

# Paramount Corporation Berhad

(8578-A)

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Annual Report 2013

**PARAMOUNT**<sup>®</sup>  
CORPORATION BERHAD  
(8578-A)

# Strength through Synergy



# contents

8	Notice Of Forty-Fourth Annual General Meeting
10	Group Corporate Structure
11	Corporate Profile
14	Corporate Information
15	Other Information
16	Board Of Directors
18	Board Of Directors' Profile
22	Senior Management
24	Letter To Shareholders
32	Five-Year Group Financial Highlights
34	Group CEO's Review of Operations
41	Statement On Corporate Social Responsibility
44	Statement On Corporate Governance
54	Report Of The Audit Committee
57	Statement On Risk Management & Internal Control
59	Analysis Of Shareholdings
61	Schedule Of Properties
62	Statement Of Directors' Responsibility
63	Financial Statements
•	Proxy Form



# Strength through Synergy

In 2013, Paramount spent considerable time evaluating our future direction, and after much deliberation, anchored our business plan on the single-minded focus of Strength through Synergy. We have long-standing businesses in property and education, both anchored by a strong philosophy of nation-building, and we want to explore the many ways we can bring the two closer together.

While in its most obvious form Strength through Synergy is about reaping the benefits of bringing together our two core businesses – property and education – it is also much more than that.

Strength through Synergy means drawing from the strength of each other, and coming out more knowledgeable, better equipped, more enlightened about the issues and challenges that face us every day.

We have large township developments in the Klang Valley and Sungai Petani, a high-end development in Cyberjaya, a university metropolis in Glenmarie and commercial developments in Section 26, Shah Alam – all of which have taken different talents and different partners to develop. We want to learn and grow from that.

We have education businesses in Penang and the Klang Valley offering everything from primary school education, through to graduate and post-graduate programmes. We are, every day, moulding the minds and thoughts of future generations, so surely there is much we too can learn from that.

In short, in the face of increased competition and more challenging operating environments, we want to grow organically. We want to draw from our strengths and resources, and emerge bigger, stronger, more resilient.

# Live



At Paramount, we believe in providing our stakeholders enduring value. From the designs of our homes – always practical and functional – to our talent development approach centred around continuous learning, through to our philosophy of continuously investing and reinvesting in our communities, we are firmly committed to adding value to the lives of the people who share our journey with us.

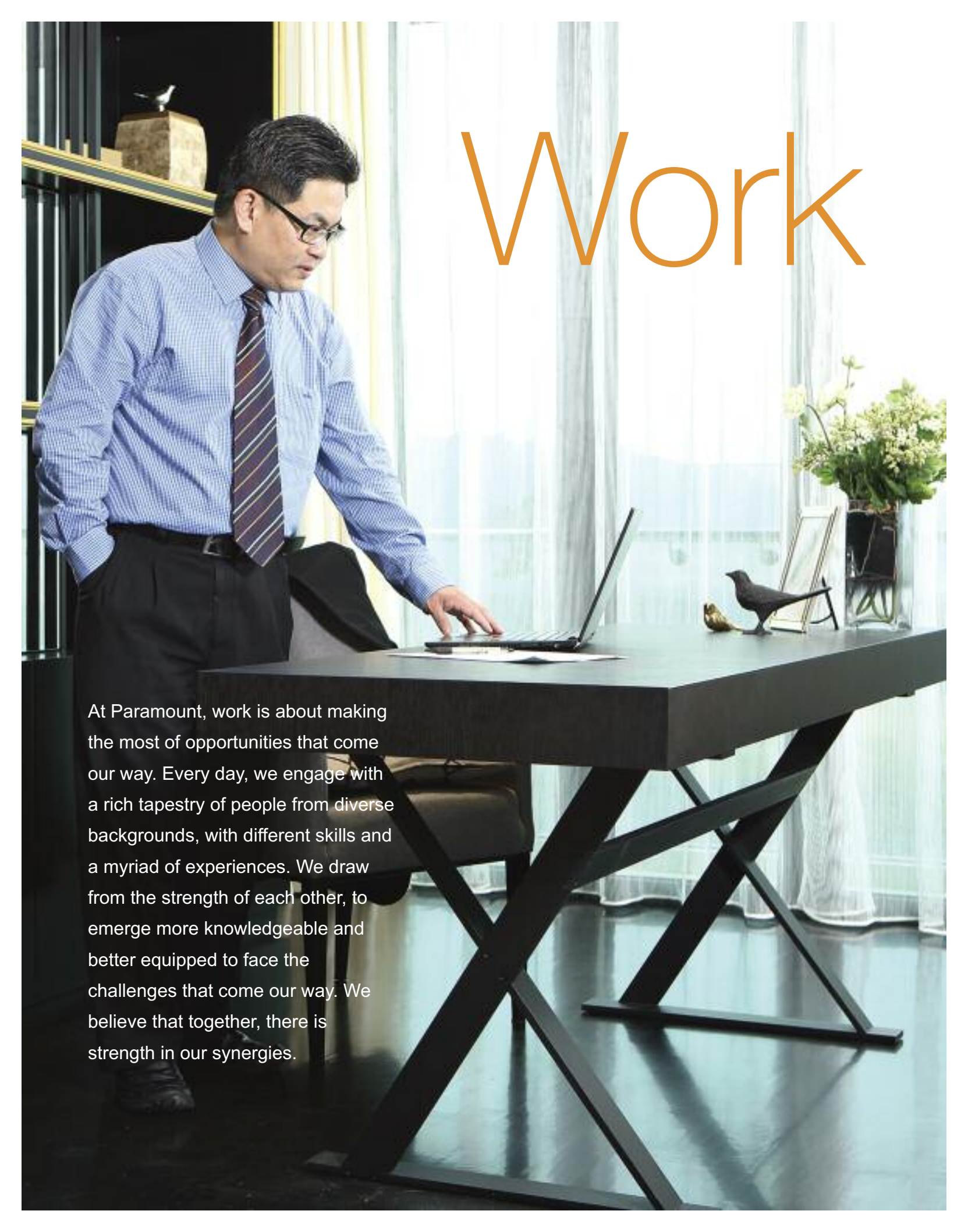
# Learn

Education has always been an important part of our business. For 30 years, we have been providing Malaysians with opportunities to pursue a good-quality, high-value, world-class education, from primary and secondary national and international curriculums, through to tertiary and post-graduate studies, and in the process, creating the quintessential KDU graduate – one who thinks, does and innovates. It is Paramount's way of giving everyone the opportunity to shine, and in the process, contributing to nation building.





# Work

A man in a blue checkered shirt and a striped tie is standing and leaning over a dark, modern desk. He is looking at a laptop on the desk. The desk has a large, black, X-shaped base. On the desk, there is also a small bird figurine, a framed picture, and a vase with white flowers. The background shows a window with sheer curtains and a city view. The floor is highly reflective.

At Paramount, work is about making the most of opportunities that come our way. Every day, we engage with a rich tapestry of people from diverse backgrounds, with different skills and a myriad of experiences. We draw from the strength of each other, to emerge more knowledgeable and better equipped to face the challenges that come our way. We believe that together, there is strength in our synergies.

# Relax

For over 35 years, Paramount has built highly valued, enduring addresses in the Klang Valley and Sungai Petani. In today's harried world, we look for opportunities to create thoughtfully designed live-and-learn, work-and-play environments that allow our communities to work hard, yet find time to enjoy the outdoors, play a while, or simply bask in the company of family and friends. All the while secure in the knowledge that their investments are growing and appreciating every day.





# Give

At the core of everything we do at Paramount is our ethos of respecting people and planet. Through our school, township, customer and talent management teams, we are an integral part of every community we build, supporting, nurturing and growing with them. As we expand our businesses, we are also looking at opportunities to manage our footprint on the environment, incorporating nature-sensitive and green features into our workplaces, schools and developments.



# Inspire

Paramount's success over the years has largely been due to people we work with. We have long-standing relationships with our staff and their families, architects and town planners, interior and landscape designers, engineers and contractors, teachers and lecturers, students and parents, universities and educational institutions, government and regulatory authorities, industry partners and subject-matter experts.

You continue to amaze us with the breadth of your knowledge, and your generosity in sharing it with us. To each and every one of you, thank you for the many different ways in which you inspire everyone at Paramount, every day.





# notice of forty-fourth annual general meeting

**NOTICE IS HEREBY GIVEN THAT** the Forty-Fourth Annual General Meeting of the Company will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 10.00 a.m. for the following purposes:

## **AS ORDINARY BUSINESS**

1. To lay before the meeting the Audited Financial Statements for the year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon. (*Please see Explanatory Note A*)

2. To approve the declaration of a single-tier final dividend of 5.5 sen per share in respect of the year ended 31 December 2013. **Resolution 1**

3. To approve the payment of Directors' fees of RM565,200.00 for the year ended 31 December 2013. **Resolution 2**

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

(a) Dato' Rohana Tan Sri Mahmood **Resolution 3**

(b) Mr Quah Chek Tin **Resolution 4**

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

(a) "That Dato' Md Taib bin Abdul Hamid, a Director who retires in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (*Please see Explanatory Note B*) **Resolution 5**

(b) "That Dato' Haji Azlan bin Hashim, a Director who retires in accordance with Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (*Please see Explanatory Note B*) **Resolution 6**

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

## **AS SPECIAL BUSINESS**

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

### **Authority to Directors to issue shares**

"That, subject to the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percentum (10%) of the issued share capital of the Company for the time being." (*Please see Explanatory Note C*) **Resolution 8**

## **NOTICE OF DIVIDEND ENTITLEMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of the shareholders, a single-tier final dividend of 5.5 sen per share in respect of the year ended 31 December 2013, will be paid on 27 June 2014 to shareholders whose names appear in the Record of Depositors on 13 June 2014.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 13 June 2014 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**TAY LEE KONG**  
**NG WAI PENG**  
Secretaries

Petaling Jaya  
Selangor Darul Ehsan  
16 May 2014

## NOTES

### Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fourth Annual General Meeting (AGM).

### Appointment of Proxy

- 1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
- 2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

### Explanatory Note A

Item 1 on the Agenda is meant for discussion only as pursuant to Section 169(1) of the Companies Act, 1965, the Audited Financial Statements do not require the formal approval of the shareholders. Hence, the matter will not be put forward for voting.

### Explanatory Note B

The Board has conducted an assessment on the independence of all Independent Directors of the Company, including Dato' Md Taib bin Abdul Hamid and Dato' Haji Azlan bin Hashim who have served the Board as Independent Non-Executive Directors for more than nine (9) years, and are seeking re-election at the Forty-Fourth AGM pursuant to Section 129(6) of the Companies Act, 1965. The Board is satisfied that these gentlemen have fulfilled all criteria for re-election to the Board, the detailed explanation of which is disclosed in the Statement on Corporate Governance on page 53 of this annual report.

### Explanatory Note C

#### Special Business

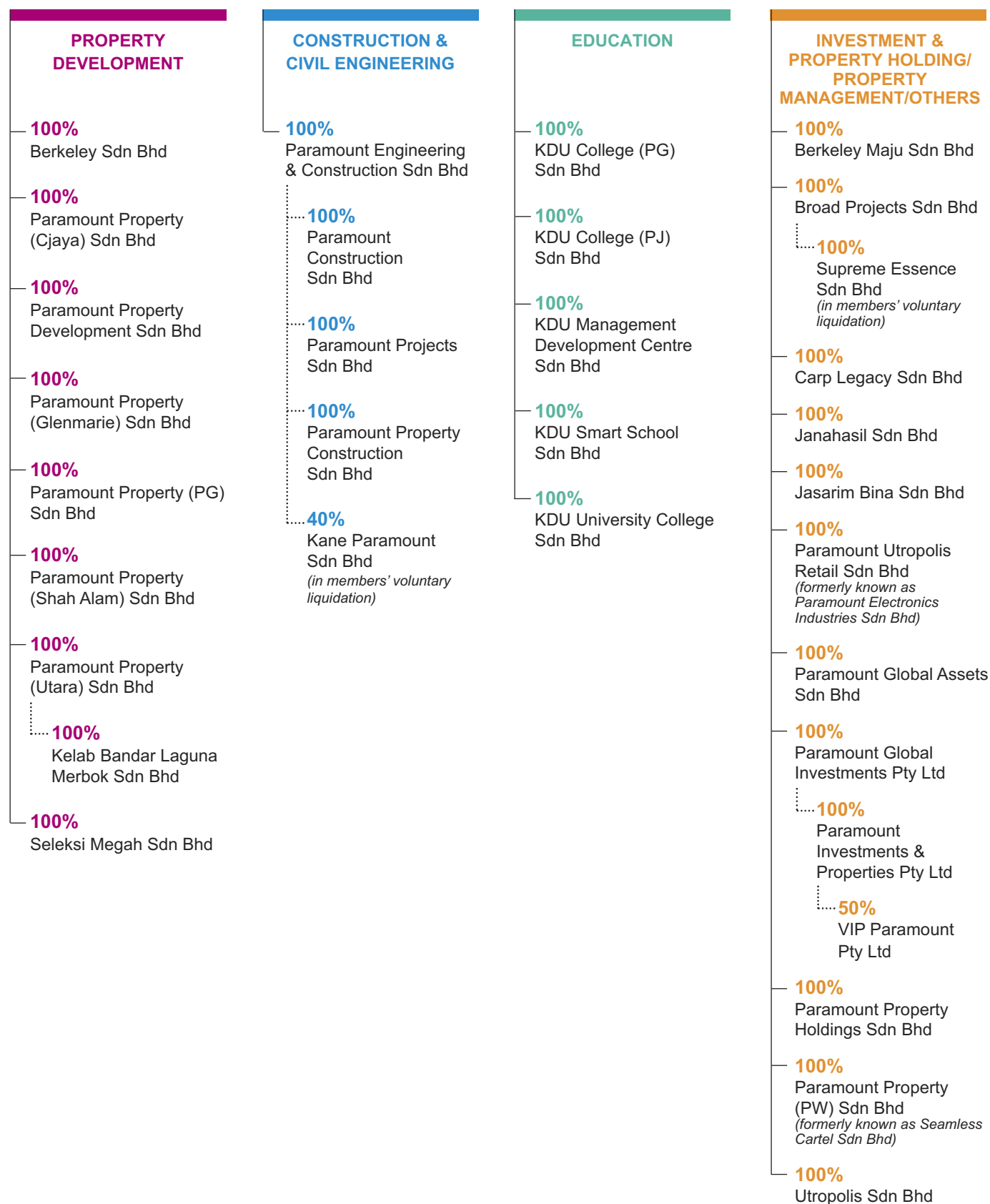
The Ordinary Resolution proposed under item 7, if passed, will renew the powers given to the Directors at the last AGM, authority to issue up to ten percentum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM.

As at the date of this notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Forty-Third AGM held on 10 June 2013, which will lapse at the conclusion of the Forty-Fourth AGM.

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



# group corporate structure



# corporate profile

## Vision

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

## Mission

- To provide superior products and services that exceed our customers' expectations
- To recognise our employees as our single most important asset and encourage them to realise their full potential in a caring and conducive environment
- To enhance shareholder value by growing our businesses

## Core Values

### EXCELLENCE

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

### INTEGRITY AND TRANSPARENCY

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

### GOODWILL

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

### COMMUNITY

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

### ENVIRONMENT

We are committed to protecting the environment



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

The Company successfully obtained listing on the Official List of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) on 15 July 1971.

In 1978, the Company was restructured into a property development company following the acquisition of a real estate company.

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

In 1982, Paramount acquired four property development companies and started its property development activities in Sungai Petani.

1983 marked Paramount's entry into the education business with the setting up of the first purpose-built campus in Malaysia in Damansara Jaya, Kolej Damansara Utama (KDU).

In 1984, Paramount ceased its rice milling operations.

Spurred by the success of the Damansara Jaya campus, Paramount opened another college in Penang in July 1991 to offer tertiary education.

Having established a reputation as a quality and reliable developer in Sungai Petani, Paramount increased its land bank in this Northern Growth Triangle with the acquisition of 476.98 acres of land in November 1994 for the Bandar Laguna Merbok development.

In October 1996, Paramount acquired a construction company, one of the major contractors for the Group's property development to reap synergistic benefits.



In October 2001, Paramount expanded its education business by setting up a private primary and secondary school, which marked the establishment of the Sri KDU® brand.

In line with Paramount's strategy to expand its land bank in high growth areas, Paramount acquired 524.7 acres of freehold development land located in the central corridor of Klang Valley in June 2003 for the Kemuning Utama development.

In December 2006, Paramount added 515 acres of land in Sungai Petani to its land bank for the Bukit Banyan development.

In 2007, Paramount made a strategic decision to venture into commercial and industrial property development, by acquiring 5.2 acres of industrial land located in Petaling Jaya for a proposed commercial development.

This was followed by the acquisition of two parcels of industrial land measuring approximately 13.21 acres in January 2008 for the Surian Industrial Park development, and the acquisition of another two parcels of industrial land measuring approximately 9.45 acres in February 2008, both located in Kota Damansara for the development of semi-detached industrial lots.

In August 2010, KDU was upgraded to a university college.

In June 2010, the Group added another 50 acres of residential land located in Cyberjaya to its land bank for the Sejati Residences development.

In June 2011, Paramount entered into a 50-50 joint venture with an Australian company to acquire and develop a 54.22-acre land known as Crown Allotments 4A and 4B, Leakes Road, Rockbank, Victoria, Australia.

In response to the growing preference for an international school, Sri KDU® expanded its operations to set up an international school in September 2011.

In December 2011, Paramount completed the acquisition of a 29.16-acre commercial land located in the centre of

Klang Town for the proposed development of an integrated commercial hub.

In February 2012, Paramount completed the acquisition of 21.7 acres of freehold land in Glenmarie, Shah Alam, and launched the live-and-learn, work-and-play master plan of Paramount Utropolis the following year. Anchored by the 10-acre flagship KDU University College campus, this integrated development marked the first time Paramount's two businesses of property development and education have come together.

In 2013, the Group added another 30 acres of industrial land in Shah Alam, to be launched as Sekitar26. The business component, Sekitar26 Business, was launched in the same year, featuring a boutique concept facade with excellent opportunities for signature businesses.

Paramount's property development arm in Sungai Petani has earned an excellent reputation as a reliable and quality-focused developer, garnering the prestigious 12th FIABCI Property Award of Distinction 2004, RESIDENTIAL DEVELOPMENT CATEGORY for Bandar Laguna Merbok. Paramount achieved another major milestone when Sekolah Sri KDU® won the FIABCI-MALAYSIA, MALAYSIA PROPERTY AWARDS 2005 in the Specialised Project category for its

first purpose-built private smart primary and secondary schools. Sekolah Sri KDU® was also named the first runner-up in the Specialised Category of FIABCI International Prix d'Excellence 2006.

Leveraging on its proven track record, Paramount will continue to grow its land bank in high growth areas in the Klang Valley, Penang and Johor.

Having a full spectrum of education programmes, Paramount will continue to strengthen its position in the education sector. The division is proud to have had 80,000 students since its inception, some of whom include corporate leaders, entrepreneurs and celebrities around the globe.

With a strict adherence to excellence and a firm commitment to future growth, Paramount will continue to expand its core businesses in order to provide good returns on investment for shareholders and enhance revenue from business operations. Backed by its sound fundamentals of quality management, strong corporate values, business dynamism and strong financial standing, Paramount has a key competitive advantage as it embarks on an exciting journey of adding value to nation-building while creating value for its customers, shareholders, business partners and employees.



# corporate information

## BOARD OF DIRECTORS

### Chairman

Dato' Md Taib bin Abdul Hamid\*  
*DSDK*

### Executive Deputy Chairman

Dato' Teo Chiang Quan  
*DPTJ*

### Senior Independent Non-Executive Director

Datuk Seri Michael Yam Kong Choy\*  
*SMW, DSNS*

Mobile : 012-6398578  
Email : myam@pcb.my

### Members

Dato' Haji Azlan bin Hashim\*  
*DSNS, DSSA*

Ong Keng Siew

Dato' Rohana Tan Sri Mahmood\*  
*DPMP*

Quah Chek Tin\*

*\* Independent Non-Executive Directors*

## SECRETARIES

Tay Lee Kong (*MAICSA 772833*)  
Ng Wai Peng (*MAICSA 7014112*)

## REGISTERED OFFICE

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

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

## REGISTRAR

### Tricor Investor Services Sdn Bhd

Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Telephone : 03-2264 3883  
Facsimile : 03-2282 1886  
Email : is.enquiry@my.tricorglobal.com  
Website : www.tricorglobal.com

## AUDITORS

Ernst & Young, Chartered Accountants

## PRINCIPAL BANKERS

AmBank (M) Berhad  
Bank Islam Malaysia Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad



# other information

required by the listing requirements of Bursa Malaysia  
Securities Berhad

## 1. NON-AUDIT FEES

The amount of non-audit fee paid to the external auditors by the Group and Company for the financial year is reflected in Note 8, page 99 of the financial statements.


## 2. MATERIAL CONTRACTS

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

## 3. EMPLOYEE SHARE SCHEME

The Long Term Incentive Plan (**LTIP**), which involves the allotment and issuance of new ordinary shares of RM0.50 each in the Company to eligible employees and executive directors of the Paramount Group provided that the total number of shares so allotted do not at any time exceed ten percentum (10%) of the issued and paid-up share capital of the Company (**LTIP Shares**), was implemented on 17 September 2014.

The LTIP, which was approved by the Company's shareholders at the Extraordinary General Meeting held on 17 April 2014, allows the Company to award the LTIP Shares, without any cash consideration, to employees and executive directors who have attained the identified performance objectives of the Group. It serves to attract, retain, motivate and reward valuable employees of the Group for succession planning purpose. However, no LTIP Shares have been awarded since the date of implementation of the plan. In accordance with the By-Laws for the LTIP, the plan shall be in force for a period of seven years commencing from its date of implementation, and may be extended by the Board at its discretion, without having to obtain the approval of the Company's shareholders, for another three years provided that the total period do not exceed ten years from the date of implementation.



From left to right:

Dato' Rohana Tan Sri Mahmood  
Dato' Haji Azlan bin Hashim  
Quah Chek Tin  
Ong Keng Siew  
Dato' Teo Chiang Quan  
Datuk Seri Michael Yam Kong Choy  
Dato' Md Taib bin Abdul Hamid

# BOARD OF DIRECTORS







# board of directors' profile



## DATO' MD TAIB BIN ABDUL HAMID

**Chairman**  
**Independent Non-Executive Director**

B.A. (Hons) Economics

Dato' Taib, a Malaysian, aged 75, joined the Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount**) on 14 November 1994 and was appointed as the Chairman of the Board on 20 July 2001. He also serves as a member of the Audit, Nominating, Remuneration and Board Risk Management Committees.

