	4.31
Dividend rate	120%	0%	0%	25%	200%	0%

Commentaries:

FYE 31 December 2003

During the year, KDU Group registered a lower revenue compared with the revenue of approximately RM46 million recorded in 2002 due to lower student enrolment for the tertiary education business, which was ameliorated by the additional fees earned from the commencement of the primary and secondary school business. However, as anticipated, the new operation incurred losses during its gestation period, and, coupled with lower profits from the tertiary education business due to higher operating costs and losses incurred on the closure of its non-profitable Sibul campus, KDU Group recorded a substantial drop in profit by 82% compared with that of 2002.

FYE 31 December 2004

During the year, KDU Group registered a marginal improvement of 2% in revenue compared with 2003, contributed by the primary and secondary school business, which saw a doubling of its enrolment in the year, offset by a contraction in the revenue of the tertiary education amidst stiff competition. With lower enrolments, higher operating costs, including new start-up costs, a loss before taxation was incurred during the year.

FYE 31 December 2005

Revenue for 2005 improved by 23% over that of the previous year. Enrolment for the primary and secondary school continued to grow impressively while the tertiary education, after two consecutive years of market decline and flat growth, saw a substantial improvement in student enrolment. As a result, KDU Group turned around from a loss to record a profit during the year despite the losses registered by the primary and secondary school.

FYE 31 December 2006

KDU Group continued to grow its revenue by 25% from the previous year on the back of a growing student population from both the primary and secondary school and tertiary education. With an improved performance, profit increased substantially by more than 600%. The primary and secondary school, following three years of start-up losses, turned around to record a profit of RM2.0 million from a loss of RM1.9 million, while profit for the tertiary education tripled to RM12.5 million from RM4.0 million in the previous year.

FYE 31 December 2007

Revenue for KDU Group continued to grow, albeit at a slower pace, by 14.9% during the year. The higher revenue, strengthened by an improvement in operational efficiency that resulted in lower overhead costs, saw KDU Group's PBT improving by 53% over the previous year, with profits from the primary and secondary school tripling to RM5.9 million from RM2.0 million previously.

Financial period ended 30 June 2008

For the first half of 2008, revenue continued to improve by 13% compared with the corresponding period last year attributed to an increase in student enrolment. This, coupled with an improvement in operational efficiency that resulted in lower overheads, improved KDU Group's PBT by 26% as compared with the PBT recorded for the corresponding period last year.

[The rest of this page has been intentionally left blank]

**APPENDIX II - LATEST AUDITED FINANCIAL STATEMENTS OF KDU FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2007**

KDU COLLEGE SDN. BHD. (76997-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2007

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONTENTS	PAGE
Directors' Report	1 - 5
Statement by Directors	6
Statutory Declaration	6
Report of the Auditors	7 - 8
Consolidated Income Statement	9
Consolidated Balance Sheet	10 - 11
Consolidated Statement of Changes in Equity	12
Consolidated Cash Flow Statement	13 - 14
Income Statement	15
Balance Sheet	16
Statement of Changes in Equity	17
Cash Flow Statement	18 - 19
Notes to the Financial Statements	20 - 57

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the operating of a private educational institution.

The principal activities of the subsidiaries are described in Note 10 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the year	<u>15,575,405</u>	<u>11,208,672</u>

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

In respect of the financial year ended 31 December 2007:

	RM
Interim tax exempt dividend of 50%, on 2,353,000 ordinary shares, declared and paid on 20 August 2007	1,176,500
Interim dividend of 150% less 27% taxation, on 2,353,000 ordinary shares, declared and paid on 28 December 2007	<u>2,576,535</u> <u>3,753,035</u>

DIRECTORS

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

Dato' Teo Chiang Quan
 Ong Keng Siew
 Dato' Hj. Azlan B. Hashim
 Rohana Tan Sri Mahmood
 Emeritus Professor Dato' Dr Khoo Kay Kim
 Chia Chee Fen

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme of the holding company.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for:

- (i) certain directors who received remuneration as Directors/Executive Directors of related corporations; and
- (ii) Dato' Teo Chiang Quan who has substantial interest in a related party, ECS KU Sdn. Bhd., which sells computers and peripherals to the Company as disclosed in Note 24 to the financial statements and its related corporations.

DIRECTORS' INTERESTS

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

	<-----Number of Ordinary Shares of RM1 Each----->			
	1.1.2007	Acquired	Sold	31.12.2007
The Company				
Deemed Interest				
Rohana Tan Sri Mahmood	353,000	-	-	353,000

DIRECTORS' INTERESTS (CONT'D.)

	<-----Number of Ordinary Shares of RM1 Each----->			
	1.1.2007	Acquired	Sold	31.12.2007
Paramount Corporation Berhad				
Direct Interest				
Dato' Teo Chiang Quan	649,000	147,000	-	796,000
Ong Keng Siew	446,000	-	-	446,000
Dato' Hj. Azlan B. Hashim	4,000,000	-	-	4,000,000
Chia Chee Fen	-	88,000	(35,000)	53,000

Deemed Interest

Dato' Teo Chiang Quan	31,654,888	-	-	31,654,888
-----------------------	------------	---	---	------------

	<-----Number of Ordinary Shares of HK\$1 Each----->			
	1.1.2007	Acquired	Sold	31.12.2007

Paramount Corporation Limited**Direct Interest**

Dato' Teo Chiang Quan *	1	-	-	1
-------------------------	---	---	---	---

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

	<--Options Over Ordinary Shares of RM1.00 Each-->			
	1.1.2007	Granted	Exercised	31.12.2007
Paramount Corporation Berhad				
Granted in 2005 at an option price of RM2.01 per share				
Dato' Teo Chiang Quan	495,000	-	(124,000)	371,000
Ong Keng Siew	330,000	-	-	330,000
Chia Chee Fen	150,000	-	(30,000)	120,000

Granted in 2006 at an option price of RM1.66 per share

Dato' Teo Chiang Quan	23,000	-	(23,000)	-
Ong Keng Siew	-	-	-	-
Chia Chee Fen	60,000	-	(58,000)	2,000

	<--Options Over Ordinary Shares of RM1.00 Each-->			
	1.1.2007	Granted	Exercised	31.12.2007

Granted in 2007 at an option price of RM2.20 per share

Ong Keng Siew	-	87,000	-	87,000
Chia Chee Fen	-	90,000	-	90,000

Dato' Teo Chiang Quan by virtue of his interest in shares in the holding company is also deemed interested in shares of the Company and its subsidiaries to the extent that the holding company has an interest.

Rohana Tan Sri Mahmood by virtue of her interest in shares in the Company is also deemed interested in shares of the Company's subsidiaries to the extent that the Company has an interest.

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

EMPLOYEE SHARE OPTIONS SCHEME

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

The salient features and other terms of the ESOS are disclosed in Note 15(b) the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

OTHER STATUTORY INFORMATION (CONT'D.)

- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2008.



Dato' Teo Chiang Quan



Chia Chee Fen

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Teo Chiang Quan and Chia Chee Fen, being two of the directors of KDU College Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 57 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2008.

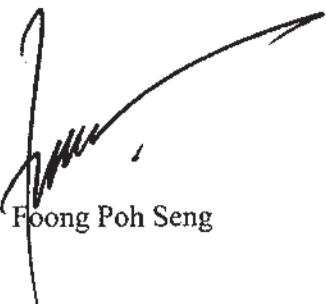

Dato' Teo Chiang Quan

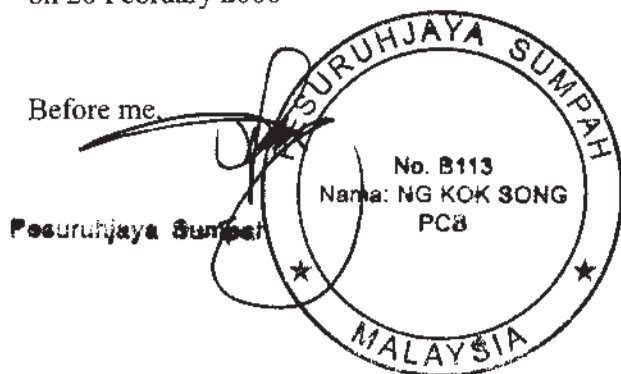

Chia Chee Fen

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Foong Poh Seng, being the officer primarily responsible for the financial management of KDU College Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 57 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Foong Poh Seng at
Petaling Jaya in Selangor Darul Ehsan
on 26 February 2008


Foong Poh Seng



34B, JALAN SS21/35 6
DAMANSARA UTAMA
47400 PETALING JAYA, SELANGOR D.F

76997-T

**REPORT OF THE AUDITORS TO THE MEMBERS OF
KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 57. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:


- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.


