



ANNUAL REPORT 2014

ONE COMPANY; TWO SYNERGISTIC BUSINESSES

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PARAMOUNT®

Contents

18 The Company

19 Group Corporate Structure

20 Corporate Profile

24 Corporate Information

25 Other Information

26 Board of Directors

28 Board of Directors' Profile

32 Senior Management

34 The Growth Story

35 Letter to Shareholders

44 Five-Year Group Financial Highlights

46 Group CEO's Profile

47 Group CEO's Review of Operations

55 Statement on Corporate Social Responsibility

58 Statement on Corporate Governance

68 Report of the Audit Committee

71 Statement on Risk Management and Internal Control

73 Analysis of Shareholdings

76 List of Top 10 Properties

77 Statement of Directors' Responsibility

78 The Financials

168 Notice of Forty-Fifth Annual General Meeting

Proxy Form

PARAMOUNT CORPORATION BERHAD
ONE COMPANY; TWO SYNERGISTIC BUSINESSES

Paramount Corporation Berhad (**Paramount or the Company**), listed on the Main Market of Bursa Malaysia Securities Berhad, is one of Malaysia's long-standing investment holding companies. The Group's vision is to be an innovative market leader in businesses that benefit society.

In line with this, Paramount has well-established interests in property development and education services, operating under the Paramount Property and Paramount Education brands respectively.

Paramount's success stems from its unrelenting commitment to providing value, and its adherence to quality. As part of its growth strategy, the Company is focused on deriving synergies from its two core businesses, with an emphasis on innovation and thought leadership.

Backed by its talented workforce, sound fundamentals, well-embedded corporate values and its highly-respected brand, Paramount is a strong company with two synergistic businesses that will provide consistent and sustainable growth in the long term, while creating value for its customers, shareholders, business partners and employees.

Paramount Property

THE PEOPLE'S DEVELOPER

Paramount Property is an award-winning developer with more than 35 years of proven track record for building enduring addresses in the Klang Valley and Sungai Petani. Paramount Property began as an award-winning township developer; today, its portfolio includes residential, commercial, retail, education, industrial and integrated developments.

Paramount Property is known for its functional and practical designs that adapt to the evolving needs of property owners and occupiers, as well as its strong adherence to quality, its commitment to delivering value and its respect for the customer. Paramount Property also enjoys a strong reputation as an employer of choice, garnering HR Asia's Best Companies to Work for in Asia Award in 2013.

Leveraging on its strong track record, Paramount Property continues to look for opportunities to grow its landbank and create desirable addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population. This, in turn, has cemented its reputation as *the people's developer*.

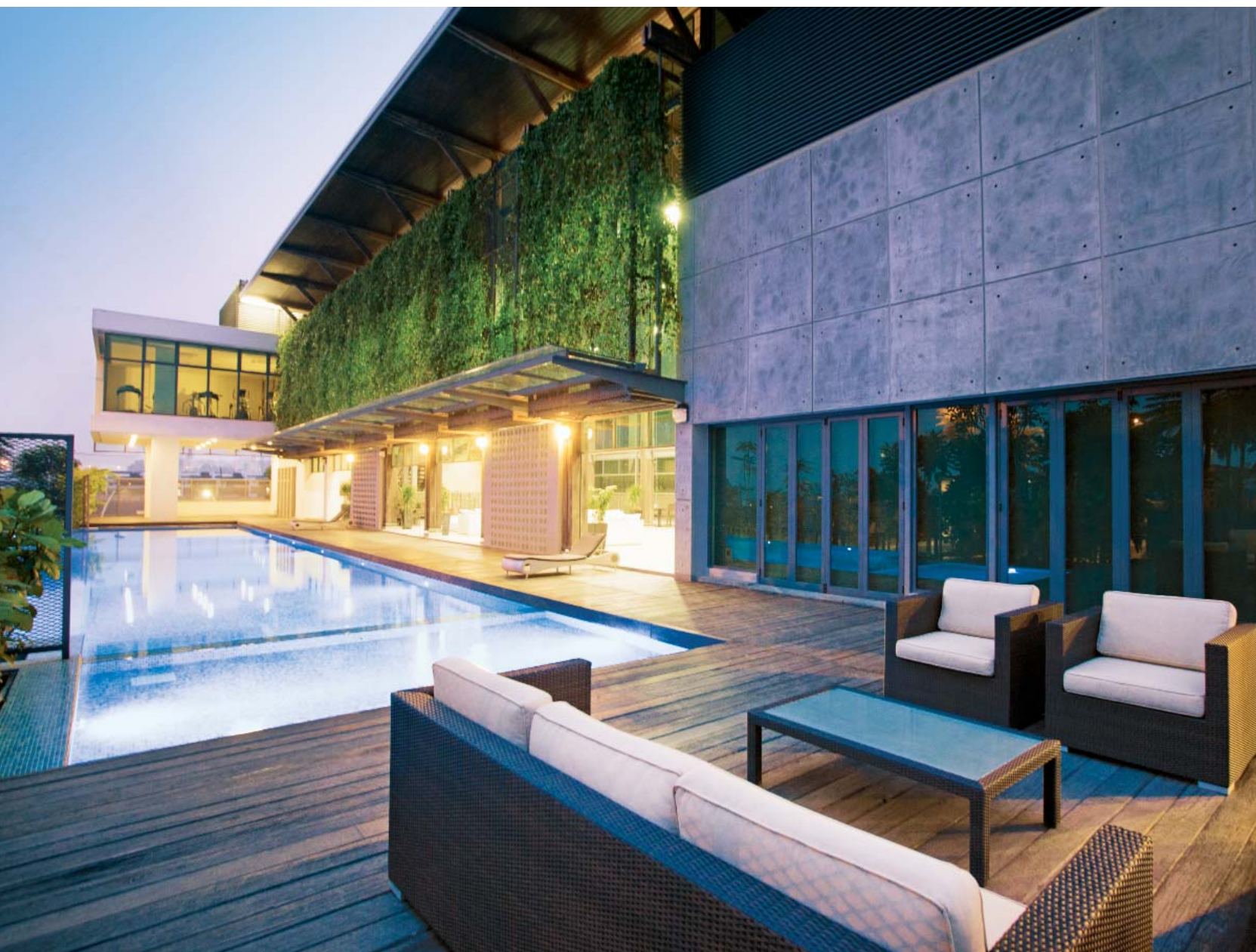
SEJATI RESIDENCES, CYBERJAYA

At Sejati Residences, life is all about inviting the outdoors in. Homes in this gated & guarded address in Cyberjaya feature high ceilings, tall windows and wide doors that open out into lush, beautifully landscaped gardens. Practical layouts, thoughtful amenities and eco-sensitive designs & fittings add to a lifestyle that is truly in touch with nature.



CHENGAL HOUSE AT SEJATI RESIDENCES, CYBERJAYA

At the heart of Sejati Residences in Cyberjaya stands Chengal House, Paramount Property's iconic tribute to the beauty and resilience of Malaysian hardwoods. Chengal House features roof trusses and columns made from 200-year-old chengal wood salvaged from a 70-year-old factory; testament to Paramount's ethos of respecting people & planet.





BUKIT BANYAN, SUNGAI PETANI

Bukit Banyan is Sungai Petani's only hilltop development; a gated & guarded haven for those who aspire to live up close to nature. A 25-acre Forest Park anchors contemporary homes, while beautifully landscaped grounds are a perfect setting for walking, cycling or simply enjoying nature's bounty.

BANDAR LAGUNA MERBOK, SUNGAI PETANI

This mature, thriving riverside township is Kedah's first gated & guarded community. Beautifully designed, Bandar Laguna Merbok is the recipient of the FIABCI-Malaysia Best Residential Development in 2004 – the first for a residential development outside of the Klang Valley.





SURIAN INDUSTRIAL PARK, KOTA DAMANSARA

Located in the thriving Kota Damansara township, Surian Industrial Park comprises semi-detached industrial lots designed for modern business ventures, with practical layouts and full glass frontages that allow in natural light and keep running costs low. Investors in these units have enjoyed significant value appreciation over the years.

SEKITAR26, SHAH ALAM

Located in busy Section 26, Shah Alam, Sekitar26 is a commercial and retail development that is envisioned to be a thriving place of business and a vibrant destination for leisure; a beacon for businesses looking for a highly accessible address. The first component of this development – Sekitar26 Business – comprises industrial units, innovatively designed for a myriad of business uses.



KEMUNING UTAMA, SHAH ALAM

Paramount Property's first township in the Klang Valley, Kemuning Utama, is an idyllic, self-contained address with individual gated & guarded precincts, each with its own private park. Today, Kemuning Utama is one of the most highly valued addresses in Shah Alam, with property owners enjoying significant value appreciation over the years. KU Suites at Kemuning Utama is Paramount Property's first high-rise residential development.





PARAMOUNT UTROPOLIS, GLENMARIE

Paramount Utropolis is Paramount Property's first integrated development, bringing to life its strategy of strength through synergy – Paramount Property and Paramount Education – in one location.

Envisioned to be a thriving university metropolis, Paramount Utropolis is anchored by the 10-acre KDU University College flagship campus, and complemented by residential, commercial and retail elements. These are designed to create a live-and-learn, work-and-play self-sustaining community in the heart of Glenmarie.