Dato' Taib, who has had a long and distinguished career spanning both the private and public sectors, brings to the Paramount Group (**the Group**) a wealth of invaluable experience and has contributed significantly to the growth of the Group. He began his career with Bank Negara Malaysia, serving from 1960 to 1975 and has held the position of Executive Director of a commercial bank and, was also actively involved with several financial institutions including as the Chairman of a commercial bank.

Dato' Taib has attended all 4 Board meetings held in the year.

## DATO' TEO CHIANG QUAN

**Executive Deputy Chairman and  
Group Chief Executive Officer**

Hon Doc Middlesex University,  
United Kingdom

Dato' Teo, a Malaysian, aged 65, joined the Board of Paramount on 19 January 1977. He is also a member of the Remuneration Committee.

Dato' Teo has been playing an active role in the management of the Paramount Group since he first served as the Chief Executive of the Group's insurance division in 1981. In 1989, he was promoted to the position of Group Managing Director & Group Chief Executive Officer (CEO) of Paramount, a position he held until 1 December 2008, when he was appointed as the

Company's Executive Deputy Chairman. He re-assumed the role of Group CEO on 15 April 2013 to fill a vacancy in the position.

Dato' Teo has been instrumental in shaping Paramount into a reputable and financially sound diversified Group, and continues to be the driving force behind the Group's synergistic growth in the two core businesses of property development and provision of educational services.

Other than Paramount, Dato' Teo's directorship in public companies includes ECS ICT Berhad.

Dato' Teo is a substantial shareholder of Paramount. The particulars of his interest in Paramount are disclosed in the Analysis of Shareholdings on pages 59 to 60 of this annual report.

Dato' Teo has attended 3 out of the 4 Board meetings held in the year.



## ONG KENG SIEW

**Non-Independent Non-Executive  
Director**

C.A. (M) Fellow Chartered Certified  
Accountant

Ong, a Malaysian, aged 57, joined the Board of Paramount on 14 November 1994. He is also a member of the Audit Committee.

Ong has served the Group in various positions for more than 30 years before retiring in 2012. Ong began his career with the Group as an Accountant in 1981 and was promoted to the position of Finance and Administration Manager in 1984. He was subsequently appointed as General Manager to oversee the operations of the property development and construction divisions in 1989.

Ong assumed the post of Deputy Group Managing Director & Deputy Group CEO in 1997 before succeeding Dato' Teo as the Managing Director & CEO of Paramount on 1 December 2008.

On 18 June 2012, after serving the Group with distinction for more than 30 years and ensuring that it was on a stronger footing, Ong retired as the Managing Director & CEO of Paramount.

Ong has attended all 4 Board meetings held in the year.



## DATO' HAJI AZLAN BIN HASHIM

### Independent Non-Executive Director

Fellow of the Institute of Chartered Accountants, Ireland

Fellow of the Economic Development Institute (World Bank, Washington)

Fellow of the Institute of Bankers Malaysia

Dato' Azlan, a Malaysian, aged 72, joined the Board of Paramount on 7 May 1982. Dato' Azlan served the Malayan Railways from 1966 to 1971 and prior to his departure, held the position of Chief Accountant for a period of two years. In

1972, he became a partner of a public accounting firm, Azman, Wong, Salleh & Co. and was an active partner in the firm for twelve years before joining Arab-Malaysian Development Bhd where he held the post of Managing Director from 1985 to September 1991. Dato' Azlan had also served as the President of the Federation of Public Listed Companies from 1994 to 1998 and is currently the Deputy Chairman of AMMB Holdings Berhad.

Other than Paramount, Dato' Azlan's directorships in public companies include AMMB Holdings Berhad, Metrod Holdings Berhad and Sapura Industrial Berhad.

Dato' Azlan has attended 3 out of the 4 Board meetings held in the year.



## DATO' ROHANA TAN SRI MAHMOOD

### Independent Non-Executive Director

B.A. (Hons) Politics, University of Sussex, United Kingdom

Masters in International Relations, University of Sussex, United Kingdom

Dato' Rohana, a Malaysian, aged 59, joined the Board of Paramount on 28 July 1997, and was redesignated as an Independent Non-Executive Director in 2008. She is also the Chairman of the Board Risk Management Committee.

Dato' Rohana is the Chairman and Founder of RM Capital Partners Sdn Bhd, a Malaysian private equity fund which is a spin off from the successful Ethos Capital, a Malaysian private equity fund established in 2007, where she was also the Chairman and Co-Founder. The fund successfully ended in November 2012. She is also the President Emeritus and founding Member of the Kuala Lumpur

Business Club, an exclusive (by invitation only) networking, and business development organisation limited to 100 members of Malaysia's leading corporate and business leaders.

Dato' Rohana is also involved in several distinguished international bodies, serving as a member of the Global Council of Asia Society, New York, a member of the Advisory Board of ACE Limited International, New York, a board member of Pacific Basin Economic Council, Hong Kong, an alternate member of the APEC Business Advisory Council and as a board member of the Institute of Strategic and International Studies Malaysia. Dato' Rohana was also attached to the Ministry of Foreign Affairs Malaysia.

Other than Paramount, Dato' Rohana's directorships in public companies include AMMB Holdings Berhad and AmlInvestment Bank Berhad.

Dato' Rohana has attended all 4 Board meetings held in the year.



## QUAH CHEK TIN

### Independent Non-Executive Director

B. Sc. (Hons) Economics, the London School of Economics & Political Science

Fellow of the Institute of Chartered Accountants in England and Wales

Member of the Malaysian Institute of Accountants

Quah, a Malaysian, aged 62, joined the Board of Paramount on 6 February 2007. He is also the Chairman of the Audit and Remuneration Committees and is a member of the Nominating Committee and Board Risk Management Committee.

Quah began his career with Coopers & Lybrand, London before returning to Malaysia. He joined the Genting Group in 1979 and prior to his retirement in 2006, was the Executive Director of Genting Berhad as well as Executive Director and Chief Operating Officer of Genting Malaysia Berhad.

Other than Paramount, Quah's directorships in public companies include Genting Malaysia Berhad, Genting Plantations Berhad, Batu Kawan Berhad and ECS ICT Berhad.

Quah has attended all 4 Board meetings held in the year.



## DATUK SERI MICHAEL YAM KONG CHOY

### Senior Independent Non-Executive Director

Fellow of the Royal Institution of Chartered Surveyors

Fellow of the Chartered Institute of Building

Datuk Seri Michael Yam, a Malaysian, aged 60, joined the Board of Paramount on 18 February 2010 and was designated as the Senior Independent Non-Executive Director on 27 February 2014. He is also the Chairman of the Nominating Committee and a member of the Board Risk Management Committee.

Datuk Seri Michael Yam had an illustrious career spanning more than 30 years in the construction, real estate and corporate sectors, helming two different award winning public listed property companies as the Managing Director and CEO before his retirement in 2008. He was also voted the "CEO of the Year 2002" for Malaysia by American Express Corporate Services and Business Times.

Trained as a building engineer in the United Kingdom with various companies and the British Civil Service after his graduation in Building and Management Studies from the University of Westminster, London, Datuk Seri Michael

Yam, upon his return to Malaysia, served in several large companies, such as Landmarks Berhad, Peremba Malaysia, Country Heights Holdings Berhad and Sunrise Berhad.

He is also involved in various government and non-government organisations, serving as the President of the Real Estate and Housing Developers' Association, the Chairman of InvestKL Corporation, a member of the Advisory Board to the Mayor and City of Kuala Lumpur, a member of the NKEA Steering Committee for the transformation of Greater Kuala Lumpur and Klang Valley and as a director of Malaysia Property Incorporated. He is also elected to the board of trustees of Standard Chartered Foundation and the board of directors of the British Malaysian Chamber of Commerce.

Other than Paramount, Datuk Seri Michael Yam's directorships in public companies include Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad, Malaysia Airports Holdings Berhad, Sunway Berhad and CLAB Berhad.

Datuk Seri Michael Yam has attended all 4 Board meetings held in the year.

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

*None of the Directors have been charged for any offence.*

# senior management

*From left to right:*

**Dato' Liew Yin Chew**  
Chief Executive Officer,  
Property Division

**Datin Teh Geok Lian**  
Chief Executive Officer,  
Education Division

**Dato' Teo Chiang Quan**  
Executive Deputy Chairman/  
Group Chief  
Executive Officer



*From left to right:*

**Oh Keng Kooi**  
Audit Director

**Tay Lee Kong**  
Group Chief Operating Officer

**Foong Poh Seng**  
Chief Financial Officer



*From left to right:*

**Professor Khong Yoon Loong**

Vice Chancellor,  
KDU University College

**Chuan Yeong Ming**

Chief Executive Officer,  
Construction

**Dr Chong Beng Keok**

Chief Executive Officer,  
KDU College (Penang)

**Ooi Hun Peng**

Chief Executive Officer,  
Paramount Property Utara



*From left to right:*

**Chong Sook Leng**

Group Human Resource Director

**Eugene Yeoh Oon Hock**

Group IT Manager

**Cheng Ai Ngoh**

Investment Director

**Ng Wai Peng**

Company Secretary





# letter to shareholders

*Dear members of the  
Paramount community,*

The performance of Paramount Corporation Berhad and its group of companies in 2013 was rewarding, despite the challenges of the year.

We saw our property development business move into a new phase of growth, with our successful entry into both the high-end residential sector of the business, as well as the launch of our first integrated development. It was a turning point for us, from being historically a township developer into an integrated developer, with a full repertoire of residential and commercial projects.

Our education businesses had mixed results. Our Sri KDU Schools, both primary and secondary, continued to do very well, as did KDU College in Penang. On the KDU University College front, competition intensified, and coupled with higher operating costs, earnings were pressured.

We marked a historical milestone in our evolution as a company when we launched Paramount Utropolis in Glenmarie, Selangor in January 2013. The launch marked the first time we successfully brought our property development and education businesses together, and paved the way for a new business strategy for the company, that of *Strength through Synergy*. This strategy will underpin our business efforts in coming years.

On this positive note, we are pleased to present to you the Annual Report and Audited Financial Statements for Paramount Corporation Berhad (Paramount or the Company) for the financial year ending 31 December 2013.



## 2013 FINANCIAL HIGHLIGHTS

Group revenue for Paramount Corporation Berhad and its subsidiary companies (**the Group**) increased 14%, from RM450.0 million in 2012 to RM512.1 million in 2013. This was attributed to higher contributions from both the property and education divisions for the financial year ended 31 December 2013.

Profit before tax (**PBT**) held steady, declining marginally by 1% to RM75.1 million (2012: RM76.2 million), arising from lower contributions from both the property and education divisions. Net profit and earnings per share declined by 5% to RM53.5 million and 15.84 sen respectively (2012: RM56.4 million and 16.71 sen). Return on equity was lower at 7.6% as at 31 December 2013 (2012: 8.4%).

Shareholders' funds increased to RM727.1 million as at 31 December 2013 (2012: RM699.9 million) while net assets per share increased to RM2.15 (2012: RM2.07).

Net debt equity ratio increased to 0.44 times due to additional borrowings procured to finance the purchase of land and the construction of the new KDU University College campus in Glenmarie, Selangor (2012: 0.36 times).

## OPERATING DIVISIONS

### Property Division

The property division, comprising property development and construction, continued to be the main source of revenue and earnings for the Group, contributing 75% and 68%, respectively to the Group's total turnover and PBT for 2013. Revenue for the division was RM385.8 million (2012: RM338.0 million) and PBT was RM50.8 million (2012: RM55.1 million).

Revenue from property development increased by 6% to RM218.5 million in 2013 (2012: RM207.1 million) due to contribution from new developments in the Central region, namely, Sejati Residences in Cyberjaya, Paramount Utropolis in Glenmarie and Sekitar26 in Shah Alam, as well as higher progressive billings from the Bukit Banyan development in Sungai Petani.

As a result of lower progressive billings from new start-ups, the property development division registered a decline in PBT by 16% to RM45.6 million (2012: RM54.6 million). Additionally, the lower margins from a high composition in sales of low margin products from Kemuning Utama also attributed to the decline in PBT.

Revenue for the construction sector increased substantially by 42% to RM313.5 million in 2013 (2012: RM221.1 million), due to higher progressive billings



from two new in-house development projects and external projects, which are near completion. PBT, likewise, registered an increase of 920% to RM5.1 million (2012: RM0.5 million).

As reflected in our numbers, our strong pipeline of new property development projects met with positive response from the marketplace. Our high-end properties in Sejati Residences, Cyberjaya registered consistent sales, with the superlinks and semi-detached units there doing very well.

The launch of Paramount Utropolis in Glenmarie, Shah Alam, a 21.7-acre freehold live-and-learn, work-and-play integrated township, anchored by a 10-acre purpose-built KDU University College campus was very warmly received by the buying public, who quickly snapped up the affordably-priced lifestyle suites there.

The success of Paramount Utropolis demonstrated the opportunities that open up from bringing our two businesses together, and will become a model for future developments, when such prospects present themselves.

Moving forward, we will continue to look for synergies between our property and education businesses in the Klang Valley and the northern region. In doing so, we will take our successful concepts, like Paramount Utropolis, across both

markets, explore opportunities to cross-sell to our buyers in both geographic areas and across our two business divisions.

### **Education Division**

2013 was a year of mixed performances for Paramount's education division, which comprise the primary and secondary school sectors, tertiary education and post-graduate executive education.

Whilst the primary and secondary school sectors, operating under the Sri KDU brand, registered a highly successful year, KDU University College in Petaling Jaya, having to operate in an intensely competitive environment, continued to suffer due to a mismatch in student enrolment and operating costs. KDU College in Penang on the other hand registered an improved performance.

Revenue for the education division grew by 13% in 2013 to RM124.7 million (2012: RM110.5 million). PBT declined marginally by 2% to RM27.8 million (2012: RM28.3 million) due to higher loss before tax suffered by KDU University College. This was however mitigated by the primary and secondary school sector's stellar performance, which recorded its eighth consecutive year of strong enrolment, revenue and profitability growth.

Moving forward, we have a very successful brand in Sri KDU Schools and are actively seeking opportunities to expand our footprint, either through land acquisition or joint ventures with developers.

KDU College Penang is actively cementing its reputation as one of the top colleges in the northern region, whilst working to elevate its status to that of a university college.

KDU University College is putting the final touches to make its move to its new flagship campus at Paramount Utropolis in Glenmarie, Shah Alam, ahead of commencing business in 2015.

As a whole, the KDU Education Group, which celebrated its 30th anniversary last year, is progressing well in its efforts to cement its reputation as an integrated, full-spectrum education services provider, whilst diversifying its product offerings to better meet market needs.

### **DIVIDENDS**

Taking into consideration the performance of the Group and after having reviewed our operating cash flow and business plans for growth, the Board is recommending a single-tier final dividend of 5.5 sen per share to be approved by shareholders at our

forthcoming Annual General Meeting scheduled to be held on 9 June 2014. If approved, the dividend will be paid on 27 June 2014.

Coupled with the dividend of 2.5 sen per share paid out on 26 September 2013, this takes the total dividend attributable for the financial year under review to 8 sen per share which is comparable with that of the previous year (2012: 8 sen per share, single-tier), equivalent to a payout ratio of 51% of profits after tax surpassing our target payout of 40% of earnings in dividend.



## PROSPECTS

The property sector is being challenged on many fronts, which we expect will impact overall market performance over the short-term.

The recent Budget 2014 announcement to abolish rebates and developer interest-bearing schemes (**DIBS**), as well as the increase in real property gains tax (**RPGT**) has cooled down the property market. Banning DIBS has put the pressure of high acquisition cost on genuine buyers including first time buyers. Property investors particularly are playing the waiting game, while the banking sector has tightened the lines of credit, offering lower margins of housing loans to safeguard the banking institution. Similarly, the increase in foreign ownership threshold from RM500,000 to RM1 million across the board may be detrimental to the promotion of property acquisition by foreigners.

In the near term, we expect these various measures taken by the Government to discourage excessive speculative buying in order to stem property prices from spiraling to have a dampening effect on the property market. However, these corrective measures will ensure a more stable and sustainable property market in the mid to long term.

Operationally, the increase in prices of materials critical to the property development and construction industries – fuel, toll, cement, steel and other raw materials, labour and utilities – is expected to have immediate impact on the business, cutting as it does through all aspects, from the management of project sites through to cost of building.

The rising cost of living, especially in core necessities like fuel, energy, food products and transportation, are

With strong carried forward lock-in sales boosted by the coming onstream of new developments in 2012 and 2013, the property development division is confident of weathering the uncertainties associated with the market environment.

increasingly dampening the spending power of a large percentage of low and medium income earners in their everyday life. Home affordability is becoming a big challenge to this group of people, struggling as they are to make ends meet, and facing more stringent loan requirements from the banking sector.

These challenges, coming as they do from various fronts, are expected to affect our performance. With strong carried forward lock-in sales boosted by the coming onstream of new developments in 2012 and 2013 – namely Bukit Banyan, Sejati Residences, Paramount Utropolis and Sekitar26 Business – the property development division is confident of weathering the uncertainties associated with the market environment. We will need to plan our way forward carefully to navigate these challenges, whilst continuing to build on our successes of recent years.

The property division will also continue to source for strategically located development land while exploring joint venture opportunities to enhance its performance and provide sustainable growth in an increasingly competitive landscape.

In line with this, on 25 March 2014, Paramount inked a deal with Penang Development Corporation to purchase 30 acres of freehold land in Batu Kawan, Penang for a cash consideration of RM67,007,594.40. The land, located 5 minutes from the Second Penang Bridge

comprises 10 acres of institutional land and 20 acres of land for integrated development. With this land acquisition, Paramount is set to build Penang's first university metropolis in the Northern region, to be anchored by a new purpose-built campus for KDU Penang. With funds in our war chest from last year's capital raising efforts, we will be looking for more opportunities such as this in the future.

The construction segment, after completing the balance of two external projects in 2014, will switch its focus to internal projects. With increased activities in the new developments, the construction segment is expected to record higher progressive billings in 2014.

Prices and the index of new properties remain steady for the moment, and while we are seeing fewer market launches, many developers are stepping up their branding and marketing efforts. We will be working hard to reinforce Paramount's

reputation for quality and value to hold our own in the marketplace, starting with efforts to carve a more distinct and recognisable Paramount Property brand.

We are actively embracing change and innovation, seeking opportunities to work with new architects and designers, to bring exciting new concepts to market. We are also becoming more attuned to our footprint on our planet, exploring ways we can introduce more green features into our developments.

We have a rich and respected brand, and are very much seen as the people's developer. The coming years will see more and more focus on our efforts to bring to life our Paramount Property promise of being "old hands, young hearts™".

On the education side, accelerated openings of new private and international schools in the Klang Valley in the last year, coupled with anticipated openings of new schools over the next 2 years will likely lead to over-capacity in the near future.







Under the Economic Transformation Programmes, the targeted number of international schools in Malaysia by 2020 is 85. However, to-date, there are 100 international schools either already in operation or with approvals granted. Many have seen the opportunities this sector provides, and have rushed to enter the market.

While competition is intensifying, we are confident that Sri KDU, with its excellent product offering and strong reputation for quality, will be able to weather the challenges. We must however, do more to make the successes of Sri KDU more widely known, paving the way for us to enter more market centres.

On the tertiary education side, we are working on several initiatives to clearly define our value proposition and differentiating factors to remain competitive.

In line with its planned elevation to University College status, KDU Penang is in the process of developing many more new and industry-driven programmes. The focus in 2014 is to provide students with more options and opportunities to either pursue a degree locally or transfer to universities abroad after completing one to two year(s) of diploma/degree studies locally. This will open up more flexible study pathways to a large percentage of students.

KDU Penang is also working towards the building of its new campus at Batu Kawan, Penang, which will see it anchor Penang's first university metropolis. The move is set to transform KDU Penang into a vibrant and sustainable green campus for studying, recreation and self-development.

In the Klang Valley, KDU University College continues to operate in an extremely competitive market. However, the upcoming move to its new purpose-built campus at Paramount Utopolis will offer new opportunities to reposition itself in the eyes of today's students and their parents, and we are working hard to make the most of this.

Overall, the KDU Education Group will continue to build on what has become the ethos of KDU and the cornerstones to its evolution – to provide good quality, high value education, to inspire the spirit of nation building and to be community-minded.

Barring any unforeseen circumstances, the Group expects to continue to do well in 2014.

#### **Paramount People**

In July 2013, Paramount Property was accorded one of the *Best Companies to Work for in Asia 2013 Award* by HR Asia, Asia's most authoritative publication for HR professionals. The award was a clear recognition that our efforts to improve employee engagement, to create a nurturing and inspiring workplace, and most of all to offer our employees a clear and rewarding career in the Paramount Group of Companies had not gone unnoticed.

Our human capital strategy in 2013 continued to build on our past successes. We focused on implementing a high performance culture, developing a pipeline of talent for succession, building organisation capability and enhancing our employer brand.

We are in the process of completing the recruitment process of a new CEO to helm the Group, and are also hiring more senior level management in both divisions to spearhead our growth and expansion plans for both divisions.

#### **ACKNOWLEDGEMENTS**

The success of both our businesses – property and education – is testament to the wealth of our human resource talent, and their ability to grow and mature with the market. To each and every member of the Paramount family, we extend our thanks and gratitude for your commitment to our business and brand.

To our stakeholders and loyalists, buyers and partners, shareholders and investors – the extended friends and family of Paramount, thank you for your loyalty and belief in us.

To our fellow members of the Board of Directors, thank you for your strength and guidance, your wisdom and insights throughout this year.

We look forward to your ongoing trust and support to ensure our sustainable growth in the coming years.

The coming years will see more and more focus on our efforts to bring to life our Paramount Property promise of being “old hands, young hearts™”.