76997-T

**REPORT OF THE AUDITORS TO THE MEMBERS OF
KDU COLLEGE SDN. BHD. (CONT'D.)
(Incorporated in Malaysia)**

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

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


Ernst & Young
AF: 0039
Chartered Accountants


Wong Kang Hwee
No. 1116/01/10(J)
Partner

Kuala Lumpur, Malaysia
26 February 2008

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 RM	2006 RM
Revenue	3	81,657,489	71,092,628
Other income		15,403,799	10,090,483
Employee benefits expense	4	(35,735,357)	(31,164,885)
Depreciation of property, plant and equipment		(6,799,187)	(6,372,458)
Other expenses		<u>(32,222,493)</u>	<u>(28,536,195)</u>
Operating profit		22,304,251	15,109,573
Finance costs	5	<u>(125,053)</u>	<u>(619,057)</u>
Profit before tax	6	22,179,198	14,490,516
Income tax expense	7	<u>(6,603,793)</u>	<u>(3,009,820)</u>
Profit for the year		<u>15,575,405</u>	<u>11,480,696</u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	46,917,741	47,241,989
Deferred tax assets	22	346,537	1,819,950
		<u>47,264,278</u>	<u>49,061,939</u>
Current assets			
Trade receivables	11	4,535,366	4,425,543
Other receivables	12	3,077,048	4,311,380
Amount due from related companies	13	17,493	735,004
Tax recoverable		-	382,522
Cash and bank balances	14	47,427,022	31,107,307
		<u>55,056,929</u>	<u>40,961,756</u>
TOTAL ASSETS		<u>102,321,207</u>	<u>90,023,695</u>

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007 (CONT'D.)

	Note	2007 RM	2006 RM
EQUITY AND LIABILITIES			
Equity			
Share capital	20	2,353,000	2,353,000
Share premium		1,059,000	1,059,000
Equity contribution from parent	15(b)	1,068,485	603,542
Retained earnings	21	43,810,409	31,988,039
Total equity		<u>48,290,894</u>	<u>36,003,581</u>
Non-current liabilities			
Borrowings	16	-	73,234
Deferred tax liabilities	22	6,288,423	5,868,166
		<u>6,288,423</u>	<u>5,941,400</u>
Current liabilities			
Borrowings	16	-	7,357,199
Other payables	18	46,026,291	40,490,838
Amount due to related companies	19	618,851	230,677
Tax payable		1,096,748	-
		<u>47,741,890</u>	<u>48,078,714</u>
Total liabilities		<u>54,030,313</u>	<u>54,020,114</u>
TOTAL EQUITY AND LIABILITIES		<u>102,321,207</u>	<u>90,023,695</u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Attributable to Equity Holders of the Company----->				
	<-----Non-Distributable----->		Distributable		
	Share Capital RM (Note 20)	Share Premium RM	Contribution from Parent RM (Note 15(b))	Retained Earnings RM (Note 21)	Total Equity RM
At 1 January 2006	2,353,000	1,059,000	49,461	20,930,883	24,392,344
Profit for the year, representing total recognised income and expense for the year	-	-	-	11,480,696	11,480,696
Dividends (Note 8)	-	-	-	(423,540)	(423,540)
Share options granted under ESOS	-	-	554,081	-	554,081
At 31 December 2006	2,353,000	1,059,000	603,542	31,988,039	36,003,581
Profit for the year, representing total recognised income and expense for the year	-	-	-	15,575,405	15,575,405
Dividends (Note 8)	-	-	-	(3,753,035)	(3,753,035)
Share options granted under ESOS	-	-	464,943	-	464,943
At 31 December 2007	2,353,000	1,059,000	1,068,485	43,810,409	48,290,894

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	22,179,198	14,490,516
Adjustments for:		
Depreciation of property, plant and equipment	6,799,187	6,372,458
Property, plant and equipment written off	1,859	308
Gain on disposal of property, plant and equipment	(125,197)	(198,583)
Net unrealised foreign exchange gains	(546,301)	-
Bad debt written off	552,331	54,527
(Reversal) of/provision for doubtful debts	(739,439)	799,086
Finance costs	125,053	619,057
Interest income	(1,172,699)	(437,878)
Share options granted under ESOS	464,943	554,081
Short term accumulating compensated absences	25,929	(1,400)
Reversal of provision for retirement benefits	-	(61,715)
Operating profit before working capital changes	27,564,864	22,190,457
Decrease/(increase) in receivables	1,311,617	(2,857,227)
Increase in payables	6,055,825	6,950,045
Changes in related company balances	1,105,685	(90,163)
Cash generated from operations	36,037,991	26,193,112
Interest paid	(125,053)	(619,057)
Taxes paid	(3,230,853)	(2,111,890)
Retirement benefits paid	-	(1,085,142)
Net cash generated from operating activities	32,682,085	22,377,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,476,799)	(5,442,468)
Interest received	1,172,699	437,878
Proceeds from disposal of property, plant and equipment	125,198	209,530
Net cash used in investing activities	(5,178,902)	(4,795,060)

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

	2007	2006
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of term loan and hire purchase payables	(7,055,001)	(2,071,089)
Dividends paid	(3,753,035)	(423,540)
Net cash used in financing activities	<u>(10,808,036)</u>	<u>(2,494,629)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,695,147	15,087,334
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF YEAR	<u>30,731,875</u>	<u>15,644,541</u>
CASH AND CASH EQUIVALENTS AT END OF		
YEAR (NOTE 14)	<u>47,427,022</u>	<u>30,731,875</u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 RM	2006 RM
Revenue	3	52,356,170	47,246,140
Other income		13,590,395	8,335,387
Employee benefits expense	4	(23,375,571)	(20,194,312)
Depreciation of property, plant and equipment		(4,472,425)	(4,227,493)
Other expenses		<u>(21,703,684)</u>	<u>(18,064,547)</u>
Operating profit		16,394,885	13,095,175
Finance costs	5	<u>(109,390)</u>	<u>(593,554)</u>
Profit before tax	6	16,285,495	12,501,621
Income tax expense	7	<u>(5,076,823)</u>	<u>(3,253,695)</u>
Profit for the year		<u>11,208,672</u>	<u>9,247,926</u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	42,724,442	41,780,035
Investments in subsidiaries	10	1,000,000	1,000,000
		<u>43,724,442</u>	<u>42,780,035</u>
Current assets			
Trade receivables	11	4,455,315	4,362,230
Other receivables	12	1,438,059	2,690,353
Tax recoverable		-	395,468
Amount due from related companies	13	68,163	3,299,200
Cash and bank balances	14	30,792,866	22,373,476
		<u>36,754,403</u>	<u>33,120,727</u>
TOTAL ASSETS		<u>80,478,845</u>	<u>75,900,762</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	2,353,000	2,353,000
Share premium		1,059,000	1,059,000
Equity contribution from parent	15(b)	680,870	359,069
Retained earnings	21	46,439,583	38,983,946
Total equity		<u>50,532,453</u>	<u>42,755,015</u>
Non-current liabilities			
Borrowings	16	-	73,234
Deferred tax liabilities	22	6,288,423	5,868,166
		<u>6,288,423</u>	<u>5,941,400</u>
Current liabilities			
Borrowings	16	-	7,336,800
Other payables	18	22,144,067	19,664,621
Amount due to related companies	19	436,812	202,926
Tax payable		1,077,090	-
		<u>23,657,969</u>	<u>27,204,347</u>
Total liabilities		<u>29,946,392</u>	<u>33,145,747</u>
TOTAL EQUITY AND LIABILITIES		<u>80,478,845</u>	<u>75,900,762</u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Attributable to Equity Holders of the Company				
	<-----Non-Distributable----->		Distributable		
	Share Capital RM (Note 20)	Share Premium RM	Equity Contribution from Parent RM (Note 15(b))	Retained Earnings RM (Note 21)	Total Equity RM
At 1 January 2006	2,353,000	1,059,000	26,988	30,159,560	33,598,548
Profit for the year, representing total recognised income and expense for the year	-	-	-	9,247,926	9,247,926
Dividends (Note 8)	-	-	-	(423,540)	
Share options granted under ESOS	-	-	332,081	-	332,081
At 31 December 2006	2,353,000	1,059,000	359,069	38,983,946	42,755,015
Profit for the year, representing total recognised income and expense for the year	-	-	-	11,208,672	11,208,672
Dividends (Note 8)	-	-	-	(3,753,035)	(3,753,035)
Share options granted under ESOS	-	-	321,801	-	321,801
At 31 December 2007	2,353,000	1,059,000	680,870	46,439,583	50,532,453