Anchoring this address is Utropolis Marketplace, Paramount's first retail development. Set to open its doors in 2016, this 120,000 sq ft retail space will house F&B, retail and entertainment to meet the everyday needs of the Utropolis community, as well as those in the surrounding Glenmarie area.

KDU UNIVERSITY
COLLEGE



Paramount Education

SHAPING CHARACTERS, BUILDING CAREERS

Paramount Education is a full-spectrum education services provider, offering the national and international curriculum in primary and secondary schools, through to tertiary and post-graduate programmes.

Paramount Education is proud to have had 80,000 students since its inception in 1983, testament to its 32-year track record for providing good quality, high value education, anchored on the promise of *shaping characters, building careers*.

Paramount Education's tertiary offering, across three campuses in the Klang Valley and Penang, is anchored on its promise of being *real-world universities meeting real-world needs*.

Kolej Damansara Utama (KDU) was Malaysia's first purpose-built private college and the first to offer twinning programmes, a very successful model which other education providers quickly emulated.

Paramount Education's primary and secondary school offering is anchored on the ethos of *letting every student shine*. This has led to Sri KDU Secondary School to be placed amongst top-ranked schools from 65 countries in mathematics, science and reading, in the Programme for International Student Assessment 2012.

An architectural rendering of a modern university building's interior courtyard. The space is characterized by its high ceilings, concrete pillars, and large wooden cantilevered balconies. People are shown using the space: some sit on long concrete benches, others walk on upper-level walkways with metal mesh railings, and one person is seen on a staircase. The lighting is bright and even, highlighting the clean lines and materials of the architecture.

KDU UNIVERSITY COLLEGE, UTROPOLIS, GLENMARIE

In January 2015, KDU University College moved to its new 10-acre purpose-built campus in Utropolis, Glenmarie, anchoring this masterplanned live-and-learn, work-and-play address. Designed to inspire learning, the campus incorporates innovative learning spaces, a state-of-the-art library as well as a myriad of labs, kitchens and classrooms. These support its industry-based curricula and bring to life its promise of being a real-world university meeting real-world needs.



KDU COLLEGE PETALING JAYA

Established in February 2015 in Damansara Jaya, KDU College Petaling Jaya is Paramount Education's latest centre for pre-university, foundation and twinning programmes. The campus builds on Paramount Education's pioneering heritage in pre-university education, which has enabled thousands of students to transfer to over 500 universities and colleges around the world.



KDU COLLEGE PENANG

Since 1991, KDU College Penang has been providing students with easy access to KDU's promise of good quality, high value education. Today, it is one of the top colleges in the Northern region of Malaysia with alumni from 48 countries from around the world.

SEKOLAH SRI KDU, KOTA DAMANSARA

Established in 2003, Sekolah Sri KDU is a premier private school offering the primary and secondary Malaysian curriculum. Operating from an award-winning campus in Kota Damansara, Sekolah Sri KDU quickly garnered a reputation for high quality, all-round education under its ethos of “letting every student shine”.



SRI KDU INTERNATIONAL SCHOOL, KOTA DAMANSARA

The success of Sekolah Sri KDU spurred Paramount Education to open the Sri KDU International School in 2011. This school follows best practices of the British national curriculum, creating a caring learning environment and following teaching methodologies that promote independent, self-directed learning.



OUR ETHOS AND VALUES

Vision

To be an innovative market leader,
in 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

Value

We are dedicated
to achieving
outstanding
performance and
building sustainable
stakeholder value
across all our
businesses

Innovation

We strive to meet the
needs of stakeholders
and society through
thought leadership
and creativity

Respect & Engagement

We respect the views
of our employees and
the communities
in which we operate,
and measure our
success by the vitality
of our engagement
with them. We exist
not simply for our
own benefit, but also
for the benefit of
society and the planet

Integrity

We maintain the
highest standards
of integrity. We are
ethical, transparent
and professional
across all our
operations

THE YEAR IN REVIEW

2014

1

THE COMPANY

GROUP CORPORATE STRUCTURE

Property

100%
Berkeley Sdn Bhd

100%
Paramount Construction
Sdn Bhd

100%
Paramount Construction
(PG) Sdn Bhd

100%
Paramount Engineering &
Construction Sdn Bhd

100%
Paramount Property
Construction Sdn Bhd

100%
Paramount Property (Cjaya)
Sdn Bhd

100%
Paramount Projects
Sdn Bhd

100%
Paramount Property
Development Sdn Bhd

100%
Paramount Property
(Glenmarie) Sdn Bhd

100%
Paramount Property (PG)
Sdn Bhd

100%
Paramount Property (PW)
Sdn Bhd

100%
Paramount Property
(Sepang) Sdn Bhd
(formerly known as *Lagun
Pertiwi Sdn Bhd*)

100%
Paramount Property
(Shah Alam) Sdn Bhd

100%
Paramount Property (Utara)
Sdn Bhd

— **100%**
Kelab Bandar Laguna
Merbok Sdn Bhd

100%
Seleksi Megah Sdn Bhd

Education

100%
KDU College (PG) Sdn Bhd

100%
KDU College (PJ) Sdn Bhd

100%
KDU Management
Development Centre
Sdn Bhd

100%
KDU Smart School Sdn Bhd

100%
KDU University College
Sdn Bhd

Others

100%
Berkeley Maju Sdn Bhd

100%
Broad Projects Sdn Bhd

— **100%**
Supreme Essence
Sdn Bhd (*in members'
voluntary liquidation*)

100%
Carp Legacy Sdn Bhd

100%
Janahasil Sdn Bhd

100%
Jasarim Bina Sdn Bhd

100%
Paramount Global Assets
Sdn Bhd

100%
Paramount Global
Investments Pty Ltd

— **100%**
Paramount Investments &
Properties Pty Ltd

— **50%**
VIP Paramount
Pty Ltd

100%
Paramount Property
Holdings Sdn Bhd

100%
Paramount Utropolis Retail
Sdn Bhd

100%
Utropolis Sdn Bhd

CORPORATE PROFILE

Paramount Corporation Berhad (**Paramount** or **the Company**) is one of Malaysia's long-standing investment holding companies. Incorporated on 15 April 1969 as a public limited company under the name Malaysia Rice Industries Berhad, the Company was then principally involved in the business of rice milling. It was listed on the Official List of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) on 15 July 1971.

The Group's vision is "to be an innovative market leader, in businesses that benefit society". In line with this, Paramount has well-established interests in property development and education services, operating under the Paramount Property and Paramount Education brands respectively.

Paramount Property – The People's Developer

In 1978, the Company acquired a real estate company, and was restructured into a property development company, making it one of Malaysia's oldest property developers. The Company assumed its present name in 1980 to better reflect its business activities. Two years later, the Company acquired four property development companies and commenced property development activities in Sungai Petani. (Paramount ceased its rice milling operations in 1984.)

From Townships to Integrated Developments

Paramount Property's first property development project was Taman Patani Jaya in Sungai Petani. It was launched in 1981, and established a new industry benchmark in township design and planning.

Having established a reputation for quality and reliability in the Northern region, Paramount increased its landbank in the area with the acquisition of 500 acres of land in November 1994. This led to the launch of its award-

winning Bandar Laguna Merbok township – a luxury riverside residential address launched in 1996, which houses Kedah's first gated & guarded community.

In line with Paramount's strategy to expand into high growth areas, the Company acquired 524.7 acres of freehold land in the Klang Valley in June 2003. Paramount Property's first township in the Klang Valley, Kemuning Utama, is today a mature, self-contained township located along the KESAS Highway, with early owners enjoying strong appreciation in property values. Kemuning Utama is also home to Paramount Property's first high-rise development, KU Suites.

On the back of the success of Bandar Laguna Merbok, Paramount added 520 acres of land in Sungai Petani in December 2006, which led to the launch of the Bukit Banyan forest development in 2012. Sungai Petani's only gated & guarded hilltop development, Bukit Banyan features lush landscapes and themed parks.

In 2007, Paramount made a strategic decision to venture into commercial and industrial property development, acquiring 5.2 acres of industrial



Paramount Utropolis features high-rise residential and commercial properties, as well as Paramount Property's first retail asset. It also marks the first time Paramount has brought its two core businesses of property development and education together in one location.



land in Petaling Jaya for a proposed commercial development. This was followed by the acquisition of two parcels of industrial land totalling 13.2 acres in January 2008, for Paramount's Surian Industrial Park in Kota Damansara. Another two parcels of industrial land measuring approximately 9.4 acres were acquired in February 2008; development has been put on hold pending application to convert the land use from industrial to commercial, to maximise returns.

Recognising the potential of the IT-centric Cyberjaya township, Paramount acquired 50 acres of freehold residential land there in June 2010, and in 2013, launched the gated & guarded Sejati Residences development. Paramount Property's first ever high-end development, Sejati Residences is built around the concept of *"Inviting the Outdoors In"* and is anchored by the iconic Chengal House residents' clubhouse. Built using 200-year-old chengal wood, Chengal House is Paramount's tribute to the beauty and resilience of Malaysian hardwoods.