#### **DATO' MD TAIB BIN ABDUL HAMID**

Independent Non-Executive Chairman

#### **DATO' TEO CHIANG QUAN**

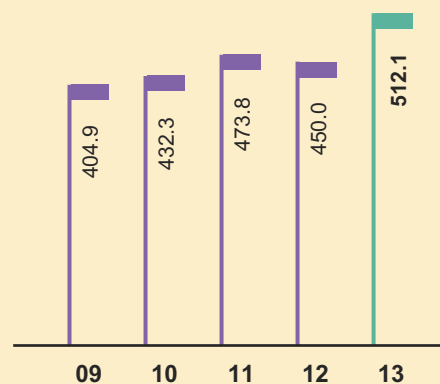
Executive Deputy Chairman

# five-year group financial highlights

	Year 31 Dec 2013	Year 31 Dec 2012	Year 31 Dec 2011	Year 31 Dec 2010	Year 31 Dec 2009
Revenue	<b>512,073</b>	450,048	473,844	432,251	404,909
Profit before tax	<b>75,096</b>	76,247	110,350	177,116	79,332
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	<b>87,727</b>	90,690	122,977	188,348	90,940
Profit net of tax	<b>53,503</b>	56,454	71,757	148,200	57,528
Total assets	<b>1,302,329</b>	1,192,270	1,030,411	963,708	840,036
Total liabilities	<b>575,231</b>	492,333	358,423	328,568	315,550
Total borrowings	<b>317,746</b>	252,695	135,998	55,679	87,364
Shareholders' equity	<b>727,098</b>	699,937	671,988	635,140	524,486

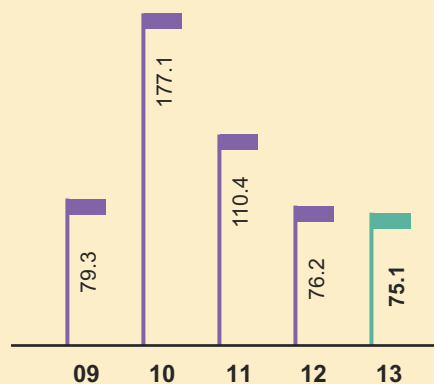
## REVENUE

(RM'Million)



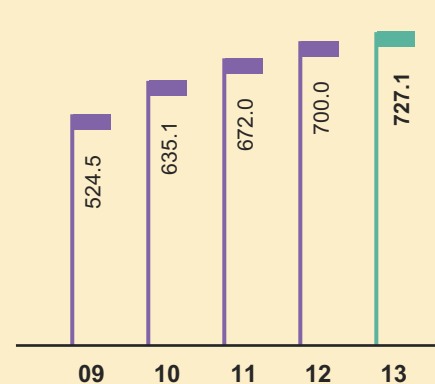
## PROFIT BEFORE TAX

(RM'Million)



## SHAREHOLDERS' EQUITY

(RM'Million)



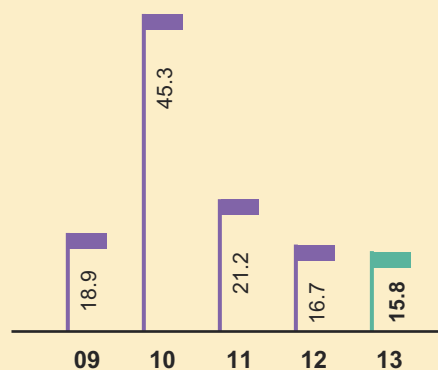


	Year 31 Dec 2013	Year 31 Dec 2012	Year 31 Dec 2011	Year 31 Dec 2010	Year 31 Dec 2009
<b>FINANCIAL INDICATORS</b>					
Interest cover (times)	<b>70</b>	27	36	58	34
Earnings per share (sen)	<b>15.84</b>	16.71	21.24	45.30 *	18.91 *
Net assets per share (RM)	<b>2.15</b>	2.07	1.99	1.88 *	1.70 *
Gross dividend per share (sen)	<b>8.0</b>	8.0	10.0	75.0	28.0
Return on equity (%)	<b>8</b>	8	11	28	12
Return on total assets (%)	<b>4</b>	5	7	15	7
Gross gearing ratio (%)	<b>44</b>	36	20	9	17

\* The comparative figures have been restated to reflect the adjustment arising from the bonus issue and share split completed during the financial year 2011.

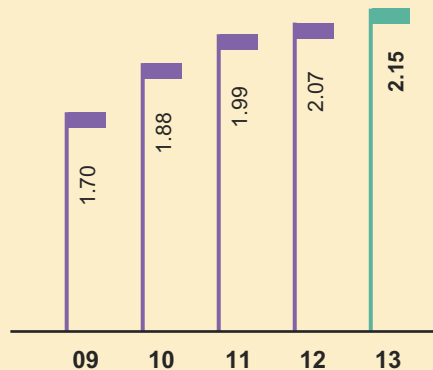
#### EARNINGS PER SHARE

(Sen)



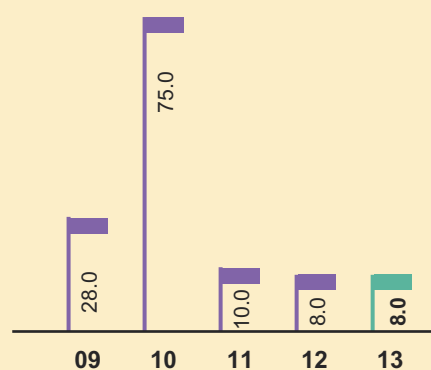
#### NET ASSETS PER SHARE

(RM)



#### GROSS DIVIDEND PER SHARE

(Sen)



# group CEO's review of operations

Both the property and education industry sectors have been going through some challenging times these past years, and 2013 was no different.

These challenges have inspired the Paramount Corporation Berhad team, together with the teams from Paramount Property and the KDU Education Group, to embrace change and become more innovative, resulting in the Group being able to emerge relatively stable.

## PROPERTY DEVELOPMENT DIVISION

2013 was a busy and productive year for the property development division, with the successful launch of three new developments in the Klang Valley, as well as on-going marketing for two developments in Sungai Petani.

Overall, total sales value registered for the year increased by 142% to RM451 million on the back of 687 units sold, while revenue increased by 6% to RM218.5 million (2012: RM207.1 million). PBT declined by 16% to RM45.6 million in 2013 (2012: RM54.6 million).

### New Projects

- In January 2013, Paramount launched the masterplan for the 21-acre **Paramount Utropolis**, unveiling a unique university township, anchored by the new flagship KDU University College campus. This marked the first time Paramount had brought its two businesses of property development and education into one location. The masterplan launch generated significant interest, paving the way for the successful launch of Paramount Utropolis serviced apartments in May 2013.

414 units of serviced apartments were launched for sale, and were immediately snapped up by buyers, resulting in 100% of units sold. The success of this launch spurred Paramount to soft launch the next phase of 241 units of lifestyle suites in December 2013.

As a result, Paramount Utropolis recorded revenue of RM27.9 million in 2013, with a PBT of RM1.5 million in its first year of development.

- In February 2013, Paramount Property rolled out Phase 1 of **Sejati Residences**, its first high-end residential project in Cyberjaya.

Set on 50 acres of freehold land, Sejati Residences is about spacious, expansive living, built around the theme “invite the outdoors in”. This low-density development, with only 249 green-themed homes, features a beautifully designed, naturally ventilated clubhouse – made from recycled 200-year-old chengal wood salvaged from an old property – as well as a linear park which is being planted with 1,200 trees. A Garden of 5 Senses, an 8-km jogging and cycling track and eco-sensitive features complete the development.

Due to the uniqueness of the development, Phase 1, comprising 26 units of 3-storey super-link houses, 28 units of 3-storey semi-detached houses and 24 units of 3-storey bungalows, was well received.

In 2013, 17 units of semi-detached homes, and 23 units of super-links were sold, recording revenue of RM38.1 million and a PBT of RM6.6 million in Sejati Residences' first year of development.

- In October 2013, Paramount launched **Sekitar26 Business**, part of the larger **Sekitar26**, an integrated development occupying 30 acres of freehold land in well-established Section 26 in Shah Alam. Designed as a 24/7 urban hub, Sekitar26 is set to be a thriving place of business and a vibrant destination for leisure. With an urban DNA that offers a variety of different spaces within a lush urban landscape, it aims to be the beacon for business, people and brands looking for a stylish, yet functional and practical address in Shah Alam.

The 13.2-acre Sekitar26 Business, comprising 38 3-storey semi-detached industrial units and a 3-storey detached industrial unit, is seamlessly integrated with other business and leisure components of the development, making it a convenient and accessible business address for occupants and visitors alike.

The first phase of **Sekitar26 Business** comprising 12 units was soft-launched in November 2013 and garnered an encouraging take up rate of 80% due to its strategic location and excellent accessibility via several major highways.

Sekitar26 Business generated RM2.5 million in revenue in 2013, with a PBT of RM2.1 million, from the sale of 9 semi-detached units.

#### Ongoing Developments

- The two developments in the Northern region comprising **Bukit Banyan**, which was launched in the second half of 2012, and **Bandar Laguna Merbok** recorded a higher combined revenue of RM87.7 million (2012: RM71.1 million) due to higher progressive billings from the Bukit Banyan development, with a combined PBT of RM20.5 million (2012: RM16.0 million).
- In 2013, 25 units from the remaining development in Bandar Laguna Merbok were sold, while Bukit Banyan recorded sales of 187 units giving a total sales value of RM85 million.
- In 2013, **Kemuning Utama** recorded lower revenue of RM61.7 million (2012: RM130.3 million) mainly from progressive billings of on-going developments, there being no new launches in the course of the year and with the township reaching its last stages of development i.e. the fulfilment of low cost housing imposed by the authorities. PBT decreased by 58% to RM14.7 million (2012: RM34.6 million).
- During the year, Paramount Property Development Sdn Bhd, the developer of Kemuning Utama, secured the Selangor State Exco's approval to convert 1,192 units of low cost flats into 650 units of affordable housing.







#### Landbank Acquisitions

- On 8 April 2013, Paramount Property (PG) Sdn Bhd signed a Sale and Purchase agreement to acquire 11 parcels of contiguous freehold lands measuring a total area of approximately 39.15 acres in Mukim 17, Machang Bubuk in the District of Seberang Perai Tengah for a total cash consideration of RM24.78 million, thus marking the Group's first foray into Penang.
- On 25 March 2014, the Group signed a Purchase and Development Agreement to acquire a 30.7-acre plot of freehold land at Batu Kawan, Mukim 13, District of Seberang Perai Selatan, Penang from the Penang Development Corporation for a purchase price of RM67.0 million.

The land will be divided into two parcels; the first, measuring approximately 10.4 acres has been designated for institutional use for the proposed development of a new flagship university college campus for Paramount Group's KDU College Penang while the other parcel,

measuring approximately 20.31 acres will be for a proposed integrated development. This development is envisioned to be a university metropolis, mirroring the Paramount Utropolis development in Selangor.

The development will provide the Group further opportunity to bring together Paramount's two core businesses, thus creating a synergy of strengths that are the cornerstones of the Group's future growth and success.

#### CONSTRUCTION DIVISION

- Revenue for Paramount's construction division increased substantially by 42% to RM313.5 million in 2013 (2012: RM221.1 million), due to the advanced state of construction of the two remaining external projects and the coming onstream of in-house developments during the year. PBT, likewise, registered an increase of 920% to RM5.1 million (2012: RM0.5 million).
- Moving forward, Paramount Engineering & Construction Sdn Bhd will be ending external construction activities by end of 2014 to concentrate on in-house construction jobs.
- It will also be venturing into development, with plans to transform the business key driver from construction to property development. In the immediate future, identified development locations are Batu Kawan and Machang Bubuk, both expected to commence during the 4<sup>th</sup> quarter of 2015.

#### EDUCATION DIVISION

2013 was another sterling year for the primary and secondary school sector while KDU College Penang continued to register steady growth even as it achieved record-breaking academic results.

KDU University College in Petaling Jaya continued to face the challenge of intense competition, and focused its efforts on expanding its enrollment initiatives, introducing new programmes that meet current market needs, and laying the foundation for its move to its new flagship campus at Paramount Utropolis in Glenmarie at the end of 2014.

#### Primary & Secondary Education

- The Sri KDU Primary and Secondary schools, offering both the national and international curriculums under the banner of Sri KDU Smart Schools Sdn Bhd, chalked up record profits for the eighth year running, with a 28% increase in revenue from RM52.0 million in 2012 to RM66.7 million in 2013. PBT increased 38%, from RM19.8 million in 2012 to RM27.3 million in 2013.
- Student enrolment in 2013 increased by 192 students, an increase of 7% versus 2012. The increase in student numbers was not as high as in previous years due mainly to the Sri KDU campus approaching full capacity. Nevertheless, the increases in revenue and PBT were able to outstrip increase in student numbers due to the successful balancing of

supply and demand among the national and international curriculum schools on the Sri KDU campus, with the overall aim to maximise total enrolment on the Sri KDU campus.

- Many private national curriculum schools have converted to international schools, but the Group perceives there is still a good market for excellent, private national curriculum schools. Sekolah Sri KDU, which offers the national curriculum, continues to attract strong enrolment because of its offer of a tri-lingual learning environment as well as its approach towards teaching the national curriculum with an international mind-set.
- The strategy to provide both choices of a national and international curriculum education for both primary and secondary levels on the same campus continues to work well. In addition to making it logistically convenient for parents who have children in both streams, there are many benefits from the collaboration between the national and international curriculum schools.
- In addition, the teaching of selected IGCSE subjects commencing with Secondary 1 students in 2012 has further increased the attractiveness of Sekolah Sri KDU's national curriculum offering.
- Sri KDU International School has received overwhelming response since its launch in September 2011.

In September 2013, our 3<sup>rd</sup> year of intake, the school received a further boost with the appointment of a new principal to the international school – a decorated head teacher and school leader with 34 years of teaching experience.

- Additional learning spaces also helped increase capacity from below 700 to more than 900-student capacity. On that note, six classrooms, three computer laboratories, three science laboratories, three music rooms and a drama and theatre laboratory have been added to Sri KDU International School. To accommodate the foreseeable demand for Sri KDU International Primary School, two classrooms have also been added and these will be operational by September 2014. At the same time, plans are underway to add two more classrooms in Sri KDU Secondary School by January 2015 to meet increased demand. All expansion plans are made with careful planning and consideration to ensure adequate activity and learning areas for students to grow and develop in the most optimal manner.
- In December 2013, the school spent RM250,000 to upgrade its CCTV system in Sri KDU Primary School. Security guard posts were also increased to improve the level of security overall on the Sri KDU campus as a further commitment to the safety and security of our stakeholders.

- Notwithstanding the increasing competition, the Group expects 2014 performance to be in line with 2013 mainly due to the strong value proposition given by the Sri KDU schools. The schools are close to full enrolment with healthy profits and are well-positioned to weather the challenges posed by the increased competitiveness in the market.

### Tertiary Education

The tertiary education business continued to operate in an intensely competitive environment.

The entire tertiary education industry was hit by a drop in enrolment of foreign students due to Education Malaysia Global System (**EMGS**), a company set up by the Ministry of Education and tasked with managing the processing of student visas for entry into the country. Foreign students hit with the RM1,900 additional charges for medical check-ups, insurance and fees payable to EMGS found the costs prohibitive, causing many to look elsewhere.

Despite this, the Penang College campus registered growth in profitability through its focus on academic excellence and the success of its industry linkage programmes, which improved graduate employability, while new student enrolment in KDU UC grew in 2013.



#### KDU College Penang

- KDU College Penang's efforts to focus on academic excellence and graduate employability saw strong results in 2013 – with 90% graduate employability within six months and award of the 5-Star rating by the Ministry of Education to KDU College Penang for the second time in the MyQuest audit.
- Its Centre for Pre-University Studies also performed well, with a record 45% of its graduates scoring no less than 3A's and the top scorer achieving an incredible record of 2A\*'s and 6A's in the June 2013 Cambridge A-level examinations.
- This performance was also reflected in its financial results, with growth in revenue and PBT to RM22.7 million and RM7.2 million, respectively (2012: RM22.6 million and RM6.9 million).
- In 2013, KDU College Penang worked on changing its teaching environment, redefining the traditional classroom concept by converting conventional classrooms into smart classrooms, to promote active learning in more exciting and interesting ways. Students will have the opportunity to immerse themselves and experience learning in these cutting-edge classrooms from 2014.
- A regional recruitment and service centre was set up in Ipoh in August 2013. Besides being a fully-functional counselling and recruitment facility for potential students, the centre also features a fully equipped e-learning room and is ready to host or conduct workshops and team building activities.
- In October 2013, KDU College Penang was invited by the Ministry of Education to upgrade itself to a university college, an endorsement of the college as an institution excelling in teaching, complying with policies and regulations of the Ministry of Education and Malaysian Qualification Agencies. The Paramount Group's acquisition of 10 acres of land in Batu Kawan, just off the Penang Second Bridge, will provide the opportunity for KDU College Penang to create a vibrant and sustainable green campus for studying, recreation and self-development.
- Moving forward, KDU College Penang's focus in 2014 will be to provide students with more options and opportunities to either pursue a degree locally or transfer to universities abroad after completing one or two year(s) of diploma/degree studies locally. It is hoped that a large percentage of students will explore these flexible study pathways.



## KDU University College

- KDU University College's new student enrolment grew by 10% in 2013. The increase was, however, not sufficient to offset the decline in returning students (as students graduated), the latter stemming from poor new student enrolment in prior years.
- As a result, total student population stagnated and coupled with the higher cost of operations, revenue declined to RM34.1 million (2012: RM37.7 million) while a higher loss before tax of RM8.8 million was incurred in 2013 (2012: RM60,000/-).
- With the new management team fully in place in 2013, the team immediately undertook a restructuring exercise to clearly delineate the roles and responsibilities of the organisation in overseeing the academic requirements of the home-grown and international programmes. This enabled KDU University College to better optimise its resources in the respective areas.
- An entirely new but experienced marketing team was recruited to implement aggressive marketing strategies in 2013. Encouragingly, this move started to bear fruit in the second half of 2013, with increased student enrolment numbers into the January 2014 period.
- The full accreditation received on three programmes – the Bachelor of Computing (Hons), Bachelor of Game Development (Hons) and

Bachelor of Hospitality Management – during the year will be an added boost to the aggressive marketing strategies to attract new student enrolment. Additionally, three new programmes – Diploma in Entrepreneurial Design, Bachelor in Mechanical Engineering and Foundation Studies leading to Game Development – were launched in 2013, increasing KDU University College's array of offerings that are market-driven and relevant.

- KDU University College continued to build on its reputation, garnering a host of education and related awards and tributes throughout the year. This included two Gold, one Silver and one Bronze awards at HOFEX, the largest international Food & Beverage show, the best showing by a Malaysian institute. KDU University College also clinched the top spot at the "Innovative Youth, Future Business Leader" Competition organised by The Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor in December 2013.
- KDU University College also emerged as National Champion and took "Best Mooter" Award at the 12th Red Cross International Humanitarian Law Moot, an inter-university competition for the Asia-Pacific Region, held in December 2013. KDU University College will represent Malaysia at the regional competition to be held in Hong Kong in 2014.



## group CEO's review of operations

- In 2013, staff and students of the School of Communications and Creative Arts co-produced a TV series – “Total Europe Explore”, which ran on Malaysian TV channel 8TV. The programme, which secured excellent ratings, will be aired again in 2014.
- It was also announced in 2013 that KDU University College's School of Computing & Creative Media has been selected as host for Animex Asia 2014, one of the largest international Games and Animation festivals, which will be hosted for the first time in Asia in 2014.
- KDU University College is currently working hard to make the most of the opportunities offered by the move to its new flagship campus at Paramount Utropolis, with its better facilities, student accommodation and space for growing student numbers.

### HUMAN CAPITAL STRATEGY

During 2013, Paramount's human capital strategy focused on implementing a high performance culture, developing a pipeline of talent for succession, building organisation capability and enhancing the Paramount brand as the employer of choice.

To inculcate a high performance culture among employees, performance management processes were enhanced through a more rigorous online appraisal system and key performance indicators. This is in line with the strategy to drive future business expansion and growth.

As a corporate sustainability initiative, Paramount embarked on the development of a talent pipeline to build and strengthen the organisational bench strength and capabilities. A few milestones were achieved – successful development of Paramount's leadership competency model, identification of a top talent pool, talent assessments and development of a curriculum framework for the different levels of employees in Paramount.

The areas of talent recruitment and retention strategies were aligned towards improving the Paramount employer brand. A value proposition highlighting employee development, clarity in career growth, unique employee benefits and career mobility, was also developed. To increase Paramount's presence, the Company engaged in industry networks and supported the national talent initiatives by actively partnering TalentCorp on the Structured Internship Programme and Khazanah Nasional on the Upward Mobility Scheme for government-linked companies.

In March 2013, Paramount introduced the Long Term Incentive Plan for its senior management staff, aimed at making staff share ownership of the Company by rewarding them with shares of up to 10% of the issued and paid-up share capital of the Company. The plan provides senior management staff the opportunity to share in the Company's success, and also ensure their continued commitment to ensuring the effectiveness and efficiency of the company operations.

In July 2013, Paramount Property was accorded one of the *Best Companies to Work for in Asia 2013 Award* by HR Asia, Asia's most authoritative publication for HR professionals. The award was a clear recognition of the Company's efforts to improve employee engagement, to create a nurturing and inspiring workplace, and most of all the offer to employees of a clear and rewarding career in the Paramount Group of companies, had not gone unnoticed.

### CONCLUSION

**Overall, 2013 saw Paramount continue to build on the successes of past years, while embracing change to become more versatile, more dynamic and to take better advantage of the inherent strengths of its two businesses, as defined by Paramount's business strategy of “Strength through Synergy”.**

**These efforts were made possible through the untiring efforts of Paramount staff, many of whom went beyond the call of duty in carrying out their responsibilities. Paramount would like to record its appreciation and thanks to these champions of the Paramount core values.**

**DATO' TEO CHIANG QUAN**  
Group Chief Executive Officer

# statement on corporate social responsibility

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

This background to CSR has served Paramount well. The Company always maintains the best values and practices in its relationship with all stakeholders, which, we believe, is why Paramount is regarded as a good employer and trusted business partner, and one that cares for and involves itself in the local and wider communities and the environment in which the Paramount group of companies (**the Group**) operates. Paramount also holds the long-term view that a rapidly changing world brings new responsibilities and concerns that have to be constantly addressed and, more importantly, are not in conflict with the attainment of the Group's objectives.

## CSR IN THE ENVIRONMENT

The nature of our business does have a bearing on the environment. Thus, we need to take a proactive and positive approach on environmental issues at all times in order to sustain our business in the long term. Our key commitments are to:

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



## CSR IN THE WORKPLACE

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

- Ensuring people with the right skills and qualities are recruited, trained, supported and retained to create high levels of motivation, achievement and job satisfaction. We aim to be the employer of choice in the industries that we operate.
- Providing employees with the opportunity to have a direct ownership of the Company through participation in our Long Term Incentive Plan.
- Creating a working environment that is conducive to good working relations by demonstrating good leadership and adopting the best in Human Resource practice with well developed policies and procedures. These are continually subject to review, and are updated.
- Employing a workforce that reflects the diversity of our society by promoting our commitment to equal opportunities for all regardless of age, gender, race, religion, disability, nationality, etc.
- Providing training and career development so that employees can grow and achieve their potential. We strive to maintain a knowledgeable, stable and motivated workforce that increases the satisfaction levels of our customer base whilst reducing recruitment and retention costs. In our employees' annual appraisal,

training and personal development requirements are mutually agreed, and plans for the training and development are drawn up and budgeted for each year. We also take a proactive approach in providing opportunities for our employees to obtain professional and nationally recognised qualifications and in encouraging continuous professional development programmes that are conducted internally and externally. Senior managers are selected to attend executive education and professional development programmes at renowned Business Schools and all our senior managers are encouraged to attend the Management Development Programmes organised by our executive education and professional development sector.