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	16,285,495	12,501,621
Adjustments for:		
Depreciation of property, plant and equipment	4,472,425	4,227,493
Property, plant and equipment written off	1,859	308
Gain on disposal of property, plant and equipment	(125,197)	(198,583)
Net unrealised foreign exchange gains	(546,301)	-
Bad debt written off	552,331	54,527
(Reversal) of/provision for doubtful debts	(771,984)	792,493
Finance costs	109,390	593,554
Interest income	(878,408)	(328,150)
Share options granted under ESOS	321,801	332,081
Short term accumulating compensated absences	33,970	(12,244)
Reversal of provision for retirement benefits	-	(106,758)
Operating profit before working capital changes	19,455,381	17,856,342
Decrease/(increase) in receivables	1,378,862	(3,787,454)
Increase in payables	2,991,777	5,548,075
Changes in related company balances	3,464,923	2,199,677
Cash generated from operations	27,290,943	21,816,640
Interest paid	(109,390)	(593,554)
Taxes paid	(3,184,008)	(2,095,494)
Retirement benefits paid	-	(864,663)
Net cash generated from operating activities	23,997,545	18,262,929
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,418,692)	(4,241,048)
Interest received	878,408	328,150
Proceeds from disposal of property, plant and equipment	125,198	198,586
Net cash used in investing activities	(4,415,086)	(3,714,312)

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

	2007	2006
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of term loan and hire purchase payables	(7,034,602)	(2,023,883)
Dividends paid	<u>(3,753,035)</u>	<u>(423,540)</u>
Net cash used in financing activity	<u>(10,787,637)</u>	<u>(2,447,423)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,794,822	12,101,194
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF YEAR	<u>21,998,044</u>	<u>9,896,850</u>
CASH AND CASH EQUIVALENTS AT END OF		
YEAR (NOTE 14)	<u><u>30,792,866</u></u>	<u><u>21,998,044</u></u>

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

KDU COLLEGE SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal places of business of the Company are located at Jalan SS22/41, Damansara Jaya, 47400 Petaling Jaya, Selangor Darul Ehsan and 32 Jalan Anson, 10400 Penang.

The immediate and ultimate holding company of the Company is Paramount Corporation Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activity of the Company is the operating of a private educational institution. The principal activities of the subsidiaries are described in Note 10 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3 to the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation (Cont'd.)

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

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

(b) Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(i).

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	2%
Renovation	20%
Computer, equipment, books, furniture, fixtures, fittings and motor vehicles	20% - 33.33%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(b) Property, Plant and Equipment and Depreciation (Cont'd.)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(c) Financial Instruments

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

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

(i) Receivables

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

(ii) Cash and Cash Equivalents

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

(iii) Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Financial Instruments (Cont'd.)

(iv) Equity Instruments

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

(d) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating

(ii) Finance Leases - the Group as Lessee

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Leases (Cont'd.)

(ii) Finance Leases - the Group as Lessee (Cont'd.)

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

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

(iii) Operating Leases - the Group as Lessee

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

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

(iv) Operating Leases - the Group as Lessor

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

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

(iii) Defined Benefit Plans

The Group operated an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Employee Benefits (Cont'd.)

(iii) Defined Benefit Plans (Cont'd.)

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

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

(iv) Share-based Compensation

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the equity contribution from parent.

(f) Income Tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Income Tax (Cont'd.)

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(g) Revenue Recognition

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

(i) Revenue from Educational Fees

Revenue from educational fees is recognised on an accrual basis.

(ii) Rental Income

Rental income is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Revenue Recognition (Cont'd.)

(ii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(h) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Foreign Currencies (Cont'd.)

(ii) Foreign Currency Transactions (Cont'd.)

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

	2007 RM	2006 RM
Great Britain Pound Sterling	6.607	6.932
Swiss France	2.945	2.892
Australian Dollar	2.915	2.794

(i) Impairment of Non-financial Assets

The carrying amounts of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

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

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

An impairment loss is recognised as an expense in the income statement in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The Malaysian Accounting Standards Board ("MASB") has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2007. These new and revised FRSs and Interpretations do not have any significant impact on the financial statements of the Group and of the Company.

On 1 January 2007, the Group and the Company adopted FRS 124 - Related Party Disclosures. The adoption of the revised FRS 124 gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119₂₀₀₄: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for annual periods beginning on or after 1 January 2007. These FRSs are, however, not applicable to the Group or the Company.

In addition, the Group and the Company have early adopted the following new and revised FRSs, Amendment to FRS and Interpretations which are mandatory for financial periods beginning on or after 1 July 2007.

Revised FRSs, Amendment to FRS and Interpretations

Amendment to FRS 121	The effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

FRS 111, 120, 134, Amendments to FRS 121, IC Interpretation 1, 2, 5, 6, 7 and 8 are not relevant to the Group and the Company.

The adoption of revised FRS 107, 112, 118 and 137 does not result in significant changes in accounting policies of the Group and the Company. There were no significant effects on the financial statements arising from the adoption of revised FRSs.

At the date of authorisation of these financial statements, FRS 139 - Financial Instruments: Recognition and Measurement was issued but not yet effective and have not been applied by the Company. The effective date of adopting FRS 139 was deferred. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3. REVENUE

Revenue of the Group and of the Company represents educational fees net of franchise fees.

4. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	29,867,833	26,230,032	19,540,564	17,049,367
Short term accumulating compensated absences	25,929	(1,400)	33,970	(12,244)
Contributions to defined contribution plan	3,478,539	3,032,803	2,189,993	1,961,354
Increase in liability for defined benefit plan (Note 15(a))	-	(61,715)	-	(106,758)
Share options granted under ESOS	464,943	576,553	321,801	332,081
Other benefits	1,898,113	1,388,612	1,289,243	970,512
	<u>35,735,357</u>	<u>31,164,885</u>	<u>23,375,571</u>	<u>20,194,312</u>

Included in the employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,142,980 (2006: RM1,011,544) and RM786,942 (2006: RM641,977) respectively as further disclosed in Note 5(a).

5. PROFIT BEFORE TAX

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

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Non-executive directors' remuneration (Note a)	207,700	207,700	207,700	207,700
Auditors' remuneration:				
- statutory audits	48,000	42,800	32,000	29,800
Operating leases:				
- minimum lease payments for premises	657,566	569,519	3,838,209	3,709,199
- minimum lease payments for equipment	164,190	600,026	-	17,445
Depreciation of property, plant and equipment	6,799,187	6,372,458	4,472,425	4,227,493
Gain on disposal of property, plant and equipment	(125,197)	(198,583)	(125,197)	(198,583)
Property, plant and equipment written off	1,859	308	1,859	308
Provision for doubtful debts	32,545	799,086	-	792,493
Reversal of provision for doubtful debts	(771,984)	-	(771,984)	-
Bad debts written off	552,331	54,527	552,331	54,527
Net foreign exchange (gains)/ losses:				
- Realised	(94,004)	(15,046)	(94,004)	(15,046)
- Unrealised	(546,301)	-	(546,301)	-
Interest income	(1,172,699)	(437,878)	(878,408)	(328,150)
Rental income	(2,531,440)	(2,478,864)	(2,079,246)	(2,059,358)