In June 2011, Paramount entered into a 50-50 joint venture with an Australian company to acquire 54.2 acres of land known as Crown Allotments 4A and 4B at Leakes Road, Rockbank, Victoria, Australia, for future development.

In December 2011, Paramount completed the acquisition of 29.2 acres of commercial land in Klang Town, earmarked for the future development of a lifestyle-themed integrated commercial hub.

In February 2012, Paramount completed the acquisition of 21.8 acres of freehold land in Glenmarie, Shah Alam, and launched Paramount Utropolis, a live-and-learn, work-and-play university metropolis the following year. The township features high-rise residential and commercial properties, as well

as Paramount Property's first retail property, Utropolis Marketplace. Anchored by the 10-acre flagship KDU University College campus, Paramount Utropolis marks the first time Paramount has brought its property development and education businesses together.

In 2013, the Group acquired 30.3 acres of industrial land in Shah Alam, creating a commercial hub with an urban DNA called Sekitar26. The business component, Sekitar26 Business, was launched the same year, and is a boutique industrial development designed for a myriad of business uses, with seamless access to the larger Sekitar26 development.

In March 2014, the Company cemented its position as a leading developer in the Northern region with the acquisition of 30 acres of freehold land in Batu Kawan, Penang, from Penang Development Corporation. The land, located approximately 5.5 km from the Second Penang Bridge, comprises 10 acres of institutional land and 20 acres of land for integrated development. The acquisition not only marks Paramount Property's entry into the lucrative Penang property market, but also paves the way for the creation of Penang's first university metropolis, which will be anchored by a new KDU College campus, mirroring Paramount Utropolis in Glenmarie.

In January 2015, the Company acquired 238 acres of freehold land in highly-accessible Sepang-Salak Tinggi, Selangor, paving the way for Paramount Property's second township development in the Klang Valley.

In February 2015, Paramount completed the acquisition of a 65-acre landbank in Machang Bubuk, Penang. This future development has been earmarked for medium-cost landed residential development.



Leveraging on its track record for building highly-valued addresses that stand the test of time, Paramount continues to grow its landbank to create desirable addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population, which in turn cements its reputation as the people's developer.

An Award-Winning Developer

Along the way, Paramount Property has garnered several awards, including the 12th FIABCI-Property Award of Distinction 2004, Residential Development Category for Bandar Laguna Merbok, a first for a development outside the Klang Valley.

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.

Paramount Property also enjoys a strong reputation as an employer of choice, garnering the HR Asia Best Companies to Work for in Asia Award in 2013.

The People's Developer

Today, Paramount Property is a full-spectrum integrated property developer, with residential, commercial, retail, education, industrial and integrated developments. Leveraging on its track record for building highly-valued addresses that stand the test of time, Paramount continues to grow its landbank to create desirable addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population, which in turn cements its reputation as the people's developer.

Paramount Education – Shaping Characters, Building Careers

Paramount Education has its beginnings in the early 80's, at a time of great

challenge. Spaces in Malaysian public universities were limited and spiralling exchange rates created a financial strain on Malaysians studying overseas.

Kolej Damansara Utama (KDU) – later known as KDU College – was established in 1983 in Damansara Jaya, Selangor to provide the opportunity for young Malaysians to pursue tertiary education locally.

KDU College was Malaysia's first purpose-built private college and the first to offer twinning programmes for Pre-University and the American Degree Transfer Program, a very successful model that other education providers quickly emulated. KDU College gained a strong reputation for high quality education, attracting students from across the country.

In response to demand, a branch campus was set up in Section 13, Petaling Jaya in 2009, housing the School of Business & Law to provide better amenities for a growing student population.

KDU University College

In August 2010, KDU College was upgraded to university college status, becoming KDU University College (KDUUC).

And in January 2015, KDUUC moved to its new purpose-built campus at Utropolis, Glenmarie, with its state-of-the-art facilities and a contemporary teaching & learning environment.

Today, KDUUC offers a wide range of programmes at Certificate, Diploma, Degree and Masters levels. Its homegrown degree programmes are at the forefront of growing industries, reflecting its promise of being a real-world university meeting real-world needs. These include hospitality, tourism & culinary arts, games development & computing, communications & creative arts, business & law, and engineering.



Today, Paramount Education is a full-spectrum education services provider, offering national and international, primary and secondary school curricula, through to tertiary and post-graduate programmes.

KDU College Penang

Spurred by the success of the Damansara Jaya campus, Paramount Education opened another college in Penang in July 1991. Today, KDU College Penang is one of the top colleges in Penang, with reputable programmes and strong industry linkages.

In 2014, KDU College Penang announced plans for the development of a new purpose-built campus in Batu Kawan, Penang, which, when completed in 2019, will further spur the growth of this established educational brand in the Northern region.



KDU College Petaling Jaya

In February 2015, Paramount Education opened the doors to KDU College Petaling Jaya at what was previously the KDU University College campus in Damansara Jaya.

KDU College Petaling Jaya offers pre-university, foundation and twinning programmes. In addition to offering students another stream for tertiary education, the college also creates a flow-through pipeline of students for KDUUC.

Sekolah Sri KDU

In 2003, Paramount Education established Sri KDU schools, marking its expansion into the private primary and secondary school category. Located in an award-winning campus in fast-growing Kota Damansara, Sekolah Sri KDU, offering the national primary and secondary curriculum, quickly garnered a reputation for high quality, all-round education under its ethos of *"letting every student shine"*.

In 2007, Sri KDU schools introduced the International Baccalaureate Diploma Programme (IBDP), to provide a holistic education which equips students with



critical-thinking skills and a global outlook.

Testament to Sri KDU school's sound pedagogy, Sri KDU Secondary School secured the top position among Malaysian schools in the Programme for International Student Assessment (PISA) 2012, placing it among top-ranked schools from 65 countries in mathematics, science and reading.

Sri KDU International School

In response to the growing preference for private international schools, Sri KDU Schools opened the Sri KDU International School (SKIS) in September 2011.

Also located in Kota Damansara, the opening of SKIS offered parents a choice between the Malaysian national curriculum at Sekolah Sri KDU, and the British national curriculum at SKIS, both backed by Paramount Education's strong reputation for academic excellence, personal development and focus on pastoral care.

Moving Forward

Today, Paramount Education is a full-spectrum education services provider, offering national and international, primary and secondary school curricula, through to tertiary and post-graduate programmes. It is proud to have had 80,000 students since its inception, some of whom are, today, corporate leaders, entrepreneurs and celebrities around the globe.



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 012-639 8578

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*

Group Chief Executive Officer

Jeffrey Chew Sun Teong

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 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 tricorglobal.com

Auditors

Ernst & Young

Chartered Accountants

Principal Bankers

AmBank (M) Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad

OTHER INFORMATION

Required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Utilisation of Proceeds Raised from Corporate Proposal

As at 10 April 2015, the status of utilisation of the proceeds raised from the Company's Rights Issue which was completed on 8 August 2014 amounting to RM92,898,000 is set out below.

PURPOSE	PROPOSED UTILISATION RM'000	ACTUAL UTILISATION RM'000	BALANCE RM'000
Repayment of existing bank borrowings	40,000	40,000	0
Working capital purposes	50,968	50,968	0
Defray expenses related to the Rights Issue	1,930	1,930	0
Total	92,898	92,898	0

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group and the Company for the financial year is RM362,150.00.

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.

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 shall 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 2013.

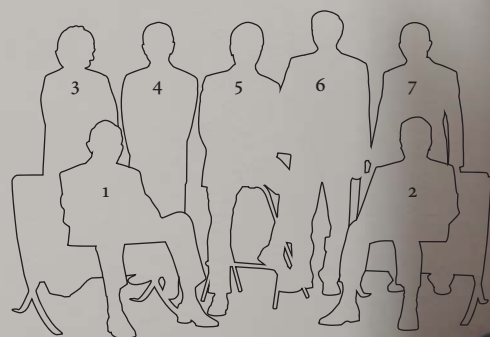
The LTIP, which was approved by the Company's shareholders at the Extraordinary General Meeting held on 17 April 2013, allows the Company to award the LTIP Shares, without any cash consideration, to employees and executive directors who have attained the identified performance objectives of the Group. It serves to attract, retain, motivate and reward valuable employees of the Group. The Company had, on 13 March 2015, made its first award of up to 5,444,300 LTIP Shares, comprising the following:

- 2,200,100 LTIP Shares under the Restricted Share Incentive Plan of the LTIP to be vested one-third annually over a period of three years with the first vesting commencing 13 March 2016.
- up to 3,244,200 LTIP Shares under the Performance-based Share Incentive Plan of the LTIP to be vested on 13 March 2018.

In accordance with the By-Laws governing 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 shall not exceed ten years from the date of implementation.