- Ensuring worksites and surrounding areas maintain high health and safety standards, as we do not compromise on the safety of our employees, sub-contractors and visitors. In this regard, our construction sector has adopted and adheres strictly to the guidelines on public safety and health at construction sites issued by the Department of Occupational Safety and Health. Regular health and safety training are provided.
- Recognising that effective employee communication and consultation are particularly important in achieving our business objectives, information on the progress and activities of the Group and the external financial and economic factors affecting it, both from sources in the public domain and those published internally, are readily made available to employees through the intranet.

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

## CSR IN THE COMMUNITY

Paramount is committed to operating in ways that add value to the communities in which we operate through various ongoing engagements that enhance the long term sustainability of our business. These include:

- Contributing to local charities and voluntary organisations. We have made significant inroads in promoting community interaction through social programmes and activities. We also support numerous charitable causes both in cash and kind, and through the provision of scholarships to deserving students.
- Supporting local communities through opportunities for employment, interaction with schools, liaison and support for local well-being. In communities that are directly impacted by our project work, we keep them appropriately informed of the progress made on any issues that affect them.
- Encouraging wider employee participation in community projects organised. We encourage our people to volunteer in order to help others in the community and we recognise the benefits that volunteering can bring through the development of skills and competencies.
- Using our influence to steer change for the better.

## CSR IN THE MARKETPLACE

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

- Committing to high ethical standards in the areas of marketing, advertising and procurement. Our customers remain at the heart of everything that we do. Their feedback is reviewed on an ongoing basis and used to improve our customer service. We seek to protect our customers' rights through responsive customer complaint procedures and by meeting the strictest data protection requirements.
- Building long term partnerships with our suppliers based on the compatibility of their values and behaviour as well as product quality and price. We believe that this is key to servicing our customers' needs and developing the highest products and quality standards. By working closely with suppliers, we continue to find new ways to improve efficiency, lower costs for our customers and address growing health and safety, and environmental requirements.
- Maintaining clear, timely and open communications with shareholders, analysts and fund managers. Paramount is committed to helping its shareholders, analysts and fund managers develop a clear understanding of the Company's strategy, performance and growth potential through timely and open communications. Information on the Group's website ensure that they are accessible to all interested parties.
- Maintaining high standards of corporate governance. We monitor and evaluate risk on an ongoing basis as part of our commitment to sustainable business. A full report on Corporate Governance and Internal Control are found on pages 44 to 53 and 57 to 58.

# statement on corporate governance

Paramount Corporation Berhad (**Paramount** or **the Company**) remains steadfast in upholding a strong corporate culture that values integrity, transparency and professionalism. To this end, the Board of Directors of Paramount (**the Board**) continues to ensure that high standards of corporate governance, ethics and accountability are applied in all business activities of the Paramount Group (**the Group**), underpinned by robust management of risks, internal controls and corporate sustainability efforts to safeguard the interests of all stakeholders.

This statement sets out the corporate governance framework adopted by Paramount and highlights the extent of compliance by the Company with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (**MCCG**) throughout the financial year ended 31 December 2013.

## BOARD OF DIRECTORS

### Duties and Responsibilities

The Board is responsible for the overall corporate governance of the Company and takes stewardship of the Group's businesses and affairs. Although the Board confers some of its authorities to the various Board Committees and delegates the day-to-day management of the Group's business operations to the senior management team, it reserves for its decision significant matters, such as the following, to ensure that the direction and control of the Group are firmly in its hand:

- Strategic planning
  - Annual budgets and performance reviews
  - Financial reporting
  - Material acquisition and disposal of assets
  - Major capital expenditure
  - Fund raising activities
  - Corporate governance policies
  - Announcements to Bursa Malaysia Securities Berhad
  - Dividend payments
- Changes in board composition and principal officers
  - Board and senior management succession planning
- The Board is principally responsible for providing guidance to management and to oversee the performance of management in the conduct of the Group's businesses through the following board activities:
- Reviewing and adopting strategic plans that promote long-term sustainability and monitoring the implementation of these plans
  - Overseeing the conduct of the Group's businesses and evaluating whether the businesses are being properly managed
  - Adopting an annual budget and reviewing the performances of the operating divisions against the budget
  - Assessing and approving major capital expenditure including significant acquisition and disposal of investments
- Assessing principal business risks and ensuring the implementation of appropriate systems to manage these risks
  - Ensuring Board effectiveness and developing the Board succession plan
  - Ensuring senior management succession by mentoring, monitoring and evaluating the performances of the Chief Executive Officer (**CEO**) and the senior management team
  - Reviewing the adequacy and the integrity of the Group's internal control systems and information management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
  - Developing and implementing an investor relations programme or shareholder communications policy for the Company
  - Formulating policies to ensure adherence to high standards of ethics and corporate behaviour by all stakeholders within the Group



To formalise the Group's corporate governance framework and to enhance the Company's level of compliance with the MCCG, the Board has adopted the following policies in the year under review:

- Board Charter
- Directors' Code of Ethics
- Directors' Assessment Policy
- Boardroom Diversity Policy
- Succession Planning Policy
- Insider Dealing Policy
- Whistle Blowing Policy
- Code of Business Conduct and Ethics

All of the above policies and codes are available in the Corporate Governance section on the Company's website at [www.pcb.my](http://www.pcb.my).

### Board Composition

The Board currently has seven members, comprising one Executive Director who is also the CEO, one Non-Executive Director (**NED**) and five Independent NED's. The Independent NED's, including the Chairman of the Board, account for 71% of the Board composition, hence exceeding the minimum requirement of one-third independent board members as stipulated in Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Malaysia**).

The presence of one female Director on the Board, namely, Dato' Rohana Tan Sri Mahmood, reflects the Board's support of gender diversity in the boardroom. In this respect, the Board ensures no gender discrimination in its composition and will use its best endeavors to raise the level of female representation on the Board as soon as practicable.

There were no changes to the Board composition since the retirement of Mr Geh Cheng Hooi pursuant to Section 129 (2) of the Companies Act, 1965 at the conclusion of the 43rd Annual General Meeting (**AGM**) held on 10 June 2013.

The Board had, on 27 February 2014, designated Datuk Seri Michael Yam Kong Choy, in place of Dato' Haji Azlan bin Hashim, as the Senior Independent NED to whom concerns of shareholders and stakeholders may be conveyed.

Full details of the Board members are set out in the Board section on pages 18 to 21.

### Board Balance

The Directors of Paramount are persons of high calibre with sharp business acumen stemming from their extensive experience in diverse industry sectors. They bring to the Board vast knowledge and skills to provide diversity of perspectives for effective decision-making, particularly on matters relating to the Group's strategic business direction. All Independent NED's are considered by the Board to be independent of management and free from any business or relationship that could materially interfere with the exercise of their independent judgement. This strong element of independence and objectivity enables constructive Board deliberations, particularly on issues of governance, risk management and internal controls. The Board considers its current structure, composition and mix of expertise as more than adequate to facilitate the effective functioning of the Board and to ensure impartiality in the Board's decision-making process.

### Board Charter

The Board Charter, serving as a reference point for Board activities, sets out the corporate governance practices and provides clarity to the following key areas:

- The role and principal responsibilities of the Board
- The Board structure, which includes Board balance and tenure of Directors

- The roles and responsibilities of the Chairman, Executive Directors, NED's, Independent NED's, the CEO, Board Committees and the Company Secretary
- Board processes, including Board meetings, appointment, re-appointment and removal of Directors
- Standards of ethics and corporate behaviour
- Terms and Reference of the Audit, Nominating and Remuneration Committees

### Directors' Code of Ethics

The Directors firmly commit themselves to observing the Directors' Code of Ethics setting the tone and the standard of ethical behaviour that is expected of all employees of the Group.

### Separation of Powers and Responsibilities

There is a clear division of responsibilities between the Chairman and the CEO to ensure a balance of power and to promote accountability. Dato' Md Taib bin Abdul Hamid, the Chairman of the Board, is an Independent NED, who carries out the leadership role in the conduct of the Board and its relations to shareholders and other stakeholders. The role and responsibilities of the Chairman are clearly defined in the Board Charter.

Dato' Teo Chiang Quan, the Executive Deputy Chairman, who also assumed the role of CEO during the financial year 2013, is responsible for the executive management of the Group's businesses and the effective implementation of the Company's strategic plans. The role and responsibilities of the CEO are also clearly defined in the Board Charter.

## statement on corporate governance

### Succession Planning

The Board takes the pivotal role of ensuring continuity in leadership for senior management positions in the Group, particularly the CEO position. To achieve this, the Board, with assistance from the Nominating Committee, oversees the development of the Group's succession plan, which involves on-going mentoring and training of employees to equip them with the necessary skills and competence to assume leadership roles. The Nominating Committee also reviews, on a yearly basis, activities undertaken by the Human Resource department to develop the Group's talent pipeline.

### Board Meetings

The Board is required to meet at least four times a year on a quarterly basis, and the meetings are scheduled in advance at the beginning of each year to enable the Board members to plan ahead for the meetings. Additional meetings are held on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board meetings, any matter requiring urgent Board decisions and/or approval are sought through circular resolutions, which are supported with all the relevant information and explanations required for an informed decision to be made.

Formal agendas together with a comprehensive set of meeting papers, consisting of the minutes of the previous meeting, management reports and proposals, are forwarded to the Directors at least seven days, or shorter period where it is unavoidable, prior to the Board meetings. The Chairman, or in his absence, the Deputy Chairman, chairs all Board meetings, and all Directors participate actively in Board deliberations, with no individual or group of individuals dominating the Board's decision-making process. The quorum for the holding of a Board meeting is two and questions arising at any Board meeting shall be decided by a majority of votes with each Director having one vote. In the case of equality of votes, the Chairman shall have a second or casting vote. The CEO and key management personnel are invited to attend the meetings to report to the Board on the Group's operational and financial performances and the progress of their implementation of strategic plans.

The Board met four times in the year under review, and the record of attendance of the Directors thereat is as follows:

Directors	Attendance	Percentage of Attendance
Dato' Md Taib bin Abdul Hamid	4 out of 4	100%
Dato' Teo Chiang Quan <sup>(1)</sup>	3 out of 4	75%
Ong Keng Siew	4 out of 4	100%
Dato' Haji Azlan bin Hashim	3 out of 4	75%
Dato' Rohana Tan Sri Mahmood	4 out of 4	100%
Quah Chek Tin	4 out of 4	100%
Datuk Seri Michael Yam Kong Choy	4 out of 4	100%
Geh Cheng Hooi <sup>(2)</sup>	2 out of 2	100%

<sup>(1)</sup> With leave of absence from the Board for medical reasons

<sup>(2)</sup> Retired from the Board on 10 June 2013

### Company Secretaries

All Directors have unrestricted access to the Company Secretaries (**the Secretaries**), who play an advisory role to the Board in relation to the Company's memorandum and articles of association, Board policies and procedures, and compliance with applicable laws, rules, regulations and codes. The Secretaries support the Board in the discharge of its duties by ensuring that all information and materials that are required for the Board's consideration are provided to the Board expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to management for necessary action. The Secretaries also ensure that an effective system to manage all statutory records of the Group is in place. Additionally, the Secretaries keep the Directors regularly updated on new statutory and regulatory requirements, and attend to the sourcing of training programmes for the Directors.

### **Access to Senior Management, Information and Independent Professional Advice**

The Board also has full access to senior management and unrestricted access to information relating to the business and affairs of the Company for the discharge of its duties. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

### **Board Induction and Continuing Education Programmes**

In addition to the Mandatory Accreditation Programme that is required by Bursa Malaysia, all newly appointed Directors are required to participate in induction programmes to equip themselves with clear understanding of the Group's businesses. The Board Charter sets out the manner in which the induction programmes are to be conducted, which include dialogue sessions with the Chairman, the other Board members, the CEO and other senior management personnel; visits to the Group's business sites; and access to minutes of the meetings of the Board and the relevant Board Committees.

The Board Charter also requires all Directors to attend continuing education programmes to keep abreast of regulatory changes pertaining to the functions of the Board as well as to be updated on the relevant technical and industry related matters. The Secretaries, acting under the instruction of the Nominating Committee, compile and submit a list of training programmes that are available to the Directors for their selection at every Board meeting. The Secretaries also attend to internally organised training programmes whereby industry experts are invited to update the Directors on industry related issues and share insights about the latest industry outlook and market trends.

The conferences, seminars, forums, dialogues, talks and courses that were attended by the Directors during the year ended 2013 are as follows:

#### *Corporate Governance*

- Special dialogue and presentation session on ASEAN CG Scorecard
- MSWG's ASEAN Corporate Governance Scorecard 2013
- Nominating Committee Programme
- Bursa Malaysia Sustainability Training for Directors and Practitioners
- Advocacy Session on Corporate Disclosure for Directors of Listed Issuers
- MINDA – Mergers and Acquisitions and Corporate Governance
- Anti-Money Laundering Workshop
- Understanding the Governance Framework for Boardroom Excellence – Malaysian Code of Corporate Governance 2012 and Amended Listing Requirements
- Audit Committee Institute Breakfast Roundtable 2013

#### *Leadership and Strategy Management*

- CEO Forum 2013
- Breakfast at Kuala Lumpur Golf & Country Club with Board Chairman
- Strategic Planning 2013 – Digital Malaysia & Top 10 Malaysia ICT predictions
- Driving Innovation and Productivity to meet Industry Challenges
- FORBES Global CEO Conference
- Julius Baer Next Generation Summit 2013

#### *Risk Management and Finance*

- Launch of Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers
- Forensic Accounting for Non-Executive Directors
- Directors' Training in Syariah Banking
- Global Research Briefing
- Internal Rate Base Model Training

#### *Legislative and Regulatory Updates*

- Project Management and Claims and the Impact of Construction Industry Payment & Adjudication Act 2012

#### *Industry-related Topics*

- Kwasa Land Study Visit
- Real Estate and Housing Developers' Association Korea Study Visit
- InvestKL- Grow in Asia From Kuala Lumpur Malaysia Business Plan 2013 Overview Presentation to Ministers
- Greater KL Infrastructure, LRT extension, MRT highways and High speed railway to Singapore by Mr Ho Chin Soon
- Circle and Putrajaya lines: latest alignment by Mr Ho Chin Soon
- Strata Management by Mr Yong Yung Choy

In addition, the Secretaries, the Chief Financial Officer and the external auditors regularly update the Board on changes and amendments to legislative and regulatory provisions, if any.

### **Appointment of new Directors**

The Nominating Committee is entrusted with the role of identifying, assessing and nominating candidates to fill Board vacancies as and when they arise. The final decision on the appointment of new directors, however, rests with the full Board after taking into consideration the recommendations of the Nominating Committee. The Nominating Committee shall, if it deems fit, consider the views of majority shareholders on the nomination of candidates and has the sole discretion to determine the appropriate manner and scope of consultation with such shareholders.

In the assessment and selection of new Directors, attributes such as character, integrity, competence and experience are highly regarded by the Board and the Nominating Committee. For the



## statement on corporate governance

position of Executive Director, further consideration will be given to the candidate's skills, knowledge and expertise while an Independent NED will be evaluated based on the definition of 'independent director' as stipulated in the Listing Requirements and the candidate's ability to discharge such responsibilities as are expected of an independent director. The Nominating Committee, in making its recommendations to the Board, will also assess the Board structure, as a whole, to ensure that the necessary skill sets are relevant to the Group's strategic direction.

### Re-election of Directors

All Directors are subject to re-election by shareholders at the first opportunity after their appointment, at the next AGM. At least one-third of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. The Company's Articles of Association ensure that all Directors stand for re-election at least once in every three years.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election. Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of seventy years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

### Board Assessment

The Directors, the Board, the Board Committees, and the CEO are subject to the process of self and peer assessment annually. The Directors are provided with an online survey tool to carry out the assessment with absolute anonymity. The results are then tabulated by the Secretaries and presented to the Nominating Committee for its review and recommendation to the Board. A full set of the results is also provided to each Director and the CEO for their information.

The criteria that are used in the assessment of the Board include the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities. These criteria are similarly used for the assessment of the Board Committees. The individual Directors are assessed based on their competence, capability, commitment, objectivity, participation in Board deliberations and their contribution to the objectives of the Board and the Board Committees on which they serve. The assessment of the CEO is co-related to the execution of the Group's strategic plans by management and the achievement of performance targets set by the Board.

### BOARD COMMITTEES

The Nominating Committee, following the annual assessment conducted on the Board Committees in the fourth quarter of 2013, recommended a change in the composition of all four committees by way of rotating the committee members from amongst the Directors to allow for fresh perspectives in the committees' decision making process. On 27 February 2014, the Board gave its approval of the new composition of the four committees as recommended by the Nominating Committee.

The composition, functions and activities of these committees during the year 2013 are described below.

#### Audit Committee

The Audit Committee (**AC**) currently comprises the following Board members:

- Mr Quah Chek Tin, Chairman (*Independent NED*)
- Dato' Md Taib bin Abdul Hamid (*Independent NED*)
- Mr Ong Keng Siew (*Non-Independent NED*)

The primary objective of the AC is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and the development of sound internal controls for the Group.

A detailed report, highlighting the activities of the AC and its terms of reference (**TOR**), is presented on pages 54 to 56 of this annual report.

#### Nominating Committee

The Nominating Committee (**NC**) currently comprises the following Board members:

- Datuk Seri Michael Yam Kong Choy, Chairman (*Independent NED*)
- Dato' Md Taib bin Abdul Hamid (*Independent NED*)
- Mr Quah Chek Tin (*Independent NED*)

The primary function of the NC is to assist the Board in the identification and assessment of new nominees for the Board, assessment of the effectiveness of the Directors, the Board, the Board Committees and the CEO on an on-going basis. The NC meets as and when required, and at least once in a year. The following activities were undertaken by the NC during the year under review:

- Reviewed the outcome of the self and peer assessment of individual Directors
- Reviewed the outcome of the assessment of the Board and the four Board Committees
- Reviewed the outcome of the assessment of the contribution of the Group CEO
- Reviewed the adequacy of the Board in terms of its mix of skills and the core competencies

- Reviewed the attendance of the Directors at Board and Board Committee meetings
- Reviewed the training programmes that were attended by the Directors during the year and discussed training programmes for the ensuing year

The TOR of the NC are set out in the Board Charter.

### Board Risk Management Committee

The Board Risk Management Committee (**BRMC**) currently comprises the following Board members:

- Dato' Rohana Tan Sri Mahmood, Chairman (*Independent NED*)
- Dato' Md Taib bin Abdul Hamid (*Independent NED*)
- Mr Quah Chek Tin (*Independent NED*)
- Datuk Seri Michael Yam Kong Choy (*Independent NED*)

The primary function of the BRMC is to assist the Board in fulfilling its responsibilities to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The BRMC meets at least twice a year to monitor the Group's principal risks exposure and guides management on its risk appetite; recommends or advises on significant proposed changes to risk management policies and strategies; reviews together with management the significant risks and exposures that exist and assesses the steps that have been taken by management to mitigate such risks; and reviews reports on compliance with risk management policies and recommends actions, where necessary. The TOR of the BRMC are incorporated in the Board Charter.

### Remuneration Committee

The Remuneration Committee (**RC**) currently comprises the following Board members:

- Mr Quah Chek Tin, Chairman (*Independent NED*)
- Dato' Md Taib bin Abdul Hamid (*Independent NED*)
- Dato' Teo Chiang Quan (*Executive Deputy Chairman and Group CEO*)

The primary function of the RC is to review, assess and recommend to the Board the remuneration packages of Executive Directors, NED's, the CEO and senior management personnel to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, and that the levels of remuneration commensurate with the levels of executive responsibilities and are sufficient for the retention of these key personnel.

The RC also recommends to the Board the policy and framework for determining Directors' remuneration. Fees payable to the Directors shall not be increased except with the approval of shareholders at the Company's AGM.

During the year under review, the RC has carried out the following activities in accordance with its TOR:

- Reviewed the bonus payment and salary increment to the Group senior management personnel

- Reviewed the bonus payment and salary increment to the Group CEO
- Reviewed Directors' fees and Board Committee fees

The TOR of the RC are set out in the Board Charter.

## DIRECTORS' REMUNERATION

### Remuneration Policy

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

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

## statement on corporate governance

Annual fees and Directors' travelling allowance are paid based on current market surveys. The Board, upon the recommendation of the RC, is proposing an increase in the Directors' fees payable to each Director by RM10,000 for the financial year 2013. Hence, subject to approval being obtained from the shareholders on the payment of Directors' fees, the details of the remuneration of each Director for the financial year 2013 are as follows:

	Basic Salary (RM'000)	Bonus (RM'000)	Directors' fees (RM'000)	Benefits in-kind (RM'000)
<b>Executive Director</b>				
Dato' Teo Chiang Quan	1,140	618	60	318
<b>Non-Executive Directors</b>				
Dato' Md Taib bin Abdul Hamid	—	—	108	—
Ong Keng Siew	—	—	60	—
Dato' Haji Azlan bin Hashim	—	—	90	—
Dato' Rohana Tan Sri Mahmood	—	—	78	—
Geh Cheng Hooi <sup>(1)</sup>	—	—	39 <sup>(2)</sup>	—
Quah Chek Tin	—	—	82	—
Datuk Seri Michael Yam Kong Choy	—	—	68	—
<b>Total</b>	<b>1,140</b>	<b>618</b>	<b>585</b>	<b>318</b>

<sup>(1)</sup> Retired from the Board on 10 June 2013

<sup>(2)</sup> Calculated on a pro-rated basis for the Director's term of office from 1 January 2013 to 10 June 2013

The number of Directors whose remuneration for the financial year within the respective bands are as follows:

Range of Remuneration	Number of Directors
<b>Executive Director:</b>	
Up to RM2,100,000	—
RM2,100,001 to RM2,150,000	1
<b>Non-Executive Directors</b>	
Up to RM50,000	1
RM50,001 to RM100,000	5
RM100,001 to RM150,000	1



## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Control

Risk assessment and management is a robust activity that has been incorporated into the day-to-day business operations of all strategic business units (SBU's) of the Group, whereby risk owners have been assigned the task of monitoring the risk status of the respective SBU's on a monthly basis, and to ensure that the appropriate risk mitigating actions are implemented. These activities together with the Top Ten Risks of all SBU's and major projects are then flowed up to the Executive Risk Management Committee for review and discussion on a quarterly basis, and reported at least twice a year to the BRMC.