5. PROFIT BEFORE TAX (CONT'D.)**Note a: Directors remuneration**

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	679,472	488,876	450,272	267,476
Fees	34,616	31,384	34,616	31,384
Bonus	262,875	251,325	190,425	174,075
Defined contribution plan	112,632	101,196	76,416	65,280
Defined benefit plan	-	74,132	-	74,132
Share options granted under ESOS	53,385	64,631	35,213	29,630
Estimated money value of benefits-in-kind	16,600	11,392	16,300	11,392
	<u>1,159,580</u>	<u>1,022,936</u>	<u>803,242</u>	<u>653,369</u>
Non-Executive:				
Fees	10,000	10,000	10,000	10,000
Consultancy fees	197,700	197,700	197,700	197,700
Estimated money value of benefits-in-kind	24,600	24,600	24,600	24,600
	<u>232,300</u>	<u>232,300</u>	<u>232,300</u>	<u>232,300</u>
	<u>1,391,880</u>	<u>1,255,236</u>	<u>1,035,542</u>	<u>885,669</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 4)	1,142,980	1,011,544	786,942	641,977
Total non-executive directors' remuneration excluding benefits-in-kind (Note 5)	<u>207,700</u>	<u>207,700</u>	<u>207,700</u>	<u>207,700</u>
Total directors' remuneration excluding benefits-in-kind (Note 24(b))	<u>1,350,680</u>	<u>1,219,244</u>	<u>994,642</u>	<u>849,677</u>

6. FINANCE COSTS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Interest expense on:				
Term loan	106,515	588,499	106,515	588,499
Other borrowings	18,538	30,558	2,875	5,055
	<u>125,053</u>	<u>619,057</u>	<u>109,390</u>	<u>593,554</u>

7. INCOME TAX EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current income tax:				
Malaysian income tax	4,309,296	2,085,991	4,250,634	2,064,045
Underprovision in prior year	400,827	64,228	405,932	62,126
	<u>4,710,123</u>	<u>2,150,219</u>	<u>4,656,566</u>	<u>2,126,171</u>
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	1,818,850	798,074	360,990	1,176,856
Relating to changes in tax rates	(158,578)	(62,893)	(227,978)	(173,752)
Underprovision in prior year	233,398	124,420	287,245	124,420
	<u>1,893,670</u>	<u>859,601</u>	<u>420,257</u>	<u>1,127,524</u>
Total income tax expense	<u>6,603,793</u>	<u>3,009,820</u>	<u>5,076,823</u>	<u>3,253,695</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes.

Corporate tax rate for the Company with paid-up capital of RM2.5 million and below at the beginning of the basis period for the Year of Assessment 2006 and 2007 are as follows:

Chargeable Income	Rate
First RM500,000	20%
Amount exceeding RM500,000 (2006: 28%)	27%

7. INCOME TAX EXPENSE (CONT'D.)

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

	2007 RM	2006 RM
Group		
Profit before tax	<u>22,179,198</u>	<u>14,490,516</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	5,988,383	4,057,344
Effect of income subject to tax rate at 20% (2006: 20%)	(60,530)	(41,756)
Effect of changes in tax rates on opening balance of deferred tax	(158,578)	(62,893)
Deferred tax recognised at different tax rates	(76,868)	(81,318)
Income not subject to tax	(328,755)	(445,729)
Expenses not deductible for tax purposes	605,615	357,892
Tax losses not allowable for future utilisation	302	313
Deferred tax assets previously unrecognised, now recognised	-	(962,681)
Overprovision of deferred tax in prior year	233,397	124,420
Underprovision of tax expense in prior year	400,827	64,228
Income tax expense for the year	<u>6,603,793</u>	<u>3,009,820</u>
Company		
Profit before tax	<u>16,285,495</u>	<u>12,501,621</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	4,397,084	3,500,454
Effect of income subject to tax rate at 20% (2006: 20%)	(40,000)	(40,000)
Effect of changes in tax rates on opening balance of deferred tax	(227,978)	(173,752)
Deferred tax recognised at different tax rates	(15,987)	(43,587)
Income not subject to tax	(328,755)	(445,729)
Expenses not deductible for tax purposes	599,283	269,763
Overprovision of deferred tax in prior year	287,244	124,420
Underprovision of tax expense in prior year	405,932	62,126
Income tax expense for the year	<u>5,076,823</u>	<u>3,253,695</u>

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Tax losses are analysed as follows:				
Unabsorbed tax losses carried forward	<u>-</u>	<u>3,438,000</u>	<u>-</u>	<u>-</u>
	36			

8. DIVIDENDS

	Amount		Net Dividends Paid per Ordinary Share	
	2007	2006	2007	2006
	RM	RM	RM	RM
Recognised during the year:				
For the financial year ended				
31 December 2007				
Interim tax exempt dividend of				
50%, on 2,353,000 ordinary				
shares, declared and paid on				
20 August 2007	1,176,500	-	0.50	-
Interim dividend of 150% less 27%				
taxation, on 2,353,000 ordinary				
shares, declared and paid on				
28 December 2007	2,576,535	-	1.10	-
For the financial year ended				
31 December 2006				
Interim dividends of 25% less				
28% taxation, on 2,353,000				
ordinary shares, declared and				
paid on 26 September 2007	-	423,540	-	0.18
	<u>3,753,035</u>	<u>423,540</u>	<u>1.60</u>	<u>0.18</u>

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Building RM	Renovation RM	Furniture, Fixtures and Fittings, Books, Computer, Equipment, and Motor Vehicles RM	Total RM
Cost					
At 1 January					
2006	4,968,383	33,569,557	4,816,640	35,119,695	78,474,275
Additions	-	-	797,565	4,644,903	5,442,468
Disposals	-	-	-	(642,501)	(642,501)
Write off	-	-	-	(2,686,174)	(2,686,174)
At 31 December					
2006	4,968,383	33,569,557	5,614,205	36,435,923	80,588,068
Additions	-	-	593,306	5,883,493	6,476,799
Disposals	-	-	-	(431,373)	(431,373)
Write off	-	-	-	(3,846)	(3,846)
At 31 December					
2007	4,968,383	33,569,557	6,207,511	41,884,197	86,629,648
Accumulated depreciation					
At 1 January	-	3,764,537	2,824,535	23,701,969	30,291,041
2006	-	-	-	-	-
Depreciation charge for the year	-	671,387	758,425	4,942,646	6,372,458
Disposals	-	-	-	(631,554)	(631,554)
Write off	-	-	-	(2,685,866)	(2,685,866)
At 31 December					
2006	-	4,435,924	3,582,960	25,327,195	33,346,079
Depreciation charge for the year	-	671,388	793,030	5,334,769	6,799,187
Disposals	-	-	-	(431,372)	(431,372)
Write off	-	-	-	(1,987)	(1,987)
At 31 December					
2007	-	5,107,312	4,375,990	30,228,605	39,711,907
Net carrying amount					
As 31 December					
2007	4,968,383	28,462,245	1,831,521	11,655,592	46,917,741
At 31 December					
2006	4,968,383	29,133,633	2,031,245	11,108,728	47,241,989

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

Company	Freehold Land RM	Building RM	Renovation RM	Furniture, Fixtures and Fittings, Books, Computer, Equipment, and Motor Vehicles RM	Total RM
Cost					
At 1 January					
2006	4,968,383	33,569,557	4,270,384	23,226,152	66,034,476
Additions	-	-	796,965	3,444,083	4,241,048
Disposals	-	-	-	(630,826)	(630,826)
Write off	-	-	-	(2,686,174)	(2,686,174)
At 31 December					
2006	4,968,383	33,569,557	5,067,349	23,353,235	66,958,524
Additions	-	-	503,163	4,915,529	5,418,692
Disposals	-	-	-	(431,373)	(431,373)
Write offs	-	-	-	(3,846)	(3,846)
At 31 December					
2007	4,968,383	33,569,557	5,570,512	27,833,545	71,941,997
Accumulated depreciation					
At 1 January					
2006	-	3,764,537	2,508,601	17,994,547	24,267,685
Depreciation charge for the year	-	671,387	649,354	2,906,752	4,227,493
Disposals	-	-	-	(630,823)	(630,823)
Write off	-	-	-	(2,685,866)	(2,685,866)
At 31 December					
2006	-	4,435,924	3,157,955	17,584,610	25,178,489
Depreciation charge for the year	-	671,388	684,215	3,116,822	4,472,425
Disposals	-	-	-	(431,372)	(431,372)
Write offs	-	-	-	(1,987)	(1,987)
At 31 December					
2007	-	5,107,312	3,842,170	20,268,073	29,217,555
Net carrying amount					
At 31 December					
2007	4,968,383	28,462,245	1,728,342	7,565,472	42,724,442
At 31 December					
2006	4,968,383	29,133,633	1,909,394	5,768,625	41,780,035