BOARD OF DIRECTORS

- 1 Dato' Md Taib bin Abdul Hamid**
Chairman,
Independent Non-Executive
Director
- 2 Dato' Teo Chiang Quan**
Executive Deputy Chairman
- 3 Dato' Rohana Tan Sri Mahmood**
Independent Non-Executive
Director
- 4 Dato' Haji Azlan bin Hashim**
Independent Non-Executive
Director
- 5 Datuk Seri Michael Yam
Kong Choy**
Senior Independent Non-Executive
Director
- 6 Ong Keng Siew**
Independent Non-Executive
Director
- 7 Quah Chek Tin**
Independent Non-Executive
Director





BOARD OF DIRECTORS' PROFILE



Dato' Md Taib bin Abdul Hamid

Chairman
Independent Non-Executive Director

B.A. (Hons) Economics

Dato' Taib, a Malaysian, aged 76, joined the Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount**) on 14 November 1994 and was appointed as 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 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

Hon Doc Middlesex University,
United Kingdom

Dato' Teo, a Malaysian, aged 66, 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 of Paramount, a position he held until 1 December 2008, when he was appointed as the Executive Deputy Chairman of the Board.

He re-assumed the role of Group Chief Executive Officer (**CEO**) during the interim period from 15 April 2013 to 30 June 2014 pending the appointment of a new Group CEO.

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 its two core businesses of property development and education 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 73 to 75 of this annual report.

Dato' Teo 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 73, 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 directorship 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.





Ong Keng Siew

Independent Non-Executive Director

C.A. (M) Fellow Chartered Certified Accountant

Ong, a Malaysian, aged 58, joined the Board of Paramount on 14 November 1994. He is also a member of the Audit Committee.

Ong 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 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 strong footing, Ong retired as the Managing Director & CEO of Paramount. Ong was re-designated as an Independent Non-Executive Director on 14 August 2014.

Ong has attended all 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 60, joined the Board of Paramount on 28 July 1997, and was re-designated 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 directorship in public companies include AMMB Holdings Berhad, AmInvestment Bank Berhad and Sime Darby 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 63, 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 and Board Risk Management Committees.

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 directorship 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 61, joined the Board of Paramount on 18 February 2010 and was designated 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 has 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.

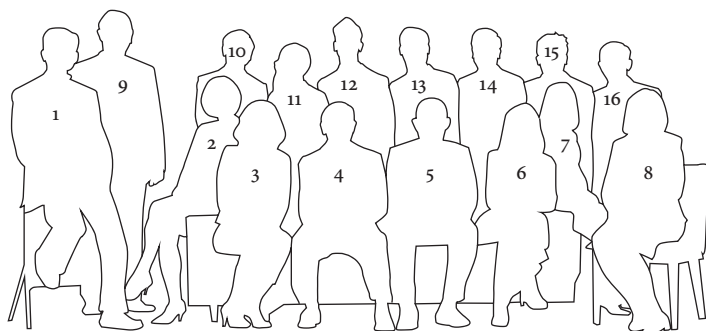
He is also involved in various Government incorporated and non-government organisations serving as the Chairman of InvestKL Corporation, a non-executive director of Malaysia Property Incorporated and CLAB Berhad, a director of the British Malaysian Chamber of Commerce and until recently a member of the Advisory Board of the City of Kuala Lumpur. He is the Immediate Past President of the Real Estate and Housing Developers' Association of Malaysia and is appointed as a trustee of the Standard Chartered Foundation, a charity body.

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.



SENIOR MANAGEMENT



- 1 Wong Ket Keong**
General Manager, Internal Audit
- 2 Susan Ooi Choon Mei**
Chief Executive Officer,
KDU College Petaling Jaya
- 3 Tay Lee Kong**
Group Chief Operating Officer
- 4 Jeffrey Chew Sun Teong**
Group Chief Executive Officer



5 Beh Chun Chong
Chief Executive Officer,
Property Division

6 Datin Teh Geok Lian
Chief Executive Officer,
Education Division

7 Ng Wai Peng
Company Secretary

8 Anne Cheng Ai Ngho
Property Investment Director

9 Eugene Yeoh Oon Hock
Group IT Manager

10 Professor Khong Yoon Loong
Vice Chancellor,
KDU University College

11 Dr Chong Beng Keok
Chief Executive Officer,
KDU College Penang

12 Benjamin Teo Jong Hian
Innovation Director (Property)

13 Chuan Yeong Ming
Chief Executive Officer,
Paramount Property (PW)

14 Ooi Hun Peng
Chief Executive Officer,
Paramount Property (Utara)

15 Foong Poh Seng
Chief Financial Officer

16 Jeffrey Quah Chuan Tatt
Group Human Resource Director



THE GROWTH STORY

2

LETTER TO SHAREHOLDERS

Dear friends of Paramount,

In 2014, we continued our single-minded focus on consistent value creation for our shareholders and stakeholders. We dedicated our efforts to crystalising the “strength through synergy” business strategy we identified at the start of the year, which helped drive the growth of our two core businesses and anchored our major business initiatives.

Paramount Property continued to build on its 35-year heritage, launching new phases of its developments in Cyberjaya, Glenmarie and Sungai Petani. We have successfully evolved from being a pure township player to an integrated developer, with a full suite of residential, commercial, retail, industrial and education developments. 2015 will see us focusing on raising the bar in each of these categories to ensure a strong and sustainable future.

For Paramount Education (formerly known as the KDU Education Group), 2014 was a fulfilling year. Our Sri KDU Schools – primary and secondary, national and international – continued to excel, as did KDU College Penang. The intense competition in the tertiary sector continued to pose a challenge for KDU University College, but the year closed with us putting the finishing touches to our new campus at Utropolis, Glenmarie, which marks a new phase of growth for the brand.

Recognising that we will be facing some challenging market conditions, we also prudently focused on improving operational efficiencies, looking towards cost containment across the Group, which will not just protect our bottom line, but also serve to strengthen it.

The past ten years have been good for Paramount Corporation Berhad – group revenue has been steadily increasing leading to stable financial performance and correspondingly, steady profits and dividend pay-outs. While we anticipate a challenging operating environment moving forward, we are confident that we have put in place the right strategies and measures that will help us chart a steady course.

It is therefore with pleasure that we present to you the Annual Report and Audited Financial Statements for Paramount Corporation Berhad for the financial year ended 31 December 2014.

Dato' Md Taib bin Abdul Hamid,
Independent Non-Executive Chairman
and Dato' Teo Chiang Quan,
Executive Deputy Chairman in office.



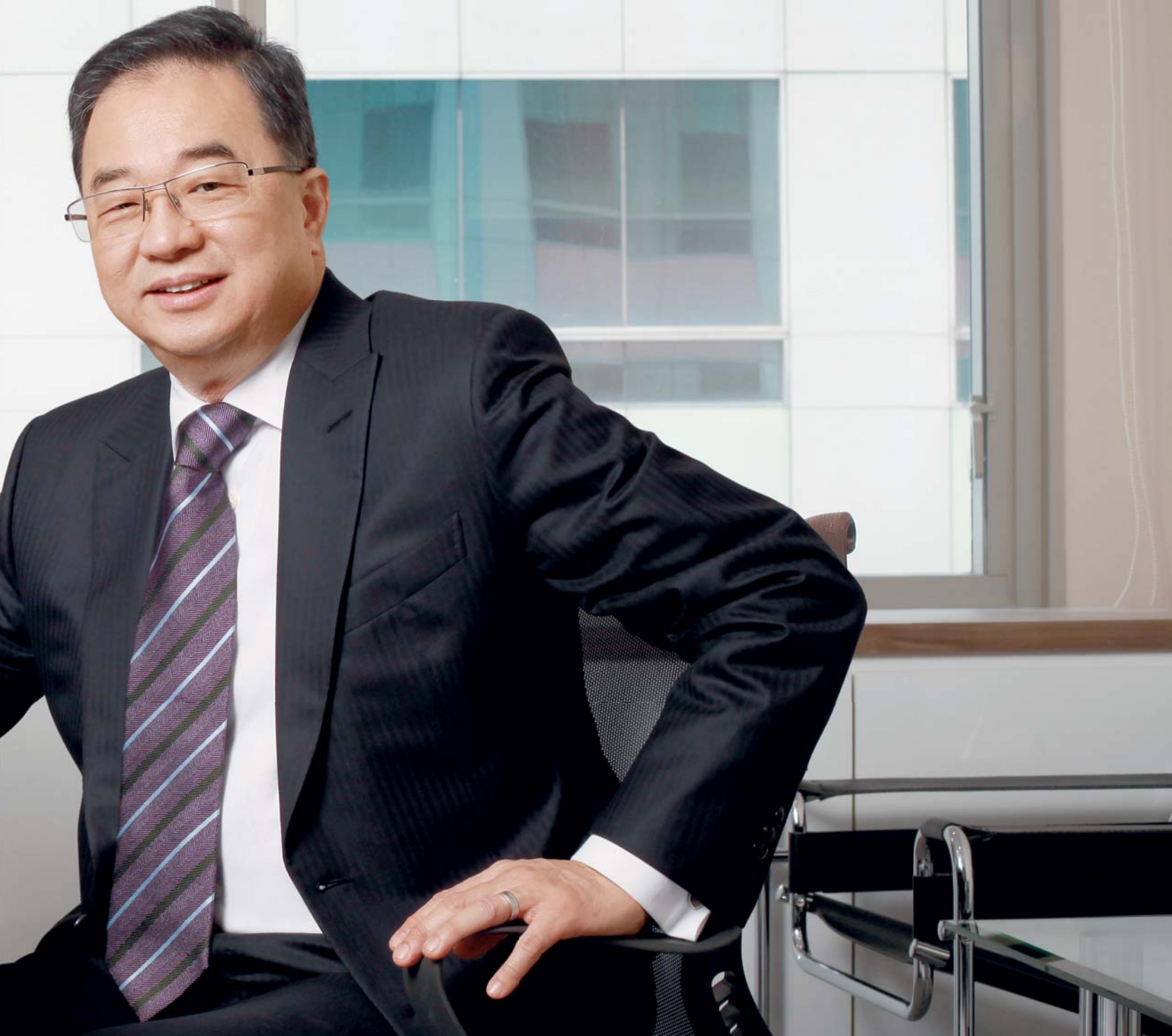
2014 Financial Highlights

Group revenue for Paramount and its subsidiary companies held steady, from RM512.1 million in 2013 to RM510.0 million in 2014 attributable to higher contributions from the property division, which offset the drop in revenue as we exited the external construction business.