The principal risks of the Group are broadly defined according to the following categories:

- *Strategic risks*, which include project investment risk, product development risk, business continuity risk, human capital risk and all such risks that could affect the Group's long term competitive position and performance
- *Budget risks*, which include liquidity risk, credit risk, interest rate risk and capital adequacy ratio risk
- *Operational risks*, being risks that are encountered in the Group's day-to-day business operations, such as the risk of shortage of construction materials and site workers, the risk of delay in the receipt of approvals from the authorities for project launches and all such risks that could affect the timely implementation of the Group's strategic plans and achievement of strategic goals
- *Reputational risks*, which involve the media and messages that are being circulated in the public domain by customers, employees and other stakeholders that could affect the Group's reputation and ultimately the marketability of the Group's products and services.

The Statement on Risk Management and Internal Control (**SRMIC**), which has been reviewed by the external auditors, and presented on pages 57 to 58, provides a detailed report on the Group's level of risk management and internal controls for the year under review.

#### Internal Audit Function

The in-house Internal Audit department continues to undertake regular and systematic review of the Group's internal controls to provide the Audit Committee and the Board with sufficient assurance that the system of internal controls is effective in addressing the risks identified. The scope, activities and cost of the Company's internal audit function are reported in the Report of the AC and the SRMIC on pages 56 to 58 of this annual report.

#### Financial Reporting

The Board is mindful of its responsibility to present a fair, balanced and understandable assessment of Paramount's financial position and prospects, in all reports, both to investors and the regulatory bodies. This assessment is primarily provided in the Chairman's Letter to Shareholders on pages 24 to 31 and the Group CEO's Review of Operations on pages 34 to 40. An explanation of the respective responsibilities of the Directors and the external auditors in the preparation of the accounts is set out in the Statement of Directors' Responsibility on page 62 of this annual report.

#### Related Party Transactions

All recurrent related party transactions for the purchase of the Group's products and services (**RRPT's**) are reviewed by the Internal Audit department to ensure that the terms are fair, at arms' length, and are no more favourable to the related parties than those that are generally available to other customers of the Group, and that all necessary steps are being taken to comply with the requirements of the

Listing Requirements with regard to RRPT's. All verified RRPT's are submitted to the Audit Committee for its review on a quarterly basis.

The details of all RRPT's that were entered into by the Group in the financial year 2013 are disclosed in Note 36 to the Financial Statements on pages 128 to 129 of this annual report. The Company is not seeking any mandate from the shareholders in respect of RRPT's as these transactions are not material in value.

#### Relationship with External Auditors

The Company has always maintained a transparent and appropriate relationships with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia. The report on the role of the Audit Committee in relation to the external auditors is found in the Report of the Audit Committee set out on pages 54 to 56.

#### Code of Business Conduct and Ethics

The Code of Business Conduct and Ethics was introduced in 2013 with the intention to ensure that good corporate governance practices are integrated into the Group's business operations. It sets out the basic standards of ethics and legal behaviour that are required of all employees and Directors of the Group. The areas of emphasis include conflict of interest, fair dealing, insider trading, confidentiality, protection and proper use of company assets, compliance with laws, rules and regulations, truthful public disclosure and employee behaviour and professionalism.

#### Insider Trading

In efforts to prevent insider trading in the Company's shares and to maintain the confidentiality of price sensitive information, the Board has adopted the Insider Dealing Policy, providing better clarity to the definition of 'insider trading'

and setting the steps that must be taken by all Directors and employees to ensure that full disclosure is made prior to and post the act of trading during a closed period. The Board is not aware of any incidence of 'insider trading' during the year under review.

### Whistleblowing Policy

To promote a culture of high integrity and greater transparency, the Whistleblowing Policy was adopted in 2013, to provide employees with an avenue to raise concerns regarding suspected fraud, wrongdoings and malpractices without being subject to victimisation, harassment or discriminatory treatment.

The following can be considered as 'reportable activities' under the Whistleblowing Policy:

- Suspected or actual incidents of fraud or corruption
- Suspected or actual breach of the Company's policies, practices, procedures or other rules of conduct
- Suspected or actual misleading or deceptive conduct of any kind, including conduct or representations which amount to improper or misleading accounting or financial reporting practices
- Situations within the Company's control which pose danger to the health or safety of any person or significant danger to the environment
- Auditing matters, including non-disclosure or any subversion of the internal or external audit process
- Breach of confidential obligations

The policy also sets out the mechanism and framework by which employees and any member of the public can confidently, and anonymously, voice concerns to the Chairman of the Audit Committee or the Head of the Internal Audit department at [whistleblower@pcb.my](mailto:whistleblower@pcb.my).

The Head of the Internal Audit department, upon the receipt of complaints, would investigate and keep record of all evidences gathered from the investigation, and recommend the course of action to the Audit Committee in a fair manner. The Audit Committee would then recommend the appropriate disciplinary action to the Board for decision. If the Board is satisfied that there are substantial evidences to confirm that the disclosed conduct has occurred, it will instruct the Human Resource department to proceed with the procedures for disciplinary action whilst ensuring that the principles of natural justice is followed. All details pertaining to the whistle-blower will be kept strictly confidential throughout the investigative proceedings. There were no concerns reported during the financial year 2013 or during the period from 1 January 2014 to the date of publication of this statement.

### RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS

#### Dissemination of Information

The Company is committed to on-going communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports to Bursa Malaysia, the AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the Listing Requirements. The Company obliges the requests of analysts and fund managers for company visits. Press releases and media briefings are scheduled, coinciding with the release of the Group's final quarter results and in conjunction with the Company's AGM's. The Company's website at [www.pcb.my](http://www.pcb.my) is constantly updated with information pertaining to the Group's business activities and corporate affairs for dissemination to all stakeholders in a timely manner.

### Engagement with Shareholders

The Company's AGM not only deals with the formal business of the Company but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. An overview of the Group's performance for the financial year ended 31 December 2012 was presented to shareholders at the 43rd AGM held on 10 June 2013, which was attended by a majority of the members of the Board including the Group CEO and chaired by the Chairman. Shareholders were invited to ask questions and express their views about the Company's business at the AGM, and it is recorded in the minutes of the meeting that shareholders have been given the opportunity to ask questions or express their views at the meeting. In this respect, the Board is pleased to report that all questions raised by shareholders at the 43rd AGM were adequately attended to by the Board and that all resolutions proposed were duly approved by the shareholders who were present at the meeting.

A press conference is normally held after every AGM to brief members of the press on the performance of the Group for the benefit of potential investors as well as those shareholders who were unable to attend the meeting.

### Shareholders' Rights

The Board encourages poll voting, particularly on substantive resolutions, as a good corporate governance practice. Hence, at the commencement of all general meetings, the Chairman informs shareholders of their right to demand for a poll.

## Dividend Payment

The Board, being mindful of its responsibility to ensure that the interests of shareholders are protected, will use its best endeavours to ensure consistency in the payment of annual dividends although the actual amount and timing of the dividend payments would depend on the financial performance, cash flow position and contingent obligations of the Group.

## Investor Relations Activities

The Company has set up a Corporate Communications unit within the office of the Group Chief Operating Officer to serve as a one-stop centre for the coordination of all investor related activities, with the aim of promoting investor relations and facilitating timely dissemination of information to the market, research analysts, fund managers, institutional investors and the investment community.

## Corporate Sustainability

The Board acknowledges that to achieve long-term sustainability, the Group must ensure that the interest of all stakeholders, other than shareholders, such as employees, customers, creditors, suppliers, contractors, consultants and the communities in which the Group serves are safeguarded. The Group's approach and commitment towards the protection of the welfare of these stakeholders is reported in the Statement on Corporate Social Responsibility on pages 41 to 43 of this annual report.

Further, to ensure that essential elements of corporate sustainability is embedded in the Group's operating functions and processes, the Board would be adopting a Sustainability Policy to address the following sustainability issues:

- **Social sustainability**, whereby priority must be given to the maintenance of a safe and healthy workplace for all employees and contractors; retention of a high performing workforce through the continuous provision of training for the development of the professional and personal skills of employees; prevention of sexual harassment at the workplace; and involvement in and promotion of community service activities.
- **Environmental sustainability**, whereby the Group must strive to reduce the consumption of non-renewal and non-recycled materials; encourage the use of renewable resources; minimise the level of pollutants at the operations site; and comply with environmental legislative and regulatory requirements.
- **Governance sustainability**, through regular reviewing, monitoring and updating of the Group's strategic plans, policies and procedures to be in line with evolving governance landscape and business environment; and to plan for long term financial and human resource capacity.

## COMPLIANCE STATEMENT

The Company has applied most of the Principles and Recommendations of the MCCG during the financial year under review save for the Recommendation that the tenure of an independent director should not exceed a cumulative term of nine years.

The Nominating Committee and the Board have determined that Dato' Md Taib bin Abdul Hamid and Dato' Haji Azlan bin Hashim, who have served on the Board as Independent NED's for more than nine years, remain objective and independent-minded in Board deliberations. The vast experience of these Directors in relevant industries enable them to provide the Board and the Board Committees on which they serve, with pertinent expertise and competence to facilitate sound decision-making. Additionally, these Directors fulfill the definition of independent director as stated in the Listing Requirements, and they have shown exemplary evidence that the length of their service do not in any way interfere with their exercise of unfettered independent judgment nor hinder their ability to act in the best interests of the Company.

Nevertheless, the Board will, moving forward, continue to take steps to align the Company's corporate governance framework as far as practicable to the Principles and Recommendations of the MCCG.

# report of the audit committee

The Board of Directors of Paramount Corporation Berhad (**Paramount** or **the Company**) is pleased to issue the following Audit Committee Report and its activities for the year ended 31 December 2013.

## MEMBERS AND MEETINGS

The Audit Committee comprises four Independent Non-Executive Directors.

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

Directors	Status	Attendance
Dato' Haji Azlan bin Hashim (Chairman)	Independent Non-Executive Director	3 out of 4 meetings
Geh Cheng Hooi*	Independent Non-Executive Director	2 out of 2 meetings
Quah Chek Tin	Independent Non-Executive Director	4 out of 4 meetings
Dato' Md Taib bin Abdul Hamid	Independent Non-Executive Director	4 out of 4 meetings

\* Mr Geh ceased to be a member of the Audit Committee following his cessation of office as a Director of the Company on 10 June 2013.

## TERMS OF REFERENCE

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

### Membership

The members shall be appointed by the Board and the committee shall consist of at least three (3) Non-Executive Directors, a majority of whom are Independent Directors. The Chairman of the committee shall be an Independent Non-Executive Director.

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

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

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

### Meetings

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

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

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

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



### Authority

The Audit Committee is hereby authorised by the Board to:

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

### Reporting of Breaches to the Exchange

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

### Duties of the Committee

The duties of the committee shall be as follows:

- a) To consider the appointment of external auditors, the audit fee and any question on resignation or dismissal;
- b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

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

- i) Any change in accounting policies and practices;
  - ii) Significant adjustments arising from the audit;
  - iii) The going concern assumption; and
  - iv) Compliance with accounting standards and other legal requirements.
- d) To discuss problems and reservations arising from interim and final audits and any matter the external auditors may wish to discuss;

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

f) To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

g) To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;

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

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

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

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

### Review of the Committee

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

### ACTIVITIES OF THE AUDIT COMMITTEE

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

a) Financial Statements

i) Reviewed the quarterly and year-end financial statements prior to Board's approval for release to BMSB and the press;

ii) Discussed audit plans with the external auditors before commencement of the statutory audit;

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

- iv) Met with the external and internal auditors twice during the year without the presence of executive Board members and management, to discuss issues, if any, arising out of the interim and final audits, or any other matter the external and internal auditors may wish to discuss.
- v) Reviewed the external auditors' audit fee and proposed the same to the Board for its approval; and
- vi) Considered the intention of the external auditors, Messrs Ernst & Young, to be re-appointed and to propose the re-appointment to the Board accordingly.

b) Internal Controls

- i) Reviewed internal audit plans with the internal auditor covering the adequacy of scope, functions and resources of the internal audit function;
- ii) Discussed results of internal audit process and deliberated on highlighted issues of concern;
- iii) Considered related party transactions that arose and advised the Board on the appropriate actions to be taken;

- iv) Advised the Board on the state of internal control of the Group and the issuance of the Statement on Risk Management and Internal Control;
- v) Discussed the Report of the Audit Committee, and proposed the report to the Board for its approval; and
- vi) Reviewed the organisational structure of finance departments within the Group and advised the Board on its strengths and appropriateness.

## INTERNAL AUDIT FUNCTION AND ACTIVITIES

a) Internal Audit function

The internal audit function of Paramount is carried out in-house by the Internal Audit department. The Internal Audit department reports functionally and independently to the Audit Committee and is independent of management and of the activities it reviews. Its role encompasses risk-based examination and evaluation of the adequacy and effectiveness of the Group's system of internal controls and to provide reasonable assurances to the members of the committee and the Board.

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

b) Activities

For the year 2013, the Internal Audit department carried out audit assignments in accordance with the approved audit plan, and audit reports were presented to the Audit Committee for deliberation. This included follow-up review on the prompt implementation of audit recommendations and checks on related party transactions. The cost incurred for the Internal Audit department for the year was RM770,494.

# statement on risk management & internal control

## PREAMBLE

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

It outlines the scope of risk management and internal control within the Paramount Corporation Berhad (**Paramount**) group of companies (**the Group**) for this financial year.

## BOARD'S RESPONSIBILITY

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

The Board is committed to continuously enhance the Group's risk management and internal control system to ensure the proper conduct of its operations. The Board recognises that the risk management and internal control system can only provide reasonable but not absolute assurance.

The Board's review does not cover the risk management and internal control system of Paramount's associate company as it does not have any direct control over its operations. However, board representation in Paramount's associate company does provide vital information necessary for decisions on the investment and the safeguarding of the Group's interest.

## RISK MANAGEMENT

The Board regards risk management as an important process and acknowledges that it plays an integral part in achieving the Group's business objectives. The Board confirms the establishment of an enterprise-wide risk management (**EWRM**) program for the Group which allows management to identify, assess, evaluate and manage risks of the Group and keeps abreast of its development. The EWRM program requires all strategic business units to document the controls and processes for managing risks.

Principal risks are highlighted to the Board Risk Management Committee (**BRMC**) and ultimately to the Board for deliberation. Further assessment is made during the Board's review of the Group's strategic plan. The established risk framework includes the Board's evaluation of risks relating to new businesses and major investments during the year.

The Executive Risk Management Committee (**ERMC**), which is chaired by the Group Chief Executive Officer, assists the Board in its discharge of its risk management responsibilities. The ERMC's functions are to co-ordinate and monitor the development and implementation of the Group's risk management activities.

## INTERNAL CONTROL

The Board through the Audit Committee reviews and monitors, as an on-going process, the adequacy and integrity of the internal control. Such systems are designed to manage rather than to eliminate the risk of failure to achieve the set business objectives.

There is continuous upgrading and development of internal control system upon reported recommendations by both external and internal auditors highlighted at both the Audit Committee and Board levels.

## GROUP INTERNAL AUDIT

The Audit Committee endorsed and approved the scope of work for the internal audit function through review of its five years detailed risk-based audit plan. The Board places full emphasis on the independence and integrity of the internal audit function and ensures that

## statement on risk management & internal control

the internal audit function has adequate resources to effectively carry out its work and report to the Audit Committee.

The internal audit function submits regular audit reports to the Audit Committee, management and external auditors for review, and conducts follow-up action with management on audit recommendations and matters highlighted by the Committee.

### **INFORMATION SYSTEM AND COMMUNICATION**

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

Management has established a 5-year Group strategic planning process including detailed budgeting and monitoring that is reviewed by the Board on a quarterly basis.

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

### **AUTHORITY AND RESPONSIBILITY**

The Group has clearly defined areas of responsibilities for all committees of the Board and clear lines of authority and accountability for various levels of management.

A good management culture is practiced throughout the Group and expected code of conduct is adopted for all staff.

Professionalism and competence of staff are maintained through a rigorous recruitment process, a performance appraisal and review system and a wide variety of training and development programmes.

An effective management tender committee ensures proper procurement process for material purchases of goods and services.

### **REVIEW**

The Board has received assurance from both Paramount's Group Chief Executive Officer and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively.

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

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



# analysis of shareholdings

as at 15 April 2014

## SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM168,905,728
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	1 vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	88	1.57	3,198	0.00
100 – 1,000	380	6.77	282,394	0.08
1,001 – 10,000	3,269	58.22	16,076,298	4.76
10,001 – 100,000	1,620	28.85	47,779,100	14.15
100,001 – 16,890,571*	256	4.56	155,737,266	46.10
16,890,572 and above**	2	0.03	117,933,200	34.91
<b>Total</b>	<b>5,615</b>	<b>100.00</b>	<b>337,811,456</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. Paramount Equities Sdn Bhd	88,144,000	26.09
2. Southern Palm Industries Sdn Bhd	29,789,200	8.82
3. Southern Acids (M) Berhad	15,453,200	4.57
4. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	13,500,900	4.00
5. Bunga Indah (M) Sdn Bhd	9,266,294	2.74
6. Southern Realty (M) Sdn Bhd	8,397,200	2.49
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd	5,807,700	1.72
8. Eliyezer Resources Sdn Bhd	4,995,200	1.48
9. Teo Chiang Quan	4,270,000	1.26
10. Kenanga Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Teo Pek Swan (6Q-31037)	3,332,000	0.99
11. Ong Keng Siew	3,116,400	0.92
12. Teh Wei Siong	2,912,000	0.86
13. Yayasan Kelantan Darulnaim	2,682,400	0.79
14. Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Oh Kim Sun (PBCL-0G0019)	2,197,200	0.65
15. Amanahraya Trustees Berhad Public Smallcap Fund	2,033,100	0.60
16. Cheong Hon Keong	2,012,640	0.60
17. Goh Beng Choo	1,892,940	0.56

analysis of  
shareholdings  
as at 15 April 2014

Name of Shareholders	No. of Shareholdings	%
18. Goh Thong Beng	1,723,000	0.51
19. Neoh Choo Ee & Company Sdn Berhad	1,715,000	0.51
20. Amanahraya Trustees Berhad Public Strategic Smallcap Fund	1,299,200	0.38
21. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teh Win Kee (8106483)	1,293,400	0.38
22. Mikdavid Sdn Bhd	1,213,200	0.36
23. Gemas Bahru Estates Sdn Bhd	1,206,800	0.36
24. Yeo Khee Huat	1,204,000	0.36
25. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teh Chee Tong	1,165,000	0.34
26. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,099,900	0.33
27. Yeo Khee Nam	1,017,200	0.30
28. Seah Mok Khoon	1,008,840	0.30
29. Tay Lee Kong	945,036	0.28
30. Southern Edible Oil Industries (M) Sdn Bhd	932,400	0.28

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares of RM0.50 each		%
	Direct	Indirect	
Paramount Equities Sdn Bhd	88,144,000	—	26.09
Dato' Teo Chiang Quan	4,488,400	88,826,300 (1)	27.62
Southern Palm Industries Sdn Bhd	29,789,200	15,453,200 (2)	13.39
Southern Edible Oil Industries (M) Sdn Bhd	932,400	45,242,400 (3)	13.67
Southern Realty (Malaya) Sdn Bhd	8,397,200	46,174,800 (4)	16.16
Banting Hock Hin Estate Co Sdn Bhd	515,200	54,572,000 (5)	16.31
Dato' Low Mong Hua (deceased)	—	55,087,200 (6)	16.31

## DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Dato' Teo Chiang Quan	4,488,400	1.33	88,826,300 (1)	26.29
Ong Keng Siew	3,116,400	0.92	—	—
Dato' Md Taib bin Abdul Hamid	—	—	140,000	0.04
Datuk Seri Michael Yam Kong Choy	108,000	0.03	—	—

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

### Notes:

- (1) By virtue of his deemed interest in Paramount Equities Sdn Bhd and the shareholdings of his family members.
- (2) By virtue of its deemed interest in Southern Acids (M) Berhad.
- (3) By virtue of its deemed interest in Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
- (4) By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
- (5) By virtue of its deemed interest in Southern Realty (Malaya) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
- (6) By virtue of the deceased's deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty (Malaya) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.

# schedule of properties

held by the group

	Location of Property	Date of Acquisition	Description & Existing Use	Age of Building	Tenure	Land Area (Sq.Ft.)	NBV (RM'000) As at 31.12.2013
1.	Lots 75, 164, 203-206, 932-935 1873-1875, 2518 & 2519 Mukim Kapar, District of Klang Selangor Darul Ehsan	02.12.2011 and 24.09.2012	Land with single storey warehouse	–	Freehold	1,447,766	145,297
2.	Lot PT 510, Pekan Hicom District of Petaling Selangor Darul Ehsan	07.06.2012	Land approved for industrial development	–	Freehold	1,306,800	138,266
3.	Block 17, Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	31.12.2012	Land approved for residential development	–	Freehold	2,178,000	120,287
4.	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	KDU University College campus – under construction	–	Freehold	435,626	102,447
5.	No 3,5 & 7, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	28.04.2000	Land with private institutional buildings comprising a 3-storey block, a 4-storey block, a 6-storey block and a sports complex (Sekolah Sri KDU & Sri KDU International School)	3 – 12 years	99 years lease expiring 25.01.2104	520,579	90,159
6.	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	23.06.2006	Land approved for commercial and residential development	–	Freehold	21,411,047	73,325
7.	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Land approved for commercial development	–	Freehold	514,008	53,800
8.	Lot Nos. 7 & 9 Jalan Teknologi 3/1 Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	13.11.2008	Land approved for industrial development (Held for future development)	–	99 years lease expiring 19.01.2107	411,642	45,822
9.	Lot 94 Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan held under Title No. PN17345	20.02.2008	Land with 3 single storey buildings (KDU University College – Section 13 branch campus)	48 years	99 years lease expiring 04.06.2063	225,680	43,583
10.	No 32, Jalan Anson 10400 Penang	21.04.1993	Land with private institutional buildings comprising a 5-storey block and a 8-storey block (KDU College – Penang campus)	17 years	Freehold	86,013	29,402

# statement of directors' responsibility

in relation to the financial statements

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

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

The Directors consider that in preparing the financial statements:

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

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

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



# Financial Statements

64	Directors' Report	75	Consolidated Statement Of Cash Flows
68	Statement By Directors & Statutory Declaration	76	Income Statement
69	Independent Auditors' Report	77	Statement Of Financial Position
71	Consolidated Income Statement	78	Statement Of Changes In Equity
72	Consolidated Statement Of Comprehensive Income	79	Statement Of Cash Flows
73	Consolidated Statement Of Financial Position	80	Notes To The Financial Statements
74	Consolidated Statement Of Changes In Equity		



# 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 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

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

## RESULTS

	Group RM'000	Company RM'000
Profit net of tax	53,503	19,648

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

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

## DIVIDENDS

The amounts of dividends declared by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as reported in the directors' report of that year:	
Final single tier dividend of 5.0 sen, on 337,812,000 ordinary shares, declared on 28 February 2013 and paid on 27 June 2013	16,891
In respect of the financial year ended 31 December 2013:	
Interim single tier dividend of 2.5 sen, on 337,812,000 ordinary shares, declared on 22 August 2013 and paid on 26 September 2013	8,445
	25,336

At the forthcoming Annual General Meeting, a final single tier dividend of 5.5 sen, in respect of the financial year ended 31 December 2013 on 337,812,000 ordinary shares, amounting to a dividend payable of RM18,580,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2014, and are payable on 27 June 2014.