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) The carrying amount of land and building of the Group and of the Company amounting to RM33,430,628 (2006: RM34,102,016) has been pledged to a financial institution for term loan and bank overdraft as referred to in Note 16.
- (b) Included in property, plant and equipment of the Group and the Company are costs of fully depreciated assets amounting to RM22,022,357 (2006: RM10,258,343) and RM17,718,469 (2006: RM7,535,939) respectively, which are still in use.
- (c) Included in plant and equipment of the Group and Company are computers and motor vehicle with net book value of RM84,317 (2006: RM176,522) and RM84,317 (2006: RM128,469) held under a hire purchase agreement respectively.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RM	RM
Unquoted shares at cost	1,100,000	1,100,000
Less: Accumulated impairment losses	(100,000)	(100,000)
	<u>1,000,000</u>	<u>1,000,000</u>

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interests Held		Principal Activities
		2007	2006	
		%	%	
Janahasil Sdn. Bhd.	Malaysia	100	100	Inactive
KDU Smart School Sdn. Bhd.	Malaysia	100	100	Educational services

11. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables	5,234,657	5,860,958	5,115,468	5,791,052
Less: Provision for doubtful debts	(699,291)	(1,435,415)	(660,153)	(1,428,822)
	<u>4,535,366</u>	<u>4,425,543</u>	<u>4,455,315</u>	<u>4,362,230</u>

The Group's normal trade credit term ranges from 14 to 30 days (2006: 14 to 30 days).

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

12. OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sundry receivables	253,362	540,360	77,219	286,125
Deposits	2,347,129	2,353,287	1,187,229	1,199,987
Prepayments	476,557	1,417,733	173,611	1,204,241
	<u>3,077,048</u>	<u>4,311,380</u>	<u>1,438,059</u>	<u>2,690,353</u>

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

13. AMOUNT DUE FROM RELATED COMPANIES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Due from subsidiaries	-	-	50,671	3,274,196
Due from fellow subsidiaries	17,493	735,004	17,492	25,004
	<u>17,493</u>	<u>735,004</u>	<u>68,163</u>	<u>3,299,200</u>

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash on hand and at banks	683,697	1,537,150	312,992	923,884
Deposits with licensed banks	46,743,325	29,570,157	30,479,874	21,449,592
Cash and bank balances	47,427,022	31,107,307	30,792,866	22,373,476
Bank overdrafts				
(Note 16)	-	(375,432)	-	(375,432)
Cash and cash equivalents	47,427,022	30,731,875	30,792,866	21,998,044

Deposits with licensed banks of the Group and of the Company amounting to RM191,000 (2006: RM120,000) are pledged as securities for bank guarantee.

Included in cash on hand and at banks of the Group and of the Company are amounts of RM2,644,389 (2006: RM880,057) denominated in Great Britain Pound Sterling.

Other information on financial risks of cash and cash equivalents are disclosed in Note 26.

15. EMPLOYEE BENEFITS**(a) Provision for retirement benefits**

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

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

15. EMPLOYEE BENEFITS (CONT'D.)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
The amounts recognised in the balance sheet are determined as follows:				
Present value of unfunded defined benefit obligations	-	1,146,857	-	971,421
Settlement of liability	-	(1,146,857)	-	(971,421)
Net liability	-	-	-	-
The amount recognised in the income statement are as follows:				
Current service cost	-	(61,715)	-	(106,758)
Interest costs	-	-	-	-
Amortisation of transitional obligation	-	-	-	-
Amortisation of actuarial gain	-	-	-	-
Total, included in employee benefits expense (Note 4)	-	(61,715)	-	(106,758)
Movements in the net liability in the current year were as follows:				
At 1 January	-	1,146,857	-	971,421
Amount recognised in the income statement	-	(61,715)	-	(106,758)
Payment to employees	-	(1,085,142)	-	(864,663)
At 31 December	-	-	-	-
			2007	2006
			%	%
Principal actuarial assumptions used:				
Discount rate			Not applicable	6
Expected rate of salary increases			Not applicable	5

15. EMPLOYEE BENEFITS (CONT'D.)

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

The equity contribution from parent represents the equity-settled share options of the holding company granted to employees of the Company. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options of the holding company, Paramount Corporation Berhad ("PCB").

On 29 August 2005, PCB implemented the Employee Share Option Scheme ("ESOS"). The ESOS is governed by By-Laws approved by PCB's shareholders at the Extraordinary General Meeting held on 22 August 2005.

The principal features of the ESOS are as follows:

- (i) Eligible persons are employees of PCB and its subsidiaries ("the Group") (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (ii) The total number of shares to be offered shall not exceed in aggregate 15% of the issued share capital of PCB at any point of time during the duration of the ESOS, which shall be in force for a period of five years from 29 August 2005.
- (iii) The option price under the ESOS shall be the average of the mean market quotation (calculated as the average of the highest and lowest price transacted) of the shares as shown in the daily official list in the Bursa Securities for the five trading days immediately preceding the date of offer subject to a discount not more than ten per cent (10%) at the ESOS Committee's discretion, or at par value of the shares whichever is higher.
- (iv) An option granted under the ESOS shall be capable of being exercised by the grantee by notice of writing to PCB before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer.
- (v) The number of shares under option or the option price or both so far as the options remain unexercised may be adjusted following any variation in the issued share capital of PCB by way of a capitalisation of profit or reserves or rights issue or a reduction, subdivision or consolidation of the PCB's shares made by PCB.

15. EMPLOYEE BENEFITS (CONT'D.)**(b) Employee Share Option Scheme ("ESOS") (Cont'd.)**

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

(vii) The persons to whom the options have been granted have no right to participate by virtue of the options, in any share issue of any other company.

The terms of staff options outstanding at 31 December 2007 are as follows:

Grant Date	Expiry Date	Exercise Price RM	Number of Options over Ordinary Shares of RM1 Each			
			At 1 January 2007	Granted	Exercised	At 31 December 2007
			'000	'000	'000	'000
15 September 2005	28 August 2010	2.01	9,620	-	(2,089)	7,531
15 September 2006	28 August 2010	1.66	2,283	-	(1,309)	974
15 September 2007	28 August 2010	2.20	-	1,515	(39)	1,476

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

	2007	2006
Fair values of share options at the following grant dates (RM):		
15 September 2006	Not applicable	0.29
15 September 2007	0.35	Not applicable
Weighted average share price for shares issued	2.43	2.13
Expected volatility (%)	25.0%	25.0%
Expected life (years)	2.95	3.95
Risk free rate (%)	3.6%	3.3%
Expected dividend yield (%)	6.5%	5.7%

15. EMPLOYEE BENEFITS (CONT'D.)**(b) Employee Share Option Scheme ("ESOS") (Cont'd.)**

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

16. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short-term borrowings				
Secured:				
Term loan	-	6,937,727	-	6,937,727
Hire purchase and finance lease liabilities (Note 17)	-	(44,040)	-	(23,641)
	-	6,893,687	-	6,914,086
Unsecured:				
Bank overdrafts (Note 14)	-	375,432	-	375,432
	-	7,269,119	-	7,289,518
Long-term borrowing				
Secured:				
Term loan	-	-	-	-
Hire purchase and finance lease liabilities (Note 17)	-	73,234	-	73,234
	-	73,234	-	73,234
Total borrowings				
Bank overdrafts (Note 14)	-	375,432	-	375,432
Term loans	-	6,937,727	-	6,937,727
Hire purchase and finance lease liabilities (Note 17)	-	29,194	-	49,593
	-	7,342,353	-	7,362,752
Maturity of borrowings (excluding hire purchase)				
Within one year	-	7,313,159	-	7,313,159
More than 1 year and less than 2 years	-	-	-	-
More than 2 years and less than 5 years	-	-	-	-
	-	7,313,159	-	7,313,159

16. BORROWINGS (CONT'D.)

- (a) The bank overdraft of a subsidiary is secured by a corporate guarantee of RM1,500,000 (2006: RM1,500,000) from the Company.
- (b) The term loan is secured by first legal charge over land and building of the Company as disclosed in Note 9.