Profit before tax (**PBT**) rose a significant 14%, from RM75.1 million in 2013 to RM85.8 million in 2014, mainly from higher contributions from the property division. Net profit and earnings per share rose by 20% and 9%, respectively, to RM64.1 million and 16.17 sen (2013: RM53.5 million and 14.83 sen). Return on equity was higher at 8.6% as at 31 December 2014 (2013: 7.6%).

Shareholders' funds increased to RM852.1 million as at 31 December 2014 (2013: RM727.1 million) while net assets per share decreased slightly to RM2.02 (2013: RM2.15) as a result of the enlarged share capital arising from the Rights Issue of 1:4 during the year.

Correspondingly, gross debt equity ratio improved to 0.40 times. The improvement was also attributable to the issuance of our Private Debt Securities during the year (2013: 0.44 times).



The past ten years have been good for Paramount Corporation Berhad — group revenue has been steadily increasing leading to stable financial performance and correspondingly, steady profits and dividend pay-outs. While we anticipate a challenging operating environment moving forward, we are confident that we have put in place the right strategies and measures that will help us chart a steady course.

Operating Divisions

Paramount Property

Paramount Property continued to be the main source of revenue and earnings for the Group, contributing 74% of the Group's total turnover and PBT for 2014. Revenue for the division was RM376.4 million (2013: RM385.8 million) and PBT was RM68.3 million (2013: RM50.8 million).

Revenue from property development jumped 41% to RM308.2 million due to higher progressive billings from ongoing developments – Sejati Residences in Cyberjaya, Paramount Utropolis in Glenmarie, Sekitar26 Business in Shah Alam, as well as Bukit Banyan in Sungai Petani (2013: RM218.5 million) while PBT increased by 35% to RM61.5 million (2013: RM45.6 million).

Our new property launches also met with a positive response from the marketplace.

Sejati Residences' bungalows and semi-detached landed homes registered consistent sales, while the sales of the small-office-home-office (SOHOs) and dual-key serviced apartments at our university metropolis development, Paramount Utropolis in Glenmarie, surpassed expectations. The success of Paramount Utropolis is a clear demonstration of the possibilities our "strength through synergy" strategy offers; we are excited about realising more opportunities to bring these two core businesses together.

In October 2014, we invited Deputy Prime Minister, YAB Tan Sri Dato' Hj. Muhyiddin bin Hj. Mohd. Yassin, also Minister of Education, to launch the clubhouse at Sejati Residences, called Chengal House. More than just a clubhouse, Chengal House features roof trusses and columns made from 200-year-old chengal wood, salvaged from a 70-year-old factory owned by Paramount Property.

The architects ingeniously designed Chengal House around the wood – one of the oldest chengal finds in Malaysia – taking utmost care to preserve the grain and beauty of this most precious of woods. In the process, we created a tribute to the beauty and resilience of Malaysian hardwoods. Chengal House

Top: The Sejati Residences XTRA Edition homes come with custom-designed Italian kitchens from XTRA, purveyors of fine design.

Bottom: Paramount Property's latest phase of serviced apartments at Paramount Utropolis feature dual-key units, which offer investors an additional opportunity for rental income.



The success of Paramount Utropolis is a clear demonstration of the possibilities our “strength through synergy” strategy offers; we are excited about realising more opportunities to bring our two core businesses together.

is envisioned to be an iconic building that the residents and owners of Sejati Residences can be truly proud of, and an enlightening, educational experience for all visitors.

Up north, our township development in Sungai Petani, Bukit Banyan, continued to record steady sales and in the process has cemented our reputation as one of the leading developers in the Northern region.

Our team also spent considerable time looking at opportunities to build our landbank, especially those that offer synergies between our property and education businesses. This is a key differentiator for the Paramount brand, and will offer us the opportunity to create unique lifestyle products in an increasingly competitive market.

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 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, purchased at RM40.50 per sq ft, has been designated for institutional use for the proposed development of a new campus for KDU College Penang while the other parcel, measuring approximately 20.31 acres, purchased at RM55 per sq ft, will be for a proposed integrated development.

This integrated development, with an estimated potential gross development value (GDV) of RM1.3 billion, is envisioned to be a university metropolis, mirroring the Paramount Utropolis development in Selangor. It 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.

The construction business completed its last two external projects during the year and hence recorded substantially lower revenue of RM68.3 million on external projects (2013: RM167.3 million). Moving forward, the construction activities will be limited to solely internal projects.

Paramount Education

Paramount Education had a mixed year in 2014.

Both Sekolah Sri KDU, which offers the primary and secondary national curriculum, as well as Sri KDU International School, which offers the British national curriculum, continued to do very well, operating at full enrolment and maintaining their strong reputation for quality.

In the tertiary segment, KDU College Penang continued to cement its reputation for industry-relevant programmes and producing highly employable graduates. The team there is working hard on conceptualising the plans for their new campus in Batu Kawan.

And after several challenging years, KDU University College started to show signs of a turnaround in late 2014; a welcome development as it puts the final touches to its new campus at Paramount Utropolis, Glenmarie.

Revenue for the education division grew by 5% in 2014 to RM131.2 million (2013: RM124.7 million). PBT declined by 12% to RM24.6 million (2013: RM27.8 million) due to the losses incurred by KDU University College. This was however mitigated by the strong performance of Sri KDU Schools, which continued to deliver strong revenues and profitability.

Top: Students at the 65,000-sq ft School of Hospitality, Tourism and Culinary Arts at KDU University College in Utropolis, one of the biggest in the region and with state-of-the-art facilities.

Bottom: Participating in an exciting lesson – an everyday scene at Sri KDU International School.



With our strong reputation for building addresses of enduring value and a wide range of products — residential, commercial and industrial — to cater to different affordability rates, we are well positioned to offer investors, new buyers and upgraders, a variety of products at different price points to suit their portfolio.

Dividends

Having reviewed our operating cash flow and business plans for growth, the Board is recommending a single tier final dividend of 5.0 sen per share (2013: 5.5 sen) to be approved by shareholders at our forthcoming Annual General Meeting scheduled to be held on 3 June 2015. If approved, the dividend will be paid on 24 June 2015.

Together with the interim dividend of 2.5 sen per share paid out on 17 September 2014, the total dividend paid out for the year under review amounting to 7.5 sen was maintained compared to the previous year given the enlarged share capital base in the current year (2013: 8 sen).

The total dividend for the year is equivalent to a payout ratio of 51% of profits after tax, surpassing previous years' payout.

Prospects

The property market is expected to remain challenging throughout 2015 – the uncertain economic outlook, the stricter mortgage approval environment which is limiting access to credit, and the caution shown by buyers in the wake of the implementation of the Goods and Services Tax (**GST**) on 1 April 2015.

Operationally, GST is expected to have a follow-on effect on almost all aspects of property development and construction; prices of some materials will rise, while some are expected to drop. By our estimation, we expect property prices to eventually settle about 2–3% higher than current market prices, which is negligible in the longer term.

The bigger impact of GST will be felt from its effect on the cost of living, already considered relatively high by many. The prices of core necessities like fuel, utilities, food products, healthcare, and transportation are all expected to increase, which will limit the spending power of the average Malaysian. This will impact every business in the country, and it will be no different for us.

The Government is also introducing more stringent requirements and policies such as carpark requirements and green standards; this impacts costs as does the rising costs of building. Labour issues too continue to plague the industry.

However, there are upsides.

The Malaysian economy continues to hold steady, with gross development product expected to grow between 4–5% in 2015. The Government is also actively pursuing opportunities to make home ownership more accessible to Malaysians. We anticipate the market will eventually adjust to the impact of GST, and that property sales will rebound, with the mid-priced segment benefitting the most.

Improved road connectivity and the light rail transit (**LRT**) expansion plans to a certain extent fuel the Government's Economic Transformation Programme, opening up new areas of growth in the Greater Klang Valley area, and creating opportunities to expand further away to overcome the affordability issue.

The market is also moving away from being driven by location alone, to being inspired to buy when there are interesting lifestyle concepts from a trusted brand.

In line with this, on 2 January 2015, we inked a deal with NCT United Development Sdn Bhd to purchase 12

parcels of contiguous freehold land, totalling 237.3 acres, in Salak Tinggi in the district of Sepang, Selangor for RM227.38 million, calculated on the basis of RM22 per sq ft.