## DIRECTORS

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

Dato' Md Taib bin Abdul Hamid  
Dato' Teo Chiang Quan  
Ong Keng Siew  
Dato' Haji Azlan bin Hashim  
Dato' Rohana Tan Sri Mahmood  
Datuk Seri Yam Kong Choy  
Quah Chek Tin  
Geh Cheng Hooi (retired on 10 June 2013)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

## DIRECTORS' INTERESTS

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

	<---- Number of ordinary shares of RM0.50 each ---->			
	At 1 January 2013	Acquired	Sold	At 31 December 2013
<b>The Company</b>				
<b>Direct Interest</b>				
Dato' Teo Chiang Quan	4,488,400	—	—	4,488,400
Ong Keng Siew	3,116,400	—	—	3,116,400
Datuk Seri Yam Kong Choy	108,000	—	—	108,000
<b>Deemed Interest</b>				
Dato' Teo Chiang Quan	88,826,300	—	—	88,826,300
Dato' Md Taib bin Abdul Hamid	140,000	—	—	140,000

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

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

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.



## **SUBSEQUENT EVENTS**

Details of subsequent events are disclosed in Note 42 to the financial statements.

## **AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2014.

**DATO' MD TAIB BIN ABDUL HAMID**

**DATO' TEO CHIANG QUAN**

# statement by directors

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

We, Dato' Md Taib bin Abdul Hamid and Dato' Teo Chiang Quan, being two of the directors of Paramount Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 71 to 136 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 43 to the financial statements, on page 137 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2014.

**DATO' MD TAIB BIN ABDUL HAMID**

**DATO' TEO CHIANG QUAN**

# statutory declaration

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

I, Foong Poh Seng, being the officer primarily responsible for the financial management of Paramount Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 71 to 137 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Foong Poh Seng at  
Kuala Lumpur in Federal Territory  
on 27 February 2014

**FOONG POH SENG**

Before me,

Commissioner of Oaths

**LEE CHIN HIN**  
No. W493  
149, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur

# independent auditors' report

to the members of Paramount Corporation Berhad

## **Report on the financial statements**

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 71 to 136.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows of the Group and of the Company for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## **Report on other legal and regulatory requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

## **Other matters**

The supplementary information set out in Note 43 on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

## **ERNST & YOUNG**

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

27 February 2014

## **TAN SHIUM JYE**

No. 2991/05/14(J)

Chartered Accountant



# consolidated income statement

for the financial year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Revenue	4	512,073	450,048
Other income		30,052	34,061
Property development costs	13(b)	(145,274)	(131,272)
Construction contract costs		(150,047)	(116,629)
Employee benefits expense	5	(92,684)	(86,485)
Depreciation and amortisation		(13,793)	(14,491)
Other expenses		(63,924)	(56,030)
Finance costs	7	(1,095)	(2,938)
Share of loss of associates		(212)	(17)
Profit before tax	8	75,096	76,247
Income tax expense	9	(21,593)	(19,793)
Profit net of tax		53,503	56,454
Basic earnings per share attributable to equity holders of the Company (sen)	10(a)	15.84	16.71

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

# consolidated statement of comprehensive income

for the financial year ended 31 December 2013

	2013 RM'000	2012 RM'000
Profit net of tax	53,503	56,454
Foreign currency translation	(1,006)	(79)
<b>Total comprehensive income</b>	<b>52,497</b>	<b>56,375</b>

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

# consolidated statement of financial position

as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	12	317,491	315,293
Land held for property development	13(a)	457,634	515,608
Investment properties	14	61,118	19,630
Intangible asset	16	15,674	15,674
Investments in associates	18	8,604	9,565
Other investments	19	342	342
Deferred tax assets	31	9,774	11,763
		870,637	887,875
<b>Current assets</b>			
Property development costs	13(b)	131,628	29,828
Inventories	20	1,732	–
Trade receivables	21	105,382	101,752
Other receivables	22	22,325	15,438
Other current assets	23	17,777	12,542
Tax recoverable		4,818	5,249
Other investments	19	1,530	217
Cash and cash equivalents	26	110,544	121,911
		395,736	286,937
Assets held for sale	15	35,956	17,458
		431,692	304,395
<b>Total assets</b>		1,302,329	1,192,270
<b>Current liabilities</b>			
Borrowings	27	41,402	14,460
Trade payables	28	109,335	79,137
Other payables	29	77,746	76,290
Tax payable		3,195	4,115
Other current liabilities	30	49,132	59,960
		280,810	233,962
<b>Net current assets</b>		150,882	70,433
<b>Non-current liabilities</b>			
Borrowings	27	276,344	238,235
Deferred tax liabilities	31	18,077	20,136
		294,421	258,371
<b>Total liabilities</b>		575,231	492,333
<b>Equity</b>			
Share capital	32	168,906	168,906
Reserves		558,192	531,031
<b>Total equity</b>		727,098	699,937
<b>Total equity and liabilities</b>		1,302,329	1,192,270

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

# consolidated statement of changes in equity

for the financial year ended 31 December 2013

	Share capital RM'000	<---Non-Distributable---> Share premium RM'000	Translation reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2013</b>	168,906	41,631	–	489,400	699,937
<b>Total comprehensive income</b>	–	–	(1,006)	53,503	52,497
<b>Transaction with owners</b>					
Dividends (Note 11)	–	–	–	(25,336)	(25,336)
<b>At 31 December 2013</b>	168,906	41,631	(1,006)	517,567	727,098
<b>At 1 January 2012</b>	168,906	41,631	1,480	459,971	671,988
<b>Total comprehensive income</b>	–	–	(79)	56,454	56,375
<b>Realised upon deregistration of a subsidiary</b>	–	–	(1,401)	–	(1,401)
<b>Transaction with owners</b>					
Dividends (Note 11)	–	–	–	(27,025)	(27,025)
<b>At 31 December 2012</b>	168,906	41,631	–	489,400	699,937

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



# consolidated statement of cash flows

for the financial year ended 31 December 2013

	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	75,096	76,247
Adjustments for:		
Depreciation of property, plant and equipment	13,458	14,176
Depreciation of investment properties	335	315
Property, plant and equipment written off	128	17
Additions of allowance for impairment of receivables	184	16
Reversal of allowance for impairment of receivables	(268)	(141)
Bad debts written off	164	83
Gain on deregistration of a subsidiary	—	(1,401)
Gain on disposal of property, plant and equipment	(343)	(479)
Gain on disposal of assets held for sale	(155)	(356)
Unrealised foreign exchange loss/(gain)	557	(171)
Share of loss of associates	212	17
Net derivative gain from interest rate swap	(100)	—
Interest expense	1,095	2,938
Interest income	(2,846)	(4,481)
<b>Operating profit before working capital changes</b>	87,517	86,780
(Increase)/decrease in receivables	(15,881)	61,224
Decrease/(increase) in development properties	23,556	(4,302)
Increase in inventories	(1,732)	—
Increase in payables	20,161	18,718
<b>Cash generated from operations</b>	113,621	162,420
Taxes paid	(22,152)	(23,405)
Interest paid	(12,915)	(9,601)
<b>Net cash generated from operating activities</b>	78,554	129,414
<b>Cash flows from investing activities</b>		
Increase in land held for development	(55,453)	(276,997)
Dividends received from associates	—	402
Purchase of property, plant and equipment	(68,674)	(25,189)
Purchase of investment properties	(8,921)	(7,309)
Proceeds from disposal of property, plant and equipment	922	758
Proceeds from disposal of asset held for sale	957	698
Increase in other investment	(1,313)	(217)
Interest received	2,846	4,481
<b>Net cash used in investing activities</b>	(129,636)	(303,373)
<b>Cash flows from financing activities</b>		
Dividends paid	(25,336)	(27,025)
Proceeds from issuance of iMTN	57,000	—
Payment of iMTN related services	(1,466)	—
Draw down of term loan	31,303	131,397
Repayment of borrowings	(21,786)	(14,700)
<b>Net cash generated from financing activities</b>	39,715	89,672
<b>Net decrease in cash and cash equivalents</b>	(11,367)	(84,287)
<b>Cash and cash equivalents at beginning of year</b>	121,911	206,198
<b>Cash and cash equivalents at end of year (Note 26)</b>	110,544	121,911

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

# income statement

for the financial year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Revenue	4	36,356	195,179
Other income		12	212
Employee benefits expense	5	(7,799)	(6,965)
Depreciation		(570)	(613)
Other expenses		(3,099)	(4,205)
Finance costs	7	(3,047)	(5,854)
Profit before tax	8	21,853	177,754
Income tax expense	9	(2,205)	(6,149)
Profit net of tax, representing total comprehensive income for the year		19,648	171,605

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

# statement of financial position

as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	12	1,115	1,199
Investment properties	14	690	705
Investments in subsidiaries	17	586,934	450,362
Other investments	19	165	165
Deferred tax assets	31	14	–
		588,918	452,431
<b>Current assets</b>			
Other receivables	22	5,372	264
Tax recoverable		1,091	1,774
Due from subsidiaries	25	61,456	147,734
Cash and cash equivalents	26	43,359	37,136
		111,278	186,908
<b>Total assets</b>		700,196	639,339
<b>Current liabilities</b>			
Other payables	29	3,288	3,260
Due to subsidiaries	25	113,536	46,971
		116,824	50,231
<b>Net current (liabilities)/assets</b>		(5,546)	136,677
<b>Non-current liabilities</b>			
Deferred tax liabilities	31	–	48
<b>Total liabilities</b>		116,824	50,279
<b>Equity</b>			
Share capital	32	168,906	168,906
Reserves		414,466	420,154
		583,372	589,060
<b>Total equity and liabilities</b>		700,196	639,339

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

# statement of changes in equity

for the financial year ended 31 December 2013

	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained earnings (Note 33) RM'000	Total equity RM'000
<b>At 1 January 2013</b>	168,906	41,631	378,523	589,060
<b>Total comprehensive income</b>	—	—	19,648	19,648
<b>Transaction with owners</b>				
Dividends (Note 11)	—	—	(25,336)	(25,336)
<b>At 31 December 2013</b>	168,906	41,631	372,835	583,372
<b>At 1 January 2012</b>	168,906	41,631	233,943	444,480
<b>Total comprehensive income</b>	—	—	171,605	171,605
<b>Transaction with owners</b>				
Dividends (Note 11)	—	—	(27,025)	(27,025)
<b>At 31 December 2012</b>	168,906	41,631	378,523	589,060

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

# statement of cash flows

for the financial year ended 31 December 2013

	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	21,853	177,754
Adjustments for:		
Depreciation of property, plant and equipment	555	598
Depreciation of investment properties	15	15
Property, plant and equipment written off	—	7
Impairment of investment in subsidiaries	—	900
Interest expense	3,047	5,854
Gain on disposal of property, plant and equipment	—	(44)
Dividend income	(21,017)	(181,391)
Interest income	(5,711)	(5,434)
<b>Operating loss before working capital changes</b>	(1,258)	(1,741)
(Increase)/decrease in receivables	(5,108)	43,252
Increase in payables	28	1,012
Changes in subsidiaries balances	152,843	(188,529)
<b>Cash generated from/(used in) operations</b>	146,505	(146,006)
Interest paid	(3,047)	(5,854)
Net tax refunded	167	487
<b>Net cash generated from/(used in) operating activities</b>	143,625	(151,373)
<b>Cash flows from investing activities</b>		
Interest received	5,711	5,434
Dividends received	19,266	173,050
Subscription of ordinary shares in subsidiaries	—	(10,200)
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	(138,072)	(30,500)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	1,500	48,085
Proceeds from disposal of property, plant and equipment	—	263
Purchase of property, plant and equipment	(471)	(418)
<b>Net cash (used in)/generated from investing activities</b>	(112,066)	185,714
<b>Cash flows from financing activity</b>		
Dividends paid, representing net cash used in financing activity	(25,336)	(27,025)
<b>Net increase in cash and cash equivalents</b>	6,223	7,316
<b>Cash and cash equivalents at beginning of year</b>	37,136	29,820
<b>Cash and cash equivalents at end of year (Note 26)</b>	43,359	37,136

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



# notes to the financial statements

– 31 December 2013

## 1. CORPORATE INFORMATION

Paramount Corporation Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, except as disclosed in the notes to the financial statements.

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

### 2.2 Changes in accounting policies

The new and revised FRSs, Amendments to FRS and IC Interpretations which are mandatory for companies with financial periods beginning on or after 1 January 2013 did not have any significant effects on the financial statements of the Company, except for those discussed below:

#### **FRS 12 *Disclosure of Interests in Other Entities***

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

#### **FRS 13 *Fair Value Measurement***

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

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

### 2.3 Standards issued but not yet effective

The directors expect that the adoption of the new FRS, Amendments to FRS and IC Interpretations which are issued but not yet effective for the financial year ended 31 December 2013 will not have any material impact on the financial statements of the Group and the Company in the period of initial application, other than as disclosed below:

#### **FRS 9 *Financial Instruments***

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities.

#### **Malaysian Financial Reporting Standards ("MFRS Framework")**

On 19 November 2012, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for three years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

### 2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

### 2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

### 2.6 Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

### 2.7 Goodwill (cont'd.)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Repair and maintenance costs are recognised in profit or loss as incurred. Freehold land are measured at cost or revalued amount (the fair value at the date of the revaluation) less any accumulated impairment losses. The freehold land of the Group has not been revalued since they were first revalued in 1980. The directors have not adopted a policy of regular revaluations for the freehold land and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): *Property, Plant and Equipment*, the freehold land continue to be stated at their 1980 valuation.

The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard IAS 16 (Revised): *Property, Plant and Equipment* which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which superseded IAS 16) would require revaluation to be carried out at regular intervals.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated over the remaining period of their respective leases, ranging from 30 to 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold and leasehold buildings: 50 years

Plant, equipment, furniture, fixtures and motor vehicles: 3 to 10 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.



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

### **2.9 Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land and building are depreciated over the remaining period of their leases of 30 years.

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

Investment property under construction (IPUC) is measured at fair value (when the fair value is reliably determinable). When assessing whether the fair value of IPUC can be determined reliably the company considers, among other things:

- (a) Is the asset being constructed in a developed liquid market?
- (b) Has a construction contract with the contractor been signed?
- (c) Have the required building and letting permits been obtained?
- (d) What percentage of rentable area has been pre-leased to tenants?

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

IPUC are not depreciated as these assets are not yet available for use.

### **2.10 Assets held for sale**

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.8 and Note 2.9. Thereafter, on initial classification as held for sale, the assets are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to profit or loss.

Assets once classified as held for sale are not depreciated.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

An asset held for sale is derecognised upon disposal and any gain or loss on derecognition is included in profit or loss in the year it is derecognised.

### **2.11 Land held for property development and property development costs**

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

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

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

### **2.11 Land held for property development and property development costs (cont'd.)**

#### **(b) Property development costs**

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

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

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

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

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within other current assets whereas the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within other current liabilities.

### **2.12 Construction contracts**

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

### **2.13 Inventories**

Inventories are stated at lower of cost and net realisable value. Inventories of completed properties comprise cost of land and the relevant development expenditure.

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

### **2.14 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### **2.15 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

#### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows;

##### **i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

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

### **2.15 Financial assets (cont'd.)**

#### **Subsequent measurement (cont'd.)**

##### **ii) Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### **Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

### **2.16 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in the economic conditions.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### **2.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, deposits with licensed banks and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### **2.18 Other non-current investments**

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

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

### **2.19 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### **i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as fair value through profit or loss.

#### **ii) Other financial liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### **2.20 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.



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

### **2.21 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### **2.22 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **2.23 Leases**

#### **(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

#### **(b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(d).

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

### **2.24 Revenue and other income recognition**

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

#### **(a) Sale of development properties**

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2.11(b).

#### **(b) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.12.

#### **(c) Revenue from educational fees**

Revenue from educational fees is recognised on a straight-line basis over the duration of the course.

#### **(d) Rental income**

Rental income is recognised on a straight-line basis over the lease term.

#### **(e) Interest income**

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

#### **(f) Dividend income**

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

#### **(g) Membership fees**

Revenue from annual membership fees is recognised on a straight-line basis over the term of the membership.

#### **(h) Management fees**

Management fees are recognised when services are rendered.

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

### 2.25 Income taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

### **2.26 Employee benefits**

#### **Defined contribution plans**

The Group and the Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

### **2.27 Foreign currencies**

#### **(a) Functional and presentation currency**

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

#### **(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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.

#### **(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

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

### **2.28 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### **2.29 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

### **2.30 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

### **2.31 Fair value measurement**

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



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

### 2.31 Fair value measurement (cont'd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### (a) Classification between investment properties and property, plant and equipment

The Group and the Company have developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### 3.2 Key sources of estimation uncertainty

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

##### (a) Construction costs and property development

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

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

##### (b) Impairment of goodwill

Goodwill is tested for impairment annually. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 16.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### 3.2 Key sources of estimation uncertainty (cont'd.)

##### (c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that taxable profit will be available against which the unutilised tax losses, unabsorbed capital allowances and other temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

### 4. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of properties	217,804	206,522	—	—
Construction contracts	167,283	130,896	—	—
Educational fees	124,658	110,482	—	—
Membership fee	729	606	—	—
Interest income from:				
– Deposits with licensed banks	1,551	1,494	1,416	1,323
– Advances to subsidiaries	—	—	4,295	4,111
Dividends from subsidiaries	—	—	21,017	181,391
Management fees from subsidiaries	—	—	9,580	8,306
Rental income	48	48	48	48
	512,073	450,048	36,356	195,179

### 5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages and salaries	79,114	72,552	6,015	5,396
Contributions to defined contribution plan	9,021	8,409	709	629
Other benefits	6,430	5,524	1,075	940
	94,565	86,485	7,799	6,965
Less: Amount included in costs of construction contracts (Note 24)	(1,881)	—	—	—
	92,684	86,485	7,799	6,965

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,029,000 (2012: RM2,538,000) and RM1,321,000 (2012: RM1,717,000) respectively.

On 17 April 2013, the shareholders approved the establishment of a long term incentive plan ("LTIP") of up to 10% of the issued and paid up share capital of the Company (excluding treasury shares, if any) at any point in time during the duration of the LTIP for eligible employees and executive directors of the Group. The approved LTIP comprises the restricted share incentive plan and performance-based share incentive plan. As at 31 December 2013, the Group did not award any share incentive pursuant to the LTIP.

## 6. DIRECTORS' REMUNERATION

The details of the remuneration received/receivable by directors of the Company during the year are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Directors of the Company</b>				
<b>Executive:</b>				
Salaries	1,140	1,437	761	850
Fees	60	100	60	100
Bonus and other benefits	618	769	365	623
Defined contribution plan	211	232	135	144
Executive directors' remuneration excluding benefits-in-kind	2,029	2,538	1,321	1,717
Estimated monetary value of benefits-in-kind	318	137	232	23
	2,347	2,675	1,553	1,740
<b>Non-executive:</b>				
Fees	525	448	505	428
	2,872	3,123	2,058	2,168

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

	Number of Directors	
	2013	2012
<b>Executive directors:</b>		
RM750,001 – RM800,000	–	1
RM1,900,001 – RM1,950,000	–	1
RM2,300,001 – RM2,350,000	1	–
<b>Non-executive directors:</b>		
RM50,000 – RM100,000	6	6
RM100,001 – RM150,000	1	–

## 7. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
– Term loans	11,975	9,096	–	–
– iMTN	920	–	–	–
– Other borrowings	20	505	–	–
– Advances from subsidiaries	–	–	3,047	5,854
	12,915	9,601	3,047	5,854
Less: Interest expense capitalised in:				
– Investment properties	(1,254)	–	–	–
– Capital work-in-progress	(920)	–	–	–
– Land held for property development	(6,667)	(5,647)	–	–
– Property development costs	(2,979)	(1,016)	–	–
	1,095	2,938	3,047	5,854

## 8. PROFIT BEFORE TAX

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-executive directors' remuneration (Note 6)	525	448	505	428
Auditors' remuneration				
– statutory audit	333	296	85	75
– other services	–	111	–	5
Operating lease:				
– minimum lease payments for premises	3,998	3,500	603	574
– minimum lease payments for equipment	781	688	–	–
Direct operating expenses of investment properties	14	55	–	–
Impairment of investment in subsidiaries	–	–	–	900
Depreciation of:				
– property, plant and equipment	13,458	14,176	555	598
– investment properties	335	315	15	15
Property, plant and equipment written off	128	17	–	7
Gain on disposal of:				
– assets held for sale	(155)	(356)	–	–
– property, plant and equipment	(343)	(479)	–	(44)
Gain on deregistration of a subsidiary	–	(1,401)	–	–
Additions of allowance for impairment of receivables	184	16	–	–
Reversal of allowance for impairment of receivables	(268)	(141)	–	–
Bad debts written off	164	83	–	–
Interest income from:				
– deposits with licensed banks	(2,846)	(4,481)	(1,416)	(1,323)
– advances to subsidiaries	–	–	(4,295)	(4,111)
Rental income	(5,221)	(5,046)	–	–
Net foreign exchange (gain)/loss:				
– realised	(903)	(1,340)	–	–
– unrealised	557	(171)	–	–
Net derivative gain on interest rate swaps	(100)	–	–	–

During the financial year, the Group recognised a net gain of RM100,000 arising from fair value changes of interest rate swaps. The fair value changes are attributable to changes in interest rate curves. The method and assumptions applied in determining the fair value of interest rate swaps are disclosed in Note 38.