Other information on financial risks of borrowings are disclosed in Note 26.

17. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than 1 year	-	48,185	-	27,528
Later than 1 year and not later than 2 years	-	27,528	-	27,528
Later than 2 years and not later than 5 years	-	50,465	-	50,465
Total future minimum lease payments	-	126,178	-	105,521
Less: Future finance charges		(8,904)		(8,646)
Present value of finance lease liabilities (Note 16)	-	117,274	-	96,875
Analysis of present value of finance lease liabilities:				
Not later than 1 year	-	44,040	-	23,641
Later than 1 year and not later than 2 years	-	24,793	-	24,793
Later than 2 years and not later than 5 years	-	48,441	-	48,441
	-	117,274	-	96,875
Less: Amount due within 12 months	-	(44,040)	-	(23,641)
Due after 12 months	-	73,234	-	73,234

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 28.

18. OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Accruals	1,375,369	1,470,605	899,910	1,252,446
Refundable deposits	10,136,403	9,866,965	3,442,103	3,833,765
Tuition fees received in advance	20,595,640	20,158,840	5,948,116	4,044,002
Sundry payables	13,918,879	8,994,428	11,853,938	10,534,408
	<u>46,026,291</u>	<u>40,490,838</u>	<u>22,144,067</u>	<u>19,664,621</u>

19. AMOUNT DUE TO RELATED COMPANIES

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Due to holding company	353,712	229,677	171,108	202,926
Due to a fellow subsidiary	265,139	1,000	265,704	-
	<u>618,851</u>	<u>230,677</u>	<u>436,812</u>	<u>202,926</u>

The amounts due to holding company and a fellow subsidiary are unsecured, interest free and have no fixed terms of repayment.

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007	2006
			RM	RM
Authorised	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid	<u>2,353,000</u>	<u>2,353,000</u>	<u>2,353,000</u>	<u>2,353,000</u>

21. RETAINED EARNINGS

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

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

As at 31 December 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends amounting to RM39,488,000 (2006: RM30,789,000) out of its retained profits. If the balance of the retained profits were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM12,061,000 (2006: RM11,966,000).

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM4,991,000 (2006: RM6,168,000), subject to agreement with the Inland Revenue Board.

22. DEFERRED TAX

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
At 1 January	4,048,216	3,188,615	5,868,166	4,740,642
Recognised in the income statement (Note 7)	1,893,670	859,601	420,257	1,127,524
At 31 December	<u>5,941,886</u>	<u>4,048,216</u>	<u>6,288,423</u>	<u>5,868,166</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(346,537)	(1,819,950)	-	-
Deferred tax liabilities	6,288,423	5,868,166	6,288,423	5,868,166
	<u>5,941,886</u>	<u>4,048,216</u>	<u>6,288,423</u>	<u>5,868,166</u>

22. DEFERRED TAX (CONT'D.)

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

	At 1 January 2007 RM	Recognised in the income statement RM	At 31 December 2007 RM
Deferred tax liabilities of the Group:			
Property, plant and equipment	5,961,730	473,023	6,434,753
Deferred tax assets of the Group:			
Property, plant and equipment	169,687	(234,233)	(64,546)
Trade receivables	(1,714)	(8,462)	(10,176)
Other receivables	(11,861)	2,091	(9,770)
Provision for unutilised leave	(93,564)	(5,367)	(98,931)
Other payables	(1,082,144)	1,082,144	-
Unused tax losses and unabsorbed capital allowances	(893,918)	584,474	(309,444)
	<u>(1,913,514)</u>	<u>1,420,647</u>	<u>(492,867)</u>
	<u>4,048,216</u>	<u>(947,624)</u>	<u>5,941,886</u>
	At 1 January 2006 RM	Recognised in the income statement RM	At 31 December 2006 RM
Deferred tax liabilities of the Group:			
Property, plant and equipment	5,442,046	689,371	6,131,417
Deferred tax assets of the Group:			
Trade receivables	-	(1,714)	(1,714)
Retirement benefit obligations	(321,120)	227,556	(93,564)
Other payables	(410,664)	398,803	(11,861)
Unused tax losses and unabsorbed capital allowances	(1,521,647)	(454,415)	(1,976,062)
	<u>(2,253,431)</u>	<u>170,230</u>	<u>(2,083,201)</u>
	<u>3,188,615</u>	<u>859,601</u>	<u>4,048,216</u>

22. DEFERRED TAX (CONT'D.)

	At 1 January 2007 RM	Recognised in the income statement RM	At 31 December 2007 RM
Deferred tax liabilities of the Company:			
Property, plant and equipment	5,961,730	473,025	6,434,755
Deferred tax assets of the Company:			
Property, plant and equipment	-	(47,401)	(47,401)
Retirement benefit obligations	-	-	-
Provision for unutilised leave	(93,564)	(5,367)	(98,931)
	<u>(93,564)</u>	<u>(52,768)</u>	<u>(146,332)</u>
	<u>5,868,166</u>	<u>420,257</u>	<u>6,288,423</u>

	At 1 January 2006 RM	Recognised in the income statement RM	At 31 December 2006 RM
Deferred tax liabilities of the Company:			
Property, plant and equipment	5,163,897	797,833	5,961,730
Deferred tax assets of the Company:			
Retirement benefit obligations	(151,257)	151,257	-
Other payables	(271,998)	178,434	(93,564)
	<u>(423,255)</u>	<u>329,691</u>	<u>(93,564)</u>
	<u>4,740,642</u>	<u>1,127,524</u>	<u>5,868,166</u>

23. OPERATING LEASE ARRANGEMENTS**(a) The Group as lessee**

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 2 to 5 years with renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

23. OPERATING LEASE ARRANGEMENTS (CONT'D.)**(a) The Group as lessee (Cont'd.)**

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Future minimum rentals payments:				
Not later than 1 year	5,035,307	7,702,830	336,700	3,442,830
Later than 1 year and not later than 5 years	9,539,715	67,800	142,500	67,800
	<u>14,575,022</u>	<u>7,770,630</u>	<u>479,200</u>	<u>3,510,630</u>

The lease payments recognised in profit or loss during the financial year are disclosed in Note 5.

24. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Purchases of computers and peripherals from ECS KU Sdn. Bhd. and its subsidiaries, a group of companies in which Dato' Teo Chiang Quan, a director of the Company, has substantial interests	707,420	885,811	529,485	883,773
Insurance premium charged by Jerneh Insurance Berhad, an associated company of a fellow subsidiary	226,296	201,831	163,702	143,125
Rental expenses paid to a fellow subsidiary, Paramount Property Holdings Sdn. Bhd.	<u>7,399,680</u>	<u>7,399,680</u>	<u>3,139,680</u>	<u>3,139,680</u>

24. RELATED PARTY DISCLOSURES (CONT'D.)

	2007	2006	2007	2006
	RM	RM	RM	RM
Security services rendered by Strong Legacy Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan and a director of the holding company, Dato' Md Taib bin Abdul Hamid, have financial interest	-	348,907	-	348,907
Management fees charged by holding company	<u>1,727,433</u>	<u>1,297,606</u>	<u>1,138,030</u>	<u>914,698</u>

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

(b) Compensation of key management personnel

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

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short term employee benefits	1,464,630	1,190,669	1,162,680	1,106,368
Post-employment benefits				
Defined contribution plan	139,858	113,871	103,642	103,704
Defined benefit plan	-	77,432		77,432
Share-based payment	<u>94,932</u>	<u>110,522</u>	<u>76,760</u>	<u>75,521</u>
	<u>1,699,420</u>	<u>1,492,494</u>	<u>1,343,082</u>	<u>1,363,025</u>

Included in the total key management personnel are:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors' remuneration (Note 5(a))	<u>1,350,680</u>	<u>1,219,244</u>	<u>994,642</u>	<u>849,677</u>

24. RELATED PARTY DISCLOSURES (CONT'D.)**(b) Compensation of key management personnel (Cont'd.)**

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

	Group		Company	
	2007	2006	2007	2006
At 1 January	720,000	660,000	495,000	435,000
Granted	196,000	60,000	196,000	60,000
Exercised	(146,000)	-	(146,000)	-
At 31 December	<u>770,000</u>	<u>720,000</u>	<u>545,000</u>	<u>495,000</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Company (Note 15(b)).