The land, which is part of an ongoing mixed development known as Bandar Salak Perdana, is located approximately 5 km to the north of Bandar Baru Salak Tinggi, Selangor, about 9 km to the north-east of the Bandar Baru Nilai commercial centre and about 17 km to the north-east of Kuala Lumpur International Airport (**KLIA**). The Salak Tinggi Express Rail Link (**ERL**), which can be used to access the Kuala Lumpur city centre, is also in the vicinity and lies about 13 km to the south-west.

This acquisition paves the way for Paramount to launch our second township in the Klang Valley, after the overwhelming success of our first, the 525-acre Kemuning Utama township in Shah Alam.

This is also in line with our strategy of expanding our landbank to locations with strong growth potential, scaling up development activities to generate sustainable growth and balancing our product portfolio to cater to different market segments, ultimately cementing our reputation as the people's developer. This acquisition, with its current development status, approved Master Layout Plan and ready infrastructure, facilitates our plans for speed to market and turnaround time.

With an estimated potential GDV of RM1.1 billion, the acquisition increases our total landbank to close to 900 acres and enables us to strengthen our total GDV to approximately RM9.1 billion, which will sustain our development activities over the next 10 years.

With our strong reputation for building addresses of enduring value and a wide range of products – residential, commercial and industrial – to cater to different affordability rates, we are well positioned to offer investors, new buyers and upgraders, a variety of products at different price points to suit their portfolio.

Financially, Paramount is on strong footing – we have the funding capabilities to expand and replenish our landbank to further sustain growth. Our landbanking efforts are focused on creating opportunities to build landed townships, while increasing opportunities for integrated developments in the Klang Valley and Penang.

The progressive billings on our ongoing developments at Sejati Residences in Cyberjaya, Sekitar26 in Shah Alam, Paramount Utopolis in Glenmarie and Bukit Banyan in Sungai Petani will immediately bolster the Group's revenue and profit.

We are exploring opportunities to create a base of recurring income by creating investment properties. Our first-ever retail development, Utopolis Marketplace, will open its doors in 2016, and we are validating research reports on retail components in our landbanks in Section 13, Petaling Jaya as well as Klang and Batu Kawan.

Our vision for Paramount Property is to be a leader in both township and integrated developments, with a strong reputation for delivering quality and value, and for building enduring addresses. The 14,000 properties we have built since our inception over 35 years ago, as well as the myriad of addresses we have created, are testament to the strong heritage and wealth of experience of our brand.

The Education Division will continue to operate in an increasingly competitive environment, as competitors cast a wider net to entice a more discerning and well-informed target market through

aggressive marketing campaigns. While fees for the supply of education courses of study are GST-exempt, operational costs will still rise as GST paid on the purchase of assets or expenses incurred cannot be claimed as input tax credit. Hence, the GST incurred will be absorbed as part of the business costs.

We are, however, fortunate. Our 32 years in the business has taught us that tertiary education is generally recession-proof, and sometimes could lead to growth opportunities, as it encourages students and working adults to further their academic qualifications when good jobs are hard to come by. What is important is to make education affordable through twinning, franchise and homegrown programmes, which KDU University College, KDU College Penang and our newly-established KDU College Petaling Jaya are focused on.

In January 2015, KDU University College moved to its new flagship campus in Paramount Utopolis, Glenmarie, creating opportunities to drive organic growth of student numbers with the increased capacity and new programmes that the campus offers. In keeping with our tertiary brand promise of being a “real-world university meeting real-world needs”, KDU University College is focusing on widening its programme base with more industry relevant programmes, while stepping up marketing and distribution efforts.

The establishment of KDU College Petaling Jaya in Damansara Jaya, with its focus on pre-university, foundation and twinning programmes, creates a new revenue stream for us, as does the new campus being planned for KDU College Penang in Batu Kawan, which will be modeled after Paramount Utopolis, our successful university metropolis concept in Glenmarie.

We are exploring opportunities to take our very successful Sri KDU brand of primary and secondary schools, with its ethos of “letting every student shine” to new markets, and to introduce new budget schools in markets where demand exists, to mitigate the increased competition from the accelerated opening of new private national and international schools over the past few years.

In early 2015, we renamed what was previously the KDU Education Group to Paramount Education. It is easier,

Opening 2016, Utopolis Marketplace, designed to meet the everyday needs of the Utopolis and surrounding communities, is Paramount Property's first retail development.



Paramount Education, with its promise of “shaping characters and building careers”, has a strong and well-respected reputation, and being a full-spectrum education provider puts us in an excellent position to take advantage of opportunities in the Malaysian marketplace, especially with its emphasis on being a knowledge-driven economy.



Paramount Property's upcoming development in Batu Kawan will mirror our successful concept in Paramount Utropolis in Glenmarie — an integrated masterplanned address, anchored by a new campus for KDU College Penang, and featuring residential, commercial and retail elements.

quicker and more efficient to build our overall Group reputation if our divisions carry complementary branding and it also supports our strategy of exploring more synergies between our two businesses. And the move allows us to explore investments in education beyond the KDU brand.

We currently have 8,000 plus students across the Group; our aim is to be a market leader in every segment of the education business, from K-12 through to tertiary and post-graduate. Paramount Education, with its promise of “shaping characters and building careers”, has a strong and well-respected reputation, and being

a full-spectrum education provider puts us in an excellent position to take advantage of opportunities in the Malaysian marketplace, especially with its emphasis on being a knowledge-driven economy.

As a Group, our vision for Paramount is to be an innovative market leader, in businesses that benefit society, with a strong reputation for value creation. We have significant advantages – our 30 plus years of experience in both businesses, the fact that both industries have outperformed the market for the past 10 years and that we are well positioned financially to support our plans for expansion.

It is our view that the Group is on the right track in terms of strategy; what we need to focus on is executional excellence. This includes ensuring that we are innovative in our product offering, especially to appeal to millennials, and to cement our value offering. We also need to improve our speed to market, implement more robust marketing and sales efforts, and excel in the delivery of the customer experience.

Added to that, we need to continuously raise our benchmarks for quality, which has always been one of the cornerstones of our brand's reputation, and continue to build on the stature and

The Paramount Group is in the unique position of being able to create synergistic benefits from its two core businesses, and our aim is to build on this key differentiator for its long-term growth and sustainability.

reputation of the Paramount Property and Paramount Education brands.

Most of all, we need to explore more synergies between the two, as we have successfully done at Paramount Utropolis.

This will be further amplified when we launch our masterplan for our 30-acre development in Batu Kawan, close to the Second Penang Bridge. Anchored by a new flagship campus for KDU College Penang, this will create yet another thriving live-and-learn, work-and-play address, whilst providing our Paramount loyalists and new buyers in the Northern region an opportunity to buy into Batu Kawan, which is envisioned to be Penang's third largest address, after Georgetown and Butterworth.

The Paramount Group is in the unique position of being able to create synergistic benefits from its two core businesses, and our aim is to build on this key differentiator for its long-term growth and sustainability.

Paramount People

In July 2014, we welcomed Mr Jeffrey Chew on board as Group Chief Executive Officer. An experienced banker who had led his previous team to great success, Jeffrey brought with him not just an extensive knowledge on the financial markets, but insightful people skills and an astute talent for making the most out of our resources and assets. Together with the Board of Directors, Jeffrey has put together a well-thought through 5-year growth-focused business plan; elements of which are already being rolled out.

On behalf of the Board of Directors, I would like to record our sincere thanks and appreciation to Dato' Teo Chiang

Quan, who acted as Group CEO while the search for the new Group CEO was being undertaken, and who provided wise counsel and guidance to our senior leadership team through the course of the first half of 2014, as well as the eight months preceding that.

A lot of emphasis is also being placed on the growth and development of our human resource talent; one of the key missions of the Group is to recognise our employees as the single most important asset of the Company, and to encourage them to realise their full potential in a caring and conducive environment.

In line with this, we have, over the past few years, worked to put in place a human resource framework to help realise this mission. This comprises performance-based compensation and benefit packages, including the implementation of a Long-Term Incentive Plan (LTIP) for senior management. We are also working hard on succession planning, identifying and grooming a strong bench of up-and-coming stars who will be the future leaders of our businesses.

Other efforts include increased employee engagement to create a nurturing and inspiring workplace, and better internal communication.

Acknowledgements

For 35 years, Paramount has stayed steady despite the vagaries of the market and ever-changing property and education landscapes.

This comes, in our view, from four key elements of this company – the breadth and depth of experience and skills set of our people; the strength of our assets; the quality of our products and the

corresponding value they bring to all stakeholders; and the reputation of the Paramount brand. This achievement, no mean feat when companies come and go with each economic cycle, is the foundation on which we are building our next phase of growth, and has been made possible by several highly-valued groups of people.

To our staff in the Klang Valley, Penang and Sungai Petani – thank you for your commitment to our business and brand, and for all your efforts this past year.

To our buyers, students and their parents, shareholders, business partners, investors and other stakeholders, thank you for your continued faith in us, and the support you extend to our every initiative.