## 9. INCOME TAX EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current income tax:</b>				
Malaysian income tax	22,498	21,431	2,278	8,226
Over provision in prior years	(835)	(2,388)	(11)	(2,054)
	21,663	19,043	2,267	6,172
<b>Deferred tax (Note 31):</b>				
Relating to origination and reversal of temporary differences	460	1,055	(52)	(23)
Over provision in prior years	(530)	(305)	(10)	–
	(70)	750	(62)	(23)
Income tax expense	21,593	19,793	2,205	6,149

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's tax rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

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

A reconciliation of tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	2013 RM'000	2012 RM'000
<b>Group</b>		
Profit before tax	75,096	76,247
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	18,774	19,062
Effect of share of loss of associates	53	4
Income not subject to tax	(353)	(483)
Effect of changes in tax rates on opening balance of deferred tax	(760)	–
Expenses not deductible for tax purposes	3,197	3,679
Utilisation of previously unrecognised tax losses	(24)	(49)
Deferred tax assets recognised	(66)	–
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	2,137	273
Over provision of deferred tax in prior year	(530)	(305)
Over provision of tax expense in prior year	(835)	(2,388)
Income tax expense	21,593	19,793

## 9. INCOME TAX EXPENSE (CONT'D.)

	2013 RM'000	2012 RM'000
<b>Company</b>		
Profit before tax	21,853	177,754
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	5,463	44,439
Income not subject to tax	(3,507)	(37,060)
Expenses not deductible for tax purposes	270	824
Over provision of deferred tax in prior years	(10)	—
Over provision of tax expense in prior years	(11)	(2,054)
Income tax expense	2,205	6,149

## 10. EARNINGS PER SHARE

### (a) Basic

	2013	Group 2012
Profit attributable to ordinary equity holders of the Company (RM'000)	53,503	56,454
Weighted average number of ordinary shares in issue ('000)	337,812	337,812
Basic earnings per share (sen)	15.84	16.71

### (b) Diluted

The Group has no potential ordinary shares in issue and therefore, diluted earnings per share has not been presented.

## 11. DIVIDENDS

	Amount		Net dividends paid per ordinary share	
	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
<b>Recognised during the year:</b>				
<b>For the financial year ended 31 December 2013</b>				
Interim single tier dividend of 2.5 sen	8,445	–	2.5	–
<b>For the financial year ended 31 December 2012</b>				
Interim single tier dividend of 3.0 sen	–	10,134	–	3.0
Final single tier dividend of 5.0 sen	16,891	–	5.0	–
<b>For the financial year ended 31 December 2011</b>				
Final single tier dividend of 5.0 sen	–	16,891	–	5.0
	25,336	27,025	7.5	8.0

At the forthcoming Annual General Meeting, a final single tier dividend of 5.5 sen, in respect of the financial year ended 31 December 2013 on 337,812,000 ordinary shares, amounting to a dividend payable of RM18,580,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2014, and are payable on 27 June 2014.

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
<b>Cost or valuation</b>			
At 1 January 2012	269,333	109,769	379,102
Additions	12,655	12,534	25,189
Transfer from investment properties (Note 14)	538	579	1,117
Transfer from/(to) other receivables	29,413	(289)	29,124
Disposals	—	(1,903)	(1,903)
Write-off	—	(375)	(375)
At 31 December 2012 and 1 January 2013	311,939	120,315	432,254
Additions	63,072	6,522	69,594
Transfer to assets held for sale (Note 15)	(15,000)	—	(15,000)
Transfer to land held for development (Note 13)	(2,283)	—	(2,283)
Transfer to investment properties (Note 14)	(35,948)	—	(35,948)
Disposals	(538)	(1,613)	(2,151)
Write-off	—	(1,549)	(1,549)
At 31 December 2013	321,242	123,675	444,917
At 31 December 2013			
At cost	319,260	123,675	442,935
At valuation	1,982	—	1,982
	321,242	123,675	444,917
At 31 December 2012			
At cost	309,957	120,315	430,272
At valuation	1,982	—	1,982
	311,939	120,315	432,254
<b>Accumulated depreciation and impairment</b>			
At 1 January 2012	24,956	79,900	104,856
Depreciation charge for the year	3,373	10,803	14,176
Transfer to other receivables	—	(89)	(89)
Disposals	—	(1,624)	(1,624)
Write-off	—	(358)	(358)
At 31 December 2012 and 1 January 2013	28,329	88,632	116,961
Depreciation charge for the year	3,374	10,084	13,458
Disposals	(17)	(1,555)	(1,572)
Write-off	—	(1,421)	(1,421)
At 31 December 2013	31,686	95,740	127,426
<b>Net carrying amount</b>			
At 31 December 2013			
At cost	287,574	27,935	315,509
At valuation	1,982	—	1,982
	289,556	27,935	317,491
At 31 December 2012			
At cost	281,628	31,683	313,311
At valuation	1,982	—	1,982
	283,610	31,683	315,293

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

### \* Land and building

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold building RM'000	Capital work-in progress RM'000	Total RM'000
<b>Group</b>					
<b>Cost or valuation</b>					
At 1 January 2012	66,278	152,280	50,775	—	269,333
Additions	1,526	35	724	10,370	12,655
Transfer from investment properties	—	—	538	—	538
Transfer from other receivables	—	—	—	29,413	29,413
At 31 December 2012 and 1 January 2013	67,804	152,315	52,037	39,783	311,939
Additions	—	408	—	62,664	63,072
Transfer to investment properties (Note 14)	(35,948)	—	—	—	(35,948)
Transfer to assets held for sale (Note 15)	(15,000)	—	—	—	(15,000)
Transfer to land held for development (Note 13)	(2,283)	—	—	—	(2,283)
Disposal	—	—	(538)	—	(538)
At 31 December 2013	14,573	152,723	51,499	102,447	321,242
At 31 December 2013					
At cost	12,591	152,723	51,499	102,447	319,260
At valuation	1,982	—	—	—	1,982
	14,573	152,723	51,499	102,447	321,242
At 31 December 2012					
At cost	65,822	152,315	52,037	39,783	309,957
At valuation	1,982	—	—	—	1,982
	67,804	152,315	52,037	39,783	311,939
<b>Accumulated depreciation</b>					
At 1 January 2012	—	10,247	14,709	—	24,956
Depreciation charge for the year	—	1,862	1,511	—	3,373
At 31 December 2012 and 1 January 2013	—	12,109	16,220	—	28,329
Depreciation charge for the year	—	1,863	1,511	—	3,374
Disposal	—	—	(17)	—	(17)
At 31 December 2013	—	13,972	17,714	—	31,686
<b>Net carrying amount</b>					
At 31 December 2013					
At cost	12,591	138,751	33,785	102,447	287,574
At valuation	1,982	—	—	—	1,982
	14,573	138,751	33,785	102,447	289,556
At 31 December 2012					
At cost	65,822	140,206	35,817	39,783	281,628
At valuation	1,982	—	—	—	1,982
	67,804	140,206	35,817	39,783	283,610



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

### Company

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
<b>Cost</b>	
At 1 January 2012	4,578
Additions	418
Disposals	(390)
Write-off	(95)
At 31 December 2012 and 1 January 2013	4,511
Additions	471
Write-off	(688)
At 31 December 2013	4,294
<b>Accumulated depreciation</b>	
At 1 January 2012	2,973
Depreciation charge for the year	598
Disposals	(171)
Write-off	(88)
At 31 December 2012 and 1 January 2013	3,312
Depreciation charge for the year	555
Write-off	(688)
At 31 December 2013	3,179
<b>Net carrying amount</b>	
At 31 December 2013	1,115
At 31 December 2012	1,199

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

- (a) The freehold land of a subsidiary was revalued by the directors based on independent professional valuations made in 1980 and has not been revalued since then. The directors have not adopted a policy of regular revaluations of such assets. As permitted by FRS 116: *Property, Plant and Equipment*, these assets are stated at their 1980 valuation. Details of independent professional valuation of the freehold land owned by the subsidiary are as follows:

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

Had the revalued freehold land been carried at historical cost, the net book value of the freehold land that would have been included in the financial statements of the Group as at 31 December 2013 would be RM35,000 (2012: RM35,000).

- (b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 27) are as follows:

	Group	
	2013 RM'000	2012 RM'000
Freehold land and building	—	36,651
Capital work in progress	102,447	—
Long term leasehold land and buildings	43,582	135,454
	146,029	172,105

- (c) The Group's capital work-in-progress includes borrowing cost capitalised arising from borrowings drawdown specifically for the purpose of the construction of the building. During the financial year, the borrowing cost capitalised as cost of capital work-in-progress amounted to RM920,000 (2012: RM nil).

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

#### (a) Land held for property development

	Group	
	2013 RM'000	2012 RM'000
<b>Freehold land</b>		
At 1 January	374,566	131,880
Additions	26,087	247,333
Transfer from property, plant and equipment (Note 12)	2,283	–
Transfer to property development costs (Note 13(b))	(83,941)	(4,647)
At 31 December	318,995	374,566
<b>Leasehold land</b>		
At 1 January	39,734	45,018
Reclassification to development costs	–	(5,284)
At 31 December	39,734	39,734
<b>Development costs</b>		
At 1 January	101,308	56,066
Costs incurred during the financial year	36,033	63,980
Reclassification from leasehold land	–	5,284
Transfer to property development costs (Note 13(b))	(38,436)	(24,022)
At 31 December	98,905	101,308
Carrying amount at 31 December	457,634	515,608

#### (b) Property development costs, at cost

<b>Freehold land</b>		
At 1 January	101,663	100,001
Reversal of completed projects	(2,500)	(2,985)
Transfer from land held for property development (Note 13(a))	83,941	4,647
Transfer to inventories (Note 20)	(113)	–
At 31 December	182,991	101,663
<b>Leasehold land</b>		
At 1 January/31 December	31,058	31,058

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

#### (b) Property development costs, at cost (cont'd.)

	Group	
	2013 RM'000	2012 RM'000
<b>Cumulative property development costs</b>		
At 1 January	1,004,593	896,698
Cost incurred during the year	126,429	107,921
Transfer from land held for property development (Note 13(a))	38,436	24,022
Transfer to inventories (Note 20)	(1,619)	–
Reversal of completed projects	(33,443)	(24,048)
At 31 December	1,134,396	1,004,593
<b>Cumulative costs recognised in income statement</b>		
At 1 January	(1,107,486)	(1,003,247)
Recognised during the financial year	(145,274)	(131,272)
Reversal of completed projects	35,943	27,033
At 31 December	(1,216,817)	(1,107,486)
Property development costs at 31 December	131,628	29,828

The freehold land held for property development with carrying value of RM280,451,000 (2012: RM339,803,000) has been pledged as security for term loans as disclosed in Note 27.

The Group's land held for property development and property development cost include borrowing costs arising from borrowings drawdown specifically for the purpose of the construction of the projects. During the financial year, the borrowing costs capitalised amounted to RM9,646,000 (2012: RM6,663,000).

## 14. INVESTMENT PROPERTIES

			Group		
	Freehold buildings RM'000	Freehold land RM'000	Leasehold land and buildings RM'000	Investment properties under construction RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2012	3,556	7,743	8,867	—	20,166
Additions	—	7,309	—	—	7,309
Transfer to property, plant and equipment (Note 12)	(1,143)	—	—	—	(1,143)
At 31 December 2012 and 1 January 2013	2,413	15,052	8,867	—	26,332
Additions	—	2,295	—	7,880	10,175
Transfer from property, plant and equipment (Note 12)	—	35,948	—	—	35,948
Transfer to assets held for sale (Note 15)	—	(5,937)	—	—	(5,937)
At 31 December 2013	2,413	47,358	8,867	7,880	66,518
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2012	254	1,637	4,522	—	6,413
Depreciation charge for the year	8	—	307	—	315
Transfer to property, plant and equipment (Note 12)	(26)	—	—	—	(26)
At 31 December 2012 and 1 January 2013	236	1,637	4,829	—	6,702
Depreciation charge for the year	28	—	307	—	335
Transfer to assets held for sale (Note 15)	—	(1,637)	—	—	(1,637)
At 31 December 2013	264	—	5,136	—	5,400
<b>Net carrying amount</b>					
At 31 December 2013	2,149	47,358	3,731	7,880	61,118
At 31 December 2012	2,177	13,415	4,038	—	19,630
<b>Fair value</b>					
At 31 December 2013	5,950	51,381	5,500	*	62,831
At 31 December 2012	5,950	19,075	5,500	—	30,525

\* The fair value of the investment properties under construction is not presented as it cannot be determined reliably.



#### 14. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
<b>Cost</b>	
At 1 January 2012/31 December 2013	750
<b>Accumulated depreciation</b>	
At 1 January 2012	30
Depreciation charged for the year	15
At 31 December 2012 and 1 January 2013	45
Depreciation charged for the year	15
At 31 December 2013	60
<b>Net carrying amount</b>	
At 31 December 2013	690
At 31 December 2012	705
<b>Fair value</b>	
At 31 December 2012/31 December 2013	1,500

The freehold land of the Group with carrying value of RM33,000,000 (2012: RM nil) has been pledged as security for term loans as disclosed in Note 27.

The fair value of the investment properties of the Group and of the Company disclosed were estimated by the directors based on internal appraisal of fair values of comparable properties. Details of valuation techniques and inputs used are disclosed in Note 38.

The Group's investment properties under construction includes borrowing costs arising from borrowings drawdown specifically for the purpose of the construction of the investment properties. During the financial year, the borrowing costs capitalised amounted to RM1,254,000 (2012: RM nil).

## 15. ASSETS HELD FOR SALE

Assets held for sale represent property, plant and equipment and investment properties owned by the Group and are carried at cost.

	RM'000
<b>Group</b>	
<b>Carrying amount</b>	
At 1 January 2012	17,800
Additions	1,325
Disposals	(1,667)
At 31 December 2012 and 1 January 2013	17,458
Transfer from property, plant and equipment (Note 12)	15,000
Transfer from investment properties (Note 14)	4,300
Disposals	(802)
At 31 December 2013	35,956

As at year end, RM16,656,000 pertains to real properties held for sale which remain unsold as a result of government measures relating to the real property market. The Group has taken necessary actions and these real properties are being actively marketed at a price that is reasonable, given the change in circumstances.

## 16. INTANGIBLE ASSET

	Group
	2013 RM'000
	2012 RM'000
Goodwill	15,674
	15,674

### Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five years period.

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

#### (a) Discount rate

The discount rate of 11% (2012: 11%) used is pre-tax and reflects specific risks relating to the industry.

#### (b) Growth rate

The growth rate of 12% (2012: 12%) used is based on the long term average growth rate for the industry.

#### (c) Budgeted gross margin

The gross margin is based on average values achieved in the three years preceding the start of the budget period.

### Sensitivity to changes in assumptions

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

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	248,012	248,012
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPs")	383,237	293,250
Less: Redemption of NCRCPs	(1,500)	(48,085)
Less: Accumulated impairment losses	(42,815)	(42,815)
	586,934	450,362

The salient terms of the NCRCPs subscribed are summarised below:

- (i) Preferential non-cumulative dividends are payable at a rate to be mutually agreed and are payable on a date determined by the issuer subject to availability of profits.
- (ii) The NCRCPs are redeemable at the issuer's option at any time out of profits or out of fresh issue of shares.
- (iii) The NCRCPs are convertible at the issuer's option at any time into ordinary shares of RM1 each in the issuer. Conversion rate is on the basis of 1 NCRCPs for 1 new ordinary share of RM1 in the issuer.

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest		Paid-up capital '000	Principal activities
	2013 %	2012 %		
Incorporated in Malaysia				
Berkeley Sdn. Bhd.	100	100	RM5,000	Investment holding and property development
Berkeley Maju Sdn. Bhd.	100	100	RM1,000	Inactive
Paramount Engineering & Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Construction Sdn. Bhd.	100	100	RM750	Building and engineering contractor
Paramount Property Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Seleksi Megah Sdn. Bhd.	100	100	RM5,000	Inactive
Paramount Projects Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor and project management and property development
Paramount Property (Shah Alam) Sdn. Bhd.	100	100	RM5,000	Property development
KDU University College Sdn. Bhd.	100	100	RM15,000	Educational services

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

Name of subsidiaries	Effective interest		Paid-up capital '000	Principal activities
	2013 %	2012 %		
Incorporated in Malaysia				
Janahasil Sdn. Bhd.	100	100	RM1,000	Property investment
KDU Smart School Sdn. Bhd.	100	100	RM20,000	Educational services
Paramount Property Holdings Sdn. Bhd.	100	100	RM10,000	Inactive
Paramount Property (Utara) Sdn. Bhd.	100	100	RM5,000	Property development
Kelab Bandar Laguna Merbok Sdn. Bhd.	100	100	*	Operator of club house
Paramount Global Assets Sdn. Bhd.	100	100	RM35,360	Inactive
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Property investment and management
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	100	100	RM5,000	Property investment
Supreme Essence Sdn. Bhd.	100	100	RM5,000	In the process of winding up
Broad Projects Sdn. Bhd.	100	100	RM100	Investment holding and car park operator
KDU College (PJ) Sdn. Bhd.	100	100	RM5,000	Educational services
KDU College (PG) Sdn. Bhd.	100	100	RM5,000	Educational services
Paramount Property (Glenmarie) Sdn. Bhd.	100	100	RM5,000	Property development
Paramount Property (Cjaya) Sdn. Bhd.	100	100	RM5,000	Property development
Utropolis Sdn. Bhd. (formerly known as Fabulous Knowledge Sdn. Bhd.)	100	100	RM1	Inactive
Paramount Property (PG) Sdn. Bhd. (formerly known as Pearl Cove Development Sdn. Bhd.)	100	—	*	Inactive
Carp Legacy Sdn. Bhd.	100	—	*	Inactive

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

Name of subsidiaries	Effective interest		Paid-up capital '000	Principal activities
	2013 %	2012 %		
Incorporated in Commonwealth of Australia				
Paramount Global Investments Pty. Ltd.	100	100	**	Investment holding
Paramount Investments & Properties Pty. Ltd.	100	100	**	Investment holding

\* Paid-up capital of RM2

\*\* Paid-up capital of AUD2

AUD Represents currency denoted in Australian Dollars

- (i) On 21 March 2013, the Company acquired a shelf company, Paramount Property (PG) Sdn. Bhd. (formerly known as Pearl Cove Development Sdn. Bhd.) with an issued and paid-up share capital of RM2.
- (ii) On 26 September 2013, Supreme Essence Sdn. Bhd. ("SESB"), a wholly-owned subsidiary company of the Company, has been placed under Members' Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. The winding-up of SESB did not have any material impact to the financial statements of the Group.
- (iii) On 4 December 2013, the Company acquired a shelf company, Carp Legacy Sdn. Bhd. with an issued and paid-up share capital of RM2.

## 18. INVESTMENTS IN ASSOCIATES

	Group	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	9,680	9,680
Share of post-acquisition reserves	(1,076)	(115)
	8,604	9,565



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

The summarised financial information of associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	<b>Group</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
<b>Assets and liabilities</b>		
Current assets, representing total assets	25,216	27,719
Current liabilities, representing total liabilities	7,977	8,559
<b>Results</b>		
Revenue	108	49
Loss for the year	(424)	(64)

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation losses of RM748,000 (2012: RM128,000).

Details of the associate are as follows:

Name of associates	Effective interest		Paid-up capital '000	Principal activities
	2013 %	2012 %		
Incorporated in Malaysia				
Kane Paramount Sdn. Bhd.*	40	40	RM30	In the process of winding up
Incorporated in Commonwealth of Australia				
VIP Paramount Pty. Ltd.*	50	50	**	Trustee
VIP Paramount Unit Trust*	50	50	AUD6,000	Inactive

\* Equity accounted based on management financial statements. The financial year end of the associates is coterminous with the financial year end of the Group.

\*\* Paid-up capital of AUD2

AUD Represents currency denoted in Australian Dollars

On 26 September 2013, Kane Paramount Sdn. Bhd. ("KPSB") has been placed under Members' Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. The winding-up of KPSB did not have any material impact to the financial statements of the Group.

## 19. OTHER INVESTMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Non-current:</b>				
Club memberships, at cost	485	485	165	165
Less: Accumulated impairment losses	(143)	(143)	–	–
	342	342	165	165
<b>Current:</b>				
Proceeds Account	30	–	–	–
Finance Service Reserve Account ("FSRA")	1,277	–	–	–
Other deposits with licensed banks	223	217	–	–
	1,530	217	–	–
	1,872	559	165	165

Pursuant to the Sukuk Programme as disclosed in Note 27, KDU University College Sdn. Bhd. ("KDUUC"), a wholly owned subsidiary of the Group shall maintain a Proceeds Account and a Finance Service Reserve Account.

The Proceeds Account shall be maintained and operated solely by KDUUC while there is no occurrence of an event of default. Upon occurrence of an event of default, and if not remedied within the remedy period, the account shall be operated solely by the security agent appointed by the lenders ("Security Agent").

The Proceeds Account shall capture all proceeds from the issuance of the Sukuk Programme, proceeds from the operations of KDUUC and any shareholder's contribution and/or advances remitted to the KDUUC.

The FSRA shall be operated solely by the Security Agent. KDUUC shall maintain an amount equivalent to the aggregate Sukuk Profit distribution payments under the Sukuk Programme for the next six months in the FSRA at all times.

As at the reporting date, the balances in the Proceeds Account and FSRA are placed in short term deposits for varying periods of between five months and twelve months and earn interest of 2.95% to 3.30% per annum. Both the Proceeds Account and FSRA are secured against the Sukuk Programme as disclosed in Note 27.

Other deposits with licensed banks relates to deposit pledged as security for bank guarantee facility granted by a licensed bank. It is placed for a period of 12 months (2012: 12 months) and earns interest of 2.95% (2012: 2.95%) per annum.

## 20. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
At cost		
Completed properties (Note 13(b))	1,732	–

## 21. TRADE RECEIVABLES

	Group	
	2013 RM'000	2012 RM'000
Third parties	72,117	69,532
Retention sums on contracts	33,620	32,714
	105,737	102,246
Less: Allowance for impairment	(355)	(494)
Trade receivables, net	105,382	101,752

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2012: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	94,521	81,835
1 to 30 days past due not impaired	2,882	3,783
31 to 60 days past due not impaired	2,356	12,547
61 to 90 days past due not impaired	847	2,857
91 to 120 days past due not impaired	80	115
More than 121 days past due not impaired	4,696	615
	10,861	19,917
Impaired	355	494
	105,737	102,246

## 21. TRADE RECEIVABLES (CONT'D.)

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The receivables that are past due but not impaired are unsecured in nature.

### Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2013 RM'000	2012 RM'000
Trade receivables – nominal amount	355	494
Less: Allowance for impairment	(355)	(494)
	–	–

Movement in allowance accounts:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	494	840
Addition during the year	112	16
Reversal for the year	–	(140)
Written off	(251)	(222)
At 31 December	355	494

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 22. OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits	14,579	7,976	5,318	211
Sundry receivables	7,680	7,741	54	53
Derivative asset from interest rate swap	149	–	–	–
	22,408	15,717	5,372	264
Less: Allowance for impairment	(83)	(279)	–	–
Other receivables, net	22,325	15,438	5,372	264

Included in deposits for the Group and the Company for the financial year is an earnest deposit paid for the purchase of land amounting to RM5,000,000.