25. COMPARATIVES

Certain comparative figures have been reclassified to conform with current year's presentation. These relate mainly to the following:

	As previously stated RM	As Restated RM
Group		
Trade receivables	4,315,222	4,425,543
Other payables	40,380,517	40,490,838
Company		
Trade receivables	4,251,909	4,362,230
Other payables	<u>19,554,300</u>	<u>19,664,621</u>

26. FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objectives and Policies**

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

26. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

The Group's primary interest rate risk relates to interest-bearing debt as the Group has no long-term interest-bearing assets as at 31 December 2006. The investments in financial assets are short-term in nature and have been mostly placed in fixed deposits. The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

31 December 2007									
Group	Range of interest rate	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total		
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Floating rate									
Deposits with licensed banks	2.00 - 3.47%	46,743	-	-	-	-	-	46,743	
Company									
Floating rate									
Deposits with licensed banks	2.00 - 3.47%	30,480	-	-	-	-	-	30,480	
31 December 2006									
Group	Range of interest rate	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total		
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Floating rate									
Deposits with licensed banks	2.00 - 3.50%	29,570	-	-	-	-	-	29,570	
Bank overdrafts	7.25%	375	-	-	-	-	-	375	
Term loans	7.00%	2,000	2,000	2,000	938	-	-	6,938	
Hire purchase	8.70%	44	25	25	23	-	-	117	
Company									
Floating rate									
Deposits with licensed banks	2.00 - 3.50%	21,450	-	-	-	-	-	21,450	
Bank overdrafts	7.25%	375	-	-	-	-	-	375	
Term loans	7.00%	2,000	2,000	2,000	938	-	-	6,938	
Hire purchase	11.40%	24	25	25	23	-	-	96	

26. FINANCIAL INSTRUMENTS (CONT'D.)**(c) Foreign Exchange Risk**

The Group is exposed primarily to Great Britain Pound Sterling. Foreign currency denominated assets and liabilities give rise to foreign exchange exposures. The Group maintains a natural hedge, whenever possible. Foreign exchange exposures in transactional currencies are kept to an acceptable level.

(d) Liquidity Risk

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

(e) Credit Risk

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

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

(f) Fair Values

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

(i) Cash and cash equivalents, trade and other receivables/payables and bank overdraft

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

26. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values (Cont'd.)

(ii) Borrowings

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

(iii) Amount due from/(to) related companies

It is not practical to estimate the fair values of the amounts due from/(to) related companies due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group does not anticipate the amounts that would eventually be received or settled to be materially different from their carrying amounts as disclosed in Notes 13 and 19.



PRIVATE & CONFIDENTIAL

11 September 2008

Board of Directors
Paramount Corporation Berhad
Level 8, Uptown 1
1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

VALUATION OF KDU COLLEGE SDN BHD ("KDU")

1. INTRODUCTION

- 1.1 We understand that Paramount Corporation Berhad ("**Paramount**") currently holds 85% equity interest in KDU and intends to acquire the remaining 15% equity interest ("**Proposed Acquisition**"). CIMB Investment Bank Berhad ("**CIMB**") has been appointed to prepare a report on the valuation of KDU for this purpose ("**Valuation Report**").
- 1.2 This letter is a summary of our Valuation Report dated 3 July 2008 ("**Report Date**") and has been prepared for inclusion in the Circular to Shareholders of Paramount to be dated 15 September 2008 ("**Circular**") in connection with the Proposed Acquisition. This letter is not intended as, and does not constitute a recommendation by us to the shareholders of Paramount in relation to the Proposed Acquisition.
- 1.3 This letter is not intended for general circulation and cannot be disclosed or referred to, in whole or in part, in any documents other than for inclusion in the Circular. Accordingly, we shall not be responsible or liable for any losses or damages as a result of reliance by any party contrary to the provisions set out in this letter and our Valuation Report dated 3 July 2008.

2. SOURCES OF INFORMATION

- 2.1 In carrying out the valuation of KDU for the purpose as stated in the Valuation Report, we have relied on the following information and/or documents furnished to us by the management of Paramount and KDU ("**Management**"):
 - (i) consolidated profit and cash flow forecasts and projections of KDU for the 8 financial years ending 31 December 2008 to 2015 ("**Financial Projections**");
 - (ii) audited consolidated financial statements of KDU for the financial year ended 31 December 2007; and
 - (iii) representations and discussions with the Management.



- 2.2 We have also reviewed information available in the public domain in relation to KDU and its subsidiaries ("KDU Group"), certain comparable companies to KDU in the education industry as well as recent transactions, both local and regional, involving the acquisition and/or disposal of companies in the education industry.

3. LIMITATIONS

- 3.1 The valuation of KDU is valid only as at the Report Date and for the purpose specified therein.
- 3.2 Certain data and information have been obtained from the Management in the form of reports, models, supporting documents, work papers and oral representations in meetings and discussions. No attempt has been made by us to verify or audit the reliability of the data and information given for the purpose of the valuation nor any attempt made to ensure that the public information obtained represents an exhaustive list of relevant facts. Accordingly, we issue no warranty or other form of assurance regarding the reliability and completeness of information furnished by the Management.
- 3.3 The data and information provided to CIMB by the Management include the Financial Projections. We have assumed that the Financial Projections are reasonable and do not reflect any material bias, either positive or negative.
- 3.4 CIMB, in no way, guarantees or otherwise warrants the achievability of the Financial Projections. Financial Projections are inherently uncertain and are based on predictions of future events that cannot be assured and are necessarily based on certain assumptions that may or may not materialise. Consequently, actual future results can be significantly more or less favourable than those projected.
- 3.5 Due to differences in, inter-alia, business activities, scale of operations, geographical spread of activities, track record and future prospects, accounting standards and policies, any comparison made with respect to the comparable companies and precedent transactions are not directly comparable to the KDU Group. In addition, historical valuation ratios of comparable companies may have been significantly affected by, inter-alia, their financing, growth rates, dividend payout policies, operating and financial leverage as well as investment decisions. As such, the conclusions drawn from such comparisons may not necessarily reflect the perceived or implied market valuation for KDU.
- 3.6 It should also be noted that the estimated range of indicative values of KDU involves a high degree of subjectivity and professional judgment. The premium any offeror is prepared to pay in any transaction depends on various factors, including the existing level of control in the target company, the level of control required, potential synergy, prevailing market conditions and general economic and business risks. These factors may differ materially from those assumed in the valuation of KDU and will affect the range of values.



4. VALUATION

- 4.1 We consider the Comparable Companies method i.e. the comparison of the price to earnings ratio ("PER") of KDU against selected comparable listed companies in Malaysia, the most appropriate method in valuing the 15% equity stake in KDU.
- 4.2 The comparable listed companies used in our valuation and their respective PERs are as follows:

Company	Financial year end	5-day VWAP up to 30 May 2008 RM	EPS (audited) sen	EPS (trailing 12 months) sen	PER (audited) times	PER (trailing 12 months) times
		(a)	(b)	(c)	(a)/(b)	(a)/(c)
HELP International Corporation Berhad	31.10.07	1.45	12.00	10.38	12.08	13.97
SEG International Berhad	31.12.07	0.62	6.03	10.27	10.28	6.04
INTI Universal Holdings Berhad	31.12.07	1.05	0.91	2.24	115.38	46.88
Stamford College Berhad	31.12.07	[^] 0.29	(12.20)	(9.09)	n/a	n/a
Average					* 11.18	* 10.01

(Source: Bloomberg; audited financial statements and announcements of quarterly financial results of the respective comparable companies as extracted from Bursa Malaysia Securities Berhad's website)

Notes:

VWAP Volume weighted average share price.

EPS Earnings per share.

n/a Not applicable as EPS is negative.

* Excludes PER of INTI Universal Holdings Berhad (which is an outlier in our sample) and Stamford College Berhad.

[^] Based on 5-day VWAP up to 23 May 2008 as there was no trading for Stamford College Berhad's shares from 26 May 2008 to 30 May 2008.



4.3 As elaborated in our Valuation Report dated 3 July 2008, we applied the:

- (i) average audited PER of comparable companies of 11.18 times to the audited consolidated profit after taxation and minority interest ("PATAMI") of KDU for the financial year ended 31 December 2007 of RM15.575 million; and
- (ii) average trailing 12 months PER of comparable companies of 10.01 times to the consolidated PATAMI of KDU for the trailing 12 months ended 31 March 2008 of RM15.503 million;

to arrive at our range of value of RM23 million to RM26 million for a 15% equity stake in KDU.