And to our fellow members of the Board of Directors, thank you for the wisdom, insights and experience you bring to the table, and your enthusiastic and unwavering support through this year.

We value your loyalty, your contributions and your trust in our brand; our commitment to you is that we pay this back manifold by consistent value creation.

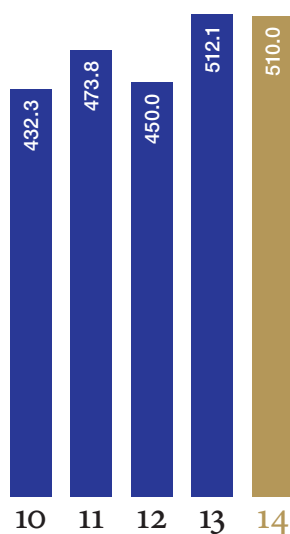
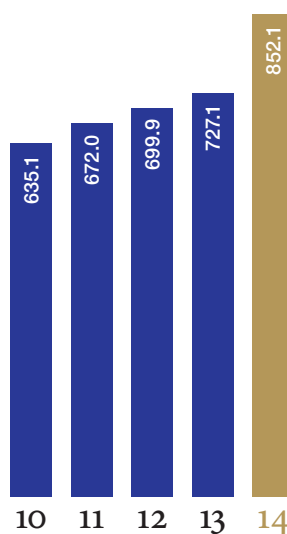
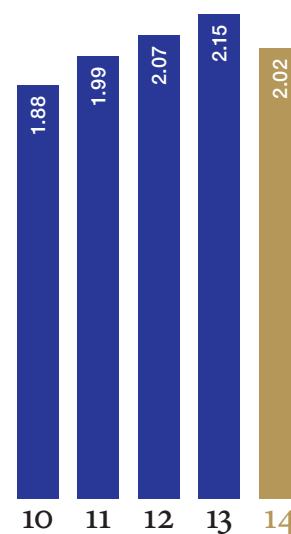
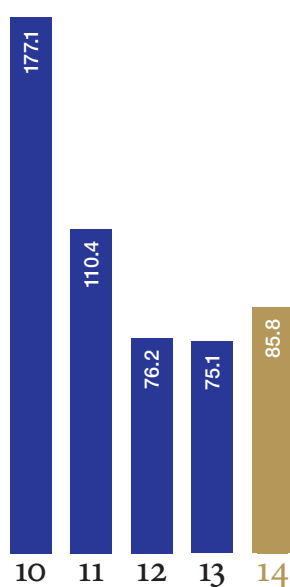
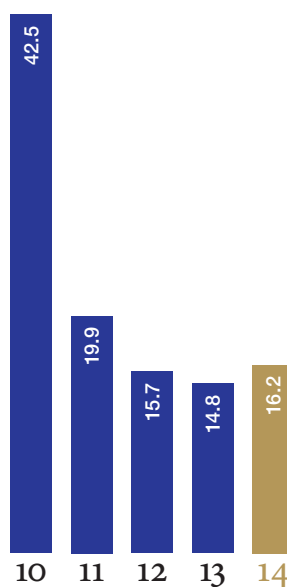
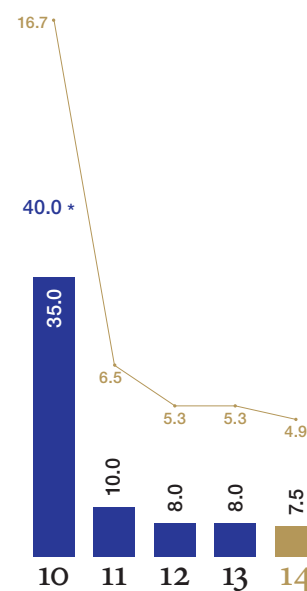
Dato' Md Taib bin Abdul Hamid
Independent Non-Executive Chairman

Dato' Teo Chiang Quan
Executive Deputy Chairman

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	YEAR 31 DEC 2014 (RM'000)	YEAR 31 DEC 2013 (RM'000)	YEAR 31 DEC 2012 (RM'000)	YEAR 31 DEC 2011 (RM'000)	YEAR 31 DEC 2010 (RM'000)
Revenue	510,043	512,073	450,048	473,844	432,251
Profit before tax	85,756	75,096	76,247	110,350	177,116
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	98,442	89,984	93,676	126,631	191,810
Profit net of tax	64,086	53,503	56,454	71,757	148,200
Total assets	1,652,191	1,302,329	1,192,270	1,030,411	963,708
Total liabilities	700,347	575,231	492,333	358,423	328,568
Total borrowings	385,091	317,746	252,695	135,998	55,679
Shareholders' equity	852,057	727,098	699,937	671,988	635,140
Total equity	951,844	727,098	699,937	671,988	635,140
Financial Indicators					
Interest cover (times)	315	70	27	36	58
Earnings per share (sen)	16.17	14.83*	15.66*	19.91*	42.45*
Net assets per share (RM)	2.02	2.15	2.07	1.99	1.88
Gross dividend per share (sen)	7.5	8.0	8.0	10.0	75.0
Dividend yield (%)	4.9	5.3	5.3	6.5	16.7
Return on equity (%)	9	8	8	11	28
Return on total assets (%)	4	4	5	7	15
Gross gearing ratio (%)	40	44	36	20	9

* The comparative figures have been restated to reflect the adjustment arising from the Rights Issue completed during the financial year 2014.

Revenue (RM'million)**Shareholders' Equity (RM'million)****Net Assets per Share (RM)****Profit Before Tax (RM'million)****Earnings per Share (sen)****Gross Dividend per Share (sen) and Dividend Yield (%)**

Notes to Gross Dividend per Share (sen) and Dividend Yield (%)

* Special Dividend

FY2010 based on RM1.00 par value of 120,646,949 shares

FY2011 to FY2013 based on RM0.50 par value of 337,811,456 shares

FY2014 based on RM0.50 par value of 422,264,320 shares

GROUP CEO'S PROFILE

Jeffrey Chew Sun Teong

Group Chief Executive Officer

Fellow Member of the Association
of Certified Chartered Accountants,
United Kingdom

Jeffrey Chew, a Malaysian, age 49, was appointed as the Group Chief Executive Officer of Paramount on 1 July 2014.

Jeffrey has 28 years of experience in the banking and finance industry as well as in accounting and tax/auditing. An accountant by training, he started his career at PricewaterhouseCoopers (**PwC**) where he served for five years. He left PwC in 1991 to join the banking industry with Citibank Berhad for 12 years and OCBC Bank (Malaysia) Berhad for 11 years. Prior to joining Paramount, Jeffrey was the Chief Executive Officer (**CEO**) of OCBC Bank (Malaysia), a position that he has held for six years. In his capacity as CEO, he has led OCBC Bank (Malaysia) to record a profit before tax of RM1.25 billion for the 2013 financial year.

Jeffrey is not a director of any public company. He does not have any family relationship with any director and/or substantial shareholder nor any conflict of interest with Paramount, and has not been charged for any offence.

The particulars of Jeffrey's shareholding in Paramount is disclosed in the Analysis of Shareholdings on pages 73 to 75 of this annual report.



GROUP CEO'S REVIEW OF OPERATIONS

Before I proceed to present the Review of Operations for the Paramount group of companies, I would like to express my gratitude to Dato' Teo Chiang Quan, for assuming the role of Group Chief Executive Officer for the first half of 2014, and for his astute leadership of the Company through that period, which allowed me to ease into my role in the Company seamlessly when I came on board in July 2014.

In 2014, our core businesses of property development and education held steady – we continued to make key improvements in our product offering and in the operations of the two businesses, resulting in steady financial performance even in the face of challenging times.

Paramount Property

Paramount Property focused its efforts in 2014 on the marketing and sales of its ongoing developments; three of which were launched in 2013. It also, during the period, completed the remaining two external construction projects and wound down the external construction business.

In tandem, the team worked on the planning of several new developments for our landbanks in the Klang Valley and in Penang, which will pave the way for new launches at the end of 2015 and the first half of 2016, laying the foundation for our next phase of growth.

As a result of the cessation of external construction activities during the year, revenue decreased marginally to RM376.4 million (2013: RM385.8 million). PBT, however, increased by 34% to RM68.3 million in 2014 (2013: RM50.8 million) due to a substantial increase in contribution from the property development projects, namely Paramount Utropolis in Glenmarie, Shah Alam and Bandar Laguna Merbok and Bukit Banyan, both in Sungai Petani.

Overall, total sales of 621 units were registered for the year (2013: 686 units) with a total sales value of RM306 million (2013: RM451 million).

Ongoing Developments

- In 2014, we continued to market Sejati Residences, Cyberjaya – our first high-end residential project, launched in 2013. Set on 50 acres of freehold land, Sejati Residences is about spacious, expansive living,

built around the theme “invite the outdoors in”.

The Sejati Residences XTRA Edition homes were launched in November 2014 – 22 semi-detached units fitted with custom-designed kitchens from XTRA, purveyors of fine design, as well as SMEG appliances.

In October 2014, Deputy Prime Minister YAB Tan Sri Dato' Hj. Muhiyiddin bin Hj. Mohd. Yassin launched Chengal House, Paramount's iconic tribute to the beauty and resilience of Malaysian hardwoods.



Paramount Utropolis marked the first time Paramount had brought its two businesses of property development and education together in one location, in line with our business strategy of “strength through synergy”.



In October 2014, we invited Deputy Prime Minister, YAB Tan Sri Dato' Hj. Muhyiddin bin Hj. Mohd. Yassin, also Minister of Education, to launch the clubhouse at Sejati Residences, called Chengal House. More than just a clubhouse, Chengal House features roof trusses and columns made from 200-year-old chengal wood, salvaged from a 70-year-old factory owned by Paramount Property.

The architects ingeniously designed Chengal House around the wood – one of the oldest chengal finds in Malaysia – taking utmost care to preserve the grain and beauty of this most precious of woods, in the process creating a tribute to the beauty and resilience of Malaysian hardwoods. Chengal House is envisioned to be an iconic building that the residents and owners of Sejati Residences can be truly proud of, and an enlightening, educational experience for all visitors.

As a result of these efforts, we sold 12 units of semi-detached and bungalow units in Sejati Residences in 2014. Sejati Residences recorded revenue of RM39.9 million and PBT of RM2.6 million during the year.

- Paramount Utropolis has been enjoying take up rates that surpass expectations since it was first unveiled in January 2013. A unique university metropolis anchored by the new flagship KDU University College (KDUUC) campus, this development marked the first time Paramount had brought its two businesses of property development and education together in one location, in line with our business strategy of “strength through synergy”.

In May 2014, we launched 428 units of Utropolis lifestyle suites, which are designed for both residential living as well as to be used as small or home offices. Buoyed by the encouraging take up rate of more than 70% from this launch, we launched 136 units of Utropolis serviced apartments in October 2014, some of which



Opposite

Residential options at Paramount Utropolis in Glenmarie come with full amenities, including pools (above). Options include lifestyle suites (below) and serviced apartments, some with dual key features.

This page

Paramount Property's Bukit Banyan development in Sungai Petani features homes that nestle around a 25-acre forest park and themed gardens; perfect for living up close to nature.

feature dual key units. Despite the more cautious property market, we continued to sell very well – a total of 390 units for 2014.

As a result, Paramount Utropolis recorded revenue of RM107.4 million in 2014, with a PBT of RM21.9 million in its second year of development.

- In 2014, we continued to market Sekitar26 Business, part of the larger Sekitar26, an integrated development. Occupying 30 acres of freehold land in well-established Section 26 in Shah Alam, Sekitar26 is designed as a 24/7 urban hub, and is set to be a thriving place of business and a vibrant destination for leisure.

The 13.2-acre Sekitar26 Business, that was carved out for the development of 38 units of semi-detached and one unit of detached 3-storey industrial buildings, 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.

In addition to the 12 units launched in 2013, we launched another 27 units in 2014. Sales was slow but steady, with 7 units taken up in 2014. This development generated RM27.7 million in revenue and PBT of RM3.4 million in 2014.

- In 2014, Kemuning Utama recorded revenue of RM42.4 million, mainly from progressive billings of ongoing developments, there being no new launches in the course of the year and with the township reaching its last stages of development. PBT was RM1.1 million.
- In the Northern region, the award-winning Bandar Laguna Merbok launched its last phase of residential units – 38 units of zero-lot bungalows and 4 units of bungalows. We are coming to the completion of this development with the last phase of Malay-lot commercial properties to be launched in 2015, and we are proud of the community we have



created in what is today a mature, highly desirable address in Sungai Petani, Kedah.

Our other township in Sungai Petani, the Bukit Banyan hillside development, continues to do well. We launched 139 units in 2014, comprising terraced and semi-detached homes. Bandar Laguna Merbok and Bukit Banyan registered steady sales of 56 and 155 units, respectively, during the year. Both the Northern region developments recorded combined revenues of RM90.1 million and PBT of RM32.5 million in 2014.

- As mentioned earlier, the construction business ended all external construction activities at the end of 2014 to concentrate on in-house construction jobs, and resources were deployed to the development activities of our own landbanks in Batu Kawan and Machang Bubuk. The construction business recorded a lower revenue of RM68.3 million (2013: RM167.3 million) from external projects.

Landbank Acquisitions

- The completion of the acquisition of the 30.7 acres of freehold land at Batu Kawan in 2014 marked the Group's first foray into property development in Penang.

Earthworks have commenced on the 10-acre KDU College Penang site and the planning submission has been approved. The team is also putting final touches to the design of its new 10-acre flagship campus at Batu Kawan, Penang, which will mirror the very successful university metropolis model developed for the KDUUC Utropolis environment to enhance the teaching and learning experience.

As for the integrated development, we are working with architects on the concept and designs to best bring to life our live-and-learn, work-and-play theme, mirroring our very successful Paramount Utropolis development in Glenmarie, Shah Alam.

Paramount Property's land acquisitions are in line with its strategy of replenishing our landbank in locations with strong growth potential and to scale up development activities to generate long-term sustainable income while balancing our landbanks to cater to different market segments and demands.

Signing of SPA for Acquisition of land in Sepang District

(2 JANUARY 2015)

PARAMOUNT
CORPORATION BERHAD

NCT UNITED DEVELOPMENT
SDN. BHD. (590212-T)



We target to unveil this development in Q4 of 2015.

- On 25 March 2015, shareholders of the Company approved the acquisition of the 12 parcels of 237.7-acre freehold land in Salak Tinggi, Sepang and we expect to complete the acquisition by mid July 2015. As this development was part of an ongoing project, we plan to mobilise to site immediately to develop the 96 units, for which the relevant approvals are already in hand, in the last quarter of 2015.

We are also working with the architects to draw up concepts that offer modern, efficient and attractive environments, with homes that are functional and practical, with emphasis on landscaping and greenery.

These acquisitions are in line with Paramount Property's strategy of replenishing our landbank in locations with strong growth potential and to scale up property development activities to generate long-term

sustainable income while balancing our landbanks to cater to different market segments and demands.

Paramount Education

Our education division under Paramount Education (formerly known as KDU Education Group), continued to mark significant progress in 2014, with three major milestones – the completion of the new flagship KDU University College campus in Utropolis, Glenmarie; the acquisition of land in Batu Kawan, Penang, paving the way for us to expand our business organically with a new flagship campus for KDU College Penang and in line with its planned elevation to university college status; and Sekolah Sri KDU's 9th year of record profits and outstanding rankings in PISA 2012, announced in early 2014.

Primary & Secondary Education

Paramount Education's primary and secondary national and international schools, operating under the banner of Sri KDU, continued to deliver sterling performance. With both national and international schools operating at near full capacity, revenue increased by 9% to RM73 million (2013: RM66.7 million), while PBT increased by 17% to RM32.0 million (2013: RM27.3 million).

Student enrolment in 2014 increased by 111 students, an increase of 4% from 2013. Although the increase in student numbers was not as high as in previous years due to the near full capacity, the corresponding higher increases in revenue and PBT were due to the successful balancing of supply and demand between the national and international schools, with the overall aim of maximising total enrolment in the campus.

We strongly believe that while there has been a marked shift towards demand for international schools, as evident in the number of private national curriculum schools that have converted to international schools, there is still a lucrative market for excellent, private national curriculum schools. Hence our strategy to maintain both schools works well for us as it caters to the different needs of parents and students, as enrolment for both schools continues to grow at a steady pace.

In the Malaysian Education Blueprint Annual Report 2013, Sri KDU Secondary School was ranked the top performing school amongst Malaysian schools tested in PISA 2012, placing it among top-ranked schools in 65 countries in mathematics, science and reading.

Despite our success, Sri KDU does not rest on its laurels but continues to introduce new initiatives that will enhance operational efficiency and give it a competitive edge.

A pilot e-Learning initiative was introduced for Sri KDU Primary 1 & 4 students in 2014, where e-Learning was incorporated

into the English, mathematics and science subjects. Response from students was enthusiastic, hence this initiative has been implemented school-wide with e-Learning rooms equipped with iPads, and one classroom installed with Apple TV's.

RM600,000 was spent to upgrade IT-related infrastructure and the Oracle campus solution was implemented to more efficiently manage student numbers and information.

The success of Sri KDU Schools has spurred us to explore the possibility of opening up new schools under one or both curricula, and our team is actively pursuing this as part of our "strength through synergy" strategy, with a view of either opening new primary and secondary schools. We are also open to partnerships with other developers and landowners.

Tertiary Education

Tertiary education in Malaysia continues to be exceedingly competitive.

There are currently 20 public universities, and a combined number of 482 private universities, university colleges and colleges operating in the country, catering to a population of just under 30 million, 20% of whom fall between the ages of 15–24, the main tertiary-going age.

While these numbers indicate the opportunity for growth in this sector, there needs to be a more cohesive and clearer match between the programmes being offered, and the needs of different segments of Malaysia's growing economy.

In line with this, Paramount Education has taken the decisive step of crafting a new positioning for its entire tertiary education offering, anchored on the promise of being "real-world universities meeting real-world needs". This promise is reflective of our focus on industry-relevant programmes, the insights, knowledge and exposure that our long-standing industry links offer to students, and instilling a spirit of entrepreneurship