The Company uses interest rate swap to hedge cash flow interest rate risk arising from a floating rate term loan. The nominal amount for the interest rate swap is RM62,700,000. The interest rate swap receives floating interest equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR"), pays a fixed rate of interest of 3.75% per annum, and matures on 30 September 2019.

Movement in allowance accounts:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	279	280
Addition during the year	72	–
Reversal during the year	(268)	(1)
At 31 December	83	279

## 23. OTHER CURRENT ASSETS

	Group	
	2013 RM'000	2012 RM'000
Prepaid expenses	3,042	1,829
Accrued billings in respect of property development costs	9,577	8,194
Due from customers on contracts (Note 24)	5,158	2,519
	17,777	12,542



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

	Group	
	2013 RM'000	2012 RM'000
Construction contract costs incurred to date	1,405,530	1,315,742
Less: Reversal for completed projects	(160,975)	(125,649)
<b>Construction contract costs incurred to date for contracts in progress</b>	<b>1,244,555</b>	<b>1,190,093</b>
Attributable profits	90,147	103,308
Less: Reversal for completed projects	(17,665)	(15,714)
<b>Attributable profits to date for contracts in progress</b>	<b>72,482</b>	<b>87,594</b>
	1,317,037	1,277,687
Less: Progress billings	(1,503,741)	(1,427,851)
Add: Reversal for completed projects	178,640	141,363
<b>Progress billings to date for contracts in progress</b>	<b>(1,325,101)</b>	<b>(1,286,488)</b>
	(8,064)	(8,801)
Due from customers on contracts (Note 23)	5,158	2,519
Due to customers on contracts (Note 30)	(13,222)	(11,320)
	(8,064)	(8,801)

The costs incurred to date on construction contracts of the Group include employee benefits expense of RM1,881,000 (2012: RM nil) incurred during the financial year.

## 25. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest of 4.50% (2012: 4.50% to 6.60%) per annum.

## 26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash on hand and at banks	45,816	28,722	1,141	81
Deposits with licensed banks	64,728	93,189	42,218	37,055
<b>Cash and cash equivalents</b>	<b>110,544</b>	<b>121,911</b>	<b>43,359</b>	<b>37,136</b>

## 26. CASH AND CASH EQUIVALENTS (CONT'D.)

Included in cash and cash equivalents of the Group are amounts of RM30,646,000 (2012: RM18,399,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which are restricted from use in other operations.

Included in cash on hand and at banks of the Group and of the Company are interest bearing bank balances amounting to RM41,790,000 (2012: RM24,832,000) and RM1,096,000 (2012: RM nil) which bear interest ranging from 1.5% to 2.5% (2012: 1.5% to 2.5%) per annum.

Deposits with licensed banks are made for varying periods of between 1 day and 3 months (2012: 1 day to 3 months) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2013 for the Group and the Company were 1.50% to 3.20% (2012: 0.06% to 3.15%) and 1.50% to 3.20% (2012: 3.00% to 3.12%) respectively.

Deposits with licensed banks are placed with or entered into with reputable licensed banks.

## 27. BORROWINGS

	Group	
	2013 RM'000	2012 RM'000
<b>Current</b>		
Secured:		
Term loans		
– Fixed rate	9,000	9,000
– Floating rate	32,402	5,460
	41,402	14,460
<b>Non-current</b>		
Secured:		
Term loans		
– Fixed rate	2,500	11,500
– Floating rate	218,298	226,735
Islamic Medium Term Notes (iMTN) – Floating rate	55,546	–
	276,344	238,235
<b>Total</b>	<b>317,746</b>	<b>252,695</b>

On 31 January 2013, KDUUC received approval from the Securities Commission in Malaysia for the issuance of up to RM350,000,000 iMTN pursuant to an iMTN Programme ("Sukuk Programme"). On 28 June 2013 and 20 December 2013, KDUUC issued RM39,000,000 and RM18,000,000 of iMTN respectively.

The Sukuk Programme bears interest ("Sukuk Profit") at the prevailing cost of funds of the iMTN holder ("Cost of Funds") plus 0.75% per annum for the first four years since the first drawdown date and Cost of Funds plus 1.00% per annum from the fifth year up to the seventh year. The average effective Sukuk Profit rate is 4.34% per annum during the financial year.

## 27. BORROWINGS (CONT'D.)

The Sukuk Programme is secured by the following:

- (i) First legal charge over the capital work-in-progress as disclosed in Note 12(b);
- (ii) A debenture incorporating a fixed and floating charge on the assets of KDUUC both present and future;
- (iii) A legal assignment of all relevant takaful/insurance policies taken up by KDUUC in respect of the capital work-in-progress and the endorsement of the security agent appointed by the lenders as loss payee;
- (iv) A legal charge and assignment of the Proceeds Account and FSRA as disclosed in Note 19; and
- (v) Assignment of all construction contracts and performance bonds (if any) taken out over the construction of the capital work-in-progress as disclosed in Note 12(b).

The effective interest rates of the term loans as at 31 December 2013 and 31 December 2012 are as follows:

	2013	2012
Term loans:		
– Fixed rates	6%	6%
– Floating rates	4.4% – 4.8%	4.3% – 6.6%

The management of the interest rate risk of the Group is disclosed in Note 39(c).

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

- (i) Fixed charge and deposit of land titles over the leasehold lands and buildings and land held for property development of the Group as disclosed in Notes 12(b) and 13(b) respectively; and
- (ii) Corporate guarantee by the Company.

The maturities of the borrowings as at 31 December 2013 and 31 December 2012 are as follows:

	Group	
	2013 RM'000	2012 RM'000
Within one year	41,402	14,460
More than 1 year and less than 2 years	44,306	14,188
More than 2 years and less than 5 years	167,087	178,114
More than 5 years	64,951	45,933
	317,746	252,695

## 28. TRADE PAYABLES

	Group	
	2013 RM'000	2012 RM'000
Trade payables	86,674	62,954
Retention sums on contracts	22,661	16,183
	109,335	79,137

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2012: 30 to 90 days).

## 29. OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sundry payables	50,824	54,091	3,272	3,244
Tenants deposits	955	937	16	16
Refundable deposits	23,537	21,262	—	—
Earnest deposits received	2,381	—	—	—
Derivative liability from interest rate swap	49	—	—	—
	77,746	76,290	3,288	3,260

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2012: 30 to 90 days).

The Company uses interest rate swap to hedge cash flow interest rate risk arising from a floating rate term loan. The nominal amount for the interest rate swap entered into during the financial year is RM39,000,000. The interest rate swap receives floating interest equal to the KLIBOR, pays a fixed rate of interest of 3.98% per annum, and matures on 30 June 2018.

## 30. OTHER CURRENT LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
Progress billings in respect of property development costs	5,928	21,442
Due to customer on contracts (Note 24)	13,222	11,320
Tuition fees received in advance	29,982	27,198
	49,132	59,960

### 31. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
At 1 January	8,373	7,623
Recognised in the income statement (Note 9)	(70)	750
At 31 December	8,303	8,373
Presented after appropriate offsetting as follows:		
Deferred tax assets	(9,774)	(11,763)
Deferred tax liabilities	18,077	20,136
	8,303	8,373

	At 1 January 2013 RM'000	Recognised in the income statement RM'000	At 31 December 2013 RM'000
<b>Deferred tax liabilities of the Group:</b>			
Property, plant and equipment	25,000	(2,003)	22,997
<b>Deferred tax assets of the Group:</b>			
Unutilised tax losses and unabsorbed capital allowances	(1,692)	(236)	(1,928)
Others	(14,935)	2,169	(12,766)
	(16,627)	1,933	(14,694)
	8,373	(70)	8,303

	At 1 January 2012 RM'000	Recognised in the income statement RM'000	At 31 December 2012 RM'000
<b>Deferred tax liabilities of the Group:</b>			
Property, plant and equipment	21,680	3,320	25,000
<b>Deferred tax assets of the Group:</b>			
Unutilised tax losses and unabsorbed capital allowances	(684)	(1,008)	(1,692)
Others	(13,373)	(1,562)	(14,935)
	(14,057)	(2,570)	(16,627)
	7,623	750	8,373

### 31. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	<b>Company</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
At 1 January	48	71
Recognised in the income statement (Note 9)	(62)	(23)
At 31 December	(14)	48

	<b>At 1 January 2013 RM'000</b>	<b>Recognised in the income statement RM'000</b>	<b>At 31 December 2013 RM'000</b>
<b>Deferred tax liabilities of the Company:</b>			
Property, plant and equipment	48	(62)	(14)

	<b>At 1 January 2012 RM'000</b>	<b>Recognised in the income statement RM'000</b>	<b>At 31 December 2012 RM'000</b>
<b>Deferred tax liabilities of the Company:</b>			
Property, plant and equipment	71	(23)	48

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

	<b>Group</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Unutilised tax losses	19,633	16,872
Unabsorbed capital allowances	10,026	5,657
Other deductible temporary differences	1,059	—
	30,718	22,529

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



## 32. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
<b>Authorised share capital</b>				
At 1 January/31 December	400,000	400,000	200,000	200,000
<b>Issued and fully paid</b>				
At 1 January/31 December	337,812	337,812	168,906	168,906

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

## 33. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2013 and 31 December 2012 under the single tier system.

## 34. OPERATING LEASE ARRANGEMENTS

### (a) The Group and the Company as lessee

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

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Future minimum lease payments:				
Not later than 1 year	3,389	3,638	617	617
Later than 1 year and not later than 5 years	1,273	4,077	565	1,182
Later than 5 years	—	30	—	—
	4,662	7,745	1,182	1,799

The lease payments recognised in income statements during the financial year are disclosed in Note 8.

### 34. OPERATING LEASE ARRANGEMENTS (CONT'D.)

#### (b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between 2 and 3 years.

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

	<b>Group</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Not later than 1 year	394	423
Later than 1 year and not later than 5 years	264	403
	<hr/> 658	<hr/> 826

### 35. COMMITMENTS

	<b>Group</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>
<b>Capital expenditure</b>		
Approved and contracted for:		
– Property, plant and equipment	129,589	20,491
– Investment properties	83,050	–
Approved but not contracted for:		
– Property, plant and equipment	92,369	261,394
– Investment properties	17,013	–
	<hr/> 322,021	<hr/> 281,885

### 36. RELATED PARTY DISCLOSURES

#### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchases of computers and peripherals from ECS KU Sdn. Bhd., a wholly-owned subsidiary of ECS ICT Berhad, a company in which Dato' Teo Chiang Quan, a director of the Company, has substantial interests	412	157	27	54
Sale of properties to Dato' Teo Chiang Quan	3,023	1,460	—	—
Sale of a property to the spouse of Dato' Teo Chiang Quan	577	—	—	—
Sale of properties to Mr. Benjamin Teo Jong Hian, the son of Dato' Teo Chiang Quan	3,019	—	—	—
Sale of properties to Mr. Ong Chien Junn, son of Mr Ong Keng Siew, a director of the Company	1,106	374	—	—
Sale of a property to Mr Wang Chong Hwa, a director of a subsidiary	1,016	—	—	—
Sale of a property to the spouse of Mr Wang Chong Hwa	—	384	—	—
Sale of properties to Datin Teh Geok Lian, a director of a subsidiary	551	—	—	—
Sale of properties to Ms Tay Lee Kong and Ms Chua Put Moy, directors of a subsidiary	—	750	—	—
Sale of properties to Dato' Liew Yin Chew and Mr Foong Poh Seng, directors of a subsidiary	1,103	762	—	—
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has financial interest	617	576	617	576

#### (b) Compensation of key management personnel

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term employee benefits	10,119	9,332	4,588	4,846
Defined contribution plan	1,007	934	407	441
	11,126	10,266	4,995	5,287

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company.

### 36. RELATED PARTY DISCLOSURES (CONT'D.)

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

Included in key management personnel are directors' remuneration as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Directors of the Company</b>				
Executive	2,347	2,675	1,553	1,740
Non-executive	525	448	505	428
	2,872	3,123	2,058	2,168

### 37. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	21	105,382	101,752	—	—
Other receivables	*	22,176	15,438	5,372	264
Amount due from subsidiaries		—	—	61,456	147,734
Other investment	*	1,530	217	—	—
Cash and cash equivalents	26	110,544	121,911	43,359	37,136
<b>Total loans and receivables</b>		<b>239,632</b>	<b>239,318</b>	<b>110,187</b>	<b>185,134</b>
Derivative asset, included in other receivables, representing total financial asset at fair value through profit or loss	22	149	—	—	—
Trade payables	28	109,335	79,137	—	—
Other payables	*	64,427	64,924	1,877	1,940
Amount due to subsidiaries		—	—	113,536	46,971
Borrowings	*	319,200	252,695	—	—
<b>Total financial liabilities carried at amortised cost</b>		<b>492,962</b>	<b>396,756</b>	<b>115,413</b>	<b>48,911</b>
Derivative liability, included in other payables, representing total financial liability at fair value through profit or loss	29	49	—	—	—

\* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, *Financial Instruments: Recognition and Measurement*.

### 38. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value measurement hierarchies used to measure assets and liabilities carried at fair value in the statements of financial position as at 31 December 2013 are as follows:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (c) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company have no assets and liabilities measured at fair value other than disclosed below:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2013</b>				
<b>Group</b>				
Investment properties	–	–	62,831	62,831
<u>Derivative</u>				
Interest rate swap – assets	–	149	–	149
Interest rate swap – liabilities	–	(49)	–	(49)
<b>Company</b>				
Investment properties	–	–	1,500	1,500
<b>31 December 2012</b>				
<b>Group</b>				
Investment properties	–	–	30,525	30,525
<b>Company</b>				
Investment properties	–	–	1,500	1,500

During the year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

#### Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

##### Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The valuation technique applied is swap model, using present value calculation. The model incorporates various inputs including credit quality of counterparties and interest rate curves.

#### Level 3 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

##### Investment properties

The valuation of investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

### 38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

#### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value

	2013		2012	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Group</b>				
Fixed rate term loan	11,500	10,643	20,500	18,427

#### B. Determination of fair value

##### Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The carrying amounts of current financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of non-current borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. The Board Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with reputable licensed banks.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.



### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### (a) Credit risk (cont'd.)

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM353,750,000 (2012: RM293,728,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.
- A nominal amount of RM2,250,000 (2012: RM2,250,000) relating to performance guarantees extended to developers for contracts awarded to a subsidiary.

##### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2013		2012	
	RM'000	% of total	RM'000	% of total
<b>Group</b>				
Property development	23,932	23%	28,027	28%
Construction	81,106	77%	73,429	72%
Education	344	*	296	*
	105,382	100%	101,752	100%

\* Represents 0.32% (2012: 0.29%).

As at 31 December 2013, approximately 27% (2012: 21%) of the Group's trade receivables is due from a major customer.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several banks.

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### (b) Liquidity risk (cont'd.)

##### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013 RM'000			
	On demand or within one year	One to five years	More than five years	Total
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	173,811	–	–	173,811
Borrowings	55,968	234,380	78,746	369,094
<b>Total undiscounted financial liabilities</b>	<b>229,779</b>	<b>234,380</b>	<b>78,746</b>	<b>542,905</b>

<b>Company</b>				
<b>Financial liabilities:</b>				
Other payables	1,877	–	–	1,877
Due to subsidiaries	118,645	–	–	118,645
<b>Total undiscounted financial liabilities</b>	<b>120,522</b>	<b>–</b>	<b>–</b>	<b>120,522</b>

	2012 RM'000			
	On demand or within one year	One to five years	More than five years	Total
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	144,061	–	–	144,061
Borrowings	21,110	232,507	18,051	271,668
<b>Total undiscounted financial liabilities</b>	<b>165,171</b>	<b>232,507</b>	<b>18,051</b>	<b>415,729</b>

<b>Company</b>				
<b>Financial liabilities:</b>				
Other payables	1,940	–	–	1,940
Due to subsidiaries	49,085	–	–	49,085
<b>Total undiscounted financial liabilities</b>	<b>51,025</b>	<b>–</b>	<b>–</b>	<b>51,025</b>

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their floating rate borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swap to effectively convert its floating rate term loan to a fixed rate term loan.

#### Sensitivity analysis for interest rate risk

At the reporting date, if the cost of funds of the related lenders or banks has been 50 basis points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM1,030,000 (2012: RM1,161,000) higher/lower arising merely as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market.

### 40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in accordance to changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using debt to equity ratio, which is total debts divided by total equity.

	Note	2013	Group 2012
Total debts (RM'000)	27	317,746	252,695
Total equity (RM'000)		727,098	699,937
Debts to equity ratio		44%	36%

### 41. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (i) Property development – the development of residential and commercial properties;
- (ii) Construction – the construction of buildings and provision for engineering services;
- (iii) Education – the operation of private educational institutions; and
- (iv) Investment and others – investment holding, property investment, and provision of Group-level corporate services

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments took place at terms agreed between the parties.

#### 41. SEGMENTAL INFORMATION (CONT'D.)

	Property development		Construction		Education		Investment and others		Adjustments and eliminations		Note	Per consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
<b>Revenue :</b>													
External customers	218,533	207,128	167,283	130,896	124,658	110,482	1,599	1,542	—	—		512,073	450,048
Inter-segment sales	—	—	146,254	90,175	—	—	32,570	213,617	(178,824)	(303,792)	A	—	—
<b>Total revenue</b>	<b>218,533</b>	<b>207,128</b>	<b>313,537</b>	<b>221,071</b>	<b>124,658</b>	<b>110,482</b>	<b>34,169</b>	<b>215,159</b>	<b>(178,824)</b>	<b>(303,792)</b>		<b>512,073</b>	<b>450,048</b>
<b>Results:</b>													
Interest income	1,220	4,016	305	191	876	3,302	1,516	7	(1,071)	(6,022)	A	2,846	1,494
Interest expense	—	13	310	62	268	994	3,984	6,004	(3,467)	(4,135)	A	1,095	2,938
Depreciation and amortisation	1,413	1,343	1,262	1,182	9,280	10,111	1,838	1,855	—	—		13,793	14,491
Share of results of associates	—	—	—	—	—	—	(212)	(17)	—	—		(212)	(17)
<b>Segment profit</b>	<b>45,641</b>	<b>54,576</b>	<b>5,153</b>	<b>519</b>	<b>27,808</b>	<b>28,323</b>	<b>18,144</b>	<b>182,172</b>	<b>(21,650)</b>	<b>(189,343)</b>	B	<b>75,096</b>	<b>76,247</b>
<b>Assets:</b>													
Investment in associates	—	—	62	62	—	—	8,542	9,503	—	—		8,604	9,565
Additions to non-current assets	65,195	314,838	601	2,228	67,722	18,931	8,371	7,814	—	—	C	141,889	343,811
<b>Segment assets</b>	<b>781,253</b>	<b>709,365</b>	<b>162,010</b>	<b>132,174</b>	<b>384,251</b>	<b>298,431</b>	<b>210,980</b>	<b>297,516</b>	<b>(236,165)</b>	<b>(245,216)</b>	D	<b>1,302,329</b>	<b>1,192,270</b>
<b>Segment liabilities</b>	<b>367,672</b>	<b>414,677</b>	<b>112,915</b>	<b>87,911</b>	<b>161,719</b>	<b>100,533</b>	<b>156,711</b>	<b>87,523</b>	<b>(223,786)</b>	<b>(198,311)</b>	E	<b>575,231</b>	<b>492,333</b>

A Inter-segment revenues and expenses are eliminated on consolidation.

B The following items are (deducted from)/added to segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	2013 RM'000	2012 RM'000
Inter-segment dividends	(17,355)	(199,891)
Inter-segment interests	(4,295)	(4,638)
Impairment of subsidiaries	—	15,186
	<b>(21,650)</b>	<b>(189,343)</b>

#### 41. SEGMENTAL INFORMATION (CONT'D.)

C Additions to non-current assets consist of:

	2013 RM'000	2012 RM'000
Property, plant and equipment	69,594	25,189
Land held for property development	62,120	311,313
Investment properties	10,175	7,309
	141,889	343,811

D The following items are deducted from segment assets to arrive at the total assets reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Investment in associates	(961)	(546)
Inter-segment assets	(178,170)	(187,428)
Unrealised gains from inter-segment transactions	(57,034)	(57,242)
	(236,165)	(245,216)

E Inter-segment liabilities are eliminated on consolidation.

The revenue and non-current assets of the Group based on geographical location of customers and assets are attributed to Malaysia.

As at 31 December 2013 and 2012, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

#### 42. EVENTS OCCURRING AFTER THE REPORTING DATE

- (i) On 27 January 2014, the Company acquired 100% equity interest in Seamless Cartel Sdn. Bhd. ("SCSB"), a shelf company with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1 each and an issued and paid-up share capital of RM2 each comprising two ordinary shares of RM1 each.
- (ii) On 22 January 2013, the Company received approval from Securities Commission Malaysia ("SC") to establish a Private Debt Securities ("PDS") Programme to issue perpetual bonds of up to RM200,000,000.

On 6 February 2014, the Company has made the first PDS issuance of RM50,000,000. The PDS has the first call date on the 5th anniversary of the issue date.

#### 43. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013 and 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Total retained earnings of the Company and its subsidiaries				
– Realised	655,250	625,330	372,821	378,571
– Unrealised	(9,495)	(8,095)	14	(48)
	645,755	617,235	372,835	378,523
Total share of retained earnings from associates				
– Realised	(201)	11	–	–
Less: Consolidation adjustments	(127,987)	(127,846)	–	–
Retained earnings as per financial statements	517,567	489,400	372,835	378,523





# proxy form

I/We \_\_\_\_\_  
(name of shareholder as per NRIC or name of company, in capital letters)

NRIC No./ID No./Company No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old)

of \_\_\_\_\_  
(full address)

being a Member of Paramount Corporation Berhad (the Company) hereby appoint

\_\_\_\_\_ (name of proxy as per NRIC, in capital letters)

NRIC No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old) of

\_\_\_\_\_ (full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) for or against the resolutions to be proposed at the meeting as hereunder indicated.

	For	Against
Resolution 1 Final Dividend		
Resolution 2 Directors' Fees		
<b>Re-election and re-appointment of Directors:</b>		
Resolution 3 Dato' Rohana Tan Sri Mahmood		
Resolution 4 Mr Quah Chek Tin		
Resolution 5 Dato' Md Taib bin Abdul Hamid		
Resolution 6 Dato' Haji Azlan bin Hashim		
Resolution 7 Re-appointment of Auditors and to fix their remuneration		
Resolution 8 Authority to Directors to issue shares		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2014.

Signature/Common Seal

CDS ACCOUNT NO.	NO. OF SHARES HELD

## NOTES

- 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.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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.
- Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
- The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.

Fold along this line (1)

Please  
Affix  
Stamp

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

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