Yours faithfully
for CIMB Investment Bank Berhad

Ong Liang Heng
Head
Corporate Finance

Low Eng Kiat
Director
Corporate Finance

U:\CF-LEK\Paramount\Valuation Letter (Circular).doc

APPENDIX IV –FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board of Paramount and they collectively and individually accept full responsibility for the accuracy, completeness and correctness of the information given in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other material facts, the omission of which would make any statement herein misleading, incomplete or inaccurate.

2. CONSENT AND CONFLICT OF INTEREST

2.1 Consents

KIBB has given and has not subsequently withdrawn its written consent to the inclusion of its name, in the form and context in which it appears in this Circular and the IAL.

CIMB has given and has not subsequently withdrawn its written consent to the inclusion of its name, in the form and context in which it appears in this Circular and the IAL.

2.2 Conflict of interests

KIBB confirms that there are no existing or potential conflicts of interest by virtue of it being appointed as the Independent Adviser to the non-interested directors and minority shareholders of the Company for the Proposed Acquisition.

CIMB confirms that there are no existing or potential conflicts of interest by virtue of it being appointed as the Valuer in respect of the Proposed Acquisition.

3. DETAILS OF ANY OTHER INTENDED CORPORATE EXERCISE WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposed Acquisition (which is the subject of this Circular), the Board of Paramount has confirmed that as at the date of this Circular, the Paramount Group does not have any outstanding proposals which have been announced but not yet completed.

4. MATERIAL CONTRACTS

Save for the SSA in relation to the Proposed Acquisition and as disclosed below, the Paramount Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business of the Paramount Group) during the two (2) years immediately preceding the date of this Circular:

- a) On 25 March 2008, Janahasil Sdn Bhd, a wholly-owned subsidiary of KDU, which is, in turn, a 85% owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Nusajaya Rise Sdn Bhd and UEM Land Sdn Bhd, a wholly-owned subsidiary of UEM World Berhad, for the acquisition of a 10-acre freehold agricultural land forming part of the land held under H.S. (D) 450559 No. Lot PTD 153275 in Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim at a total cash consideration of RM13,068,000. The proposed acquisition is pending fulfilment of conditions precedent.
- b) On 5 February 2008, Seleksi Megah Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Sunhom Sdn Bhd, for the acquisition of a piece of 99-year leasehold vacant industrial land measuring approximately 4.33 acres or 188,615 square feet identified as Lot 9, Jalan Teknologi 3/1, Taman Sains Selangor 1, Kota Damansara at a total cash consideration of RM19,410,790. The proposed acquisition is pending fulfilment of conditions precedent.

APPENDIX IV –FURTHER INFORMATION (cont'd)

- c) On 22 January 2008, Supreme Essence Sdn Bhd, a 51% owned subsidiary of Broad Projects Sdn Bhd, which is, in turn, a wholly owned subsidiary of the Company, entered into a conditional Sale Agreement with Perfect Resources (M) Sdn Bhd, for the acquisition of two pieces of 99-year leasehold vacant industrial land known as Lot 2 and Lot 4, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, Selangor, measuring approximately 13.21 acres or 575,471 square feet at a total cash consideration of RM30,773,550. The said conditional Sale Agreement has become unconditional on 25 August 2008 following the approval from the State Authority which was obtained vide their letter dated 21 August 2008 and the approval of the FIC which was obtained vide their letter dated 20 May 2008.
- d) On 19 October 2007, Jasarim Bina Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Rangkaian Cipta Sdn Bhd, for the acquisition of a piece of leasehold land known as No. 76, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan measuring in area 21,050 square meters together with the buildings constructed thereon at a total cash consideration of RM43,034,620. The sale was deemed completed on 20 February 2008 following the settlement of the balance purchase price of RM38,731,158.
- e) On 21 September 2007, Seleksi Megah Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Oji Screens Sdn Bhd, for the acquisition of a piece of 99-year leasehold vacant industrial land measuring approximately 5.12 acres or 223,027 square feet identified as Lot 7, Jalan Teknologi 3/1, Taman Sains Selangor 1, Kota Damansara at a total cash consideration of RM20,518,484. The proposed acquisition is pending fulfilment of conditions precedent.

5. MATERIAL LITIGATIONS

Save as disclosed below, neither Paramount nor Paramount's subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which may have a material effect on the Company's financial position, and the Directors are not aware of any proceedings, pending or threatened against the Paramount Group or of any facts likely to give rise to any proceedings which may materially and adversely affect our financial position or business.

On 7 May 2002, Berkely Sdn Bhd ("BSB"), a wholly-owned subsidiary of the Company, had appealed against the decision of High Court dismissing BSB's claim against Consolidated Plantations Berhad ("CPB"), inter alia, RM34,152,136 arising from CPB's breach of a contract dated 5 September 1973 with respect to the purchase from CPB of 88 acres of land held under Lot 11811 (lot 3903) Grant 23893, Mukim of Bukit Raja, Klang, Selangor Darul Ehsan. The appeal is still pending and the solicitors of BSB are of the opinion that BSB stands a fair chance of succeeding in its appeal.

The BSB claim and appeal will not have any adverse material effect on the financial position of the Paramount Group.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours (except public holidays) at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum of Association of Paramount and KDU;
- (ii) the SSA pertaining to the Proposed Acquisition;
- (iii) CIMB's Valuation Report;

APPENDIX IV –FURTHER INFORMATION (cont'd)

- (iv) the audited consolidated financial statements of Paramount for the two (2) financial years ended 31 December 2007 and 31 December 2006 and the unaudited results for the six (6)-month financial period ended 30 June 2008;
- (v) the audited consolidated financial statements of KDU for the two (2) financial years ended 31 December 2007 and 31 December 2006 and the unaudited results for the six (6)-month financial period ended 30 June 2008;
- (vi) letters of consent as referred to in Section 2 above;
- (vii) the material contracts as disclosed in Section 4 above; and
- (viii) the Record of Appeal in relation to the material litigation referred to in Section 5 above.

[The rest of this page has been intentionally left blank]



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Paramount Corporation Berhad ("Paramount" or the "Company") will be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 September 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION OF 353,000 ORDINARY SHARES OF RM1.00 EACH IN KDU COLLEGE SDN BHD ("KDU"), REPRESENTING THE REMAINING 15% EQUITY INTEREST IN KDU NOT ALREADY OWNED BY PARAMOUNT, FROM ROHANA TAN SRI MAHMOOD FOR A TOTAL CASH CONSIDERATION OF RM25,000,000 ("PROPOSED ACQUISITION")

"**THAT** approval be and is hereby given for the Company to acquire 353,000 ordinary shares of RM1.00 each in KDU, representing the remaining 15% equity interest in KDU not already owned by Paramount, from Rohana Tan Sri Mahmood for a total cash consideration of RM25,000,000 in accordance with the terms and conditions of the conditional Share Sale Agreement dated 18 July 2008, entered into between Paramount and Rohana Tan Sri Mahmood, which may be varied and/or supplemented from time to time;

AND THAT the Board of Directors and/or any one of them be and are hereby empowered and authorised to do all acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and/or agreements as may be necessary to give and complete the aforesaid Proposed Acquisition with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required/imposed by the relevant authorities."

By Order of the Board

TAY LEE KONG
Company Secretary

Petaling Jaya
Selangor Darul Ehsan
15 September 2008

Notes:

- 1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.*
- 2. The proxy form must be 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 forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

PARAMOUNT[®]

CORPORATION BERHAD
(8578-A)

PROXY FORM

I/We _____

of _____

being a member/members of Paramount Corporation Berhad, hereby appoint _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Extraordinary General Meeting to be held at Topas Room, Ground Floor, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 30 September 2008 at 10.00 a.m.

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

No.	Resolution	For	Against
Ordinary Resolution	Proposed Acquisition		

Dated this _____ day _____ 2008

No. of ordinary shares held

Signature of Shareholder(s)/Common Seal

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.
2. The proxy form must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below. In the case of joint members, the signature of any one joint member is sufficient.
3. Please indicate with a "✓" or "X" in the appropriate box against the resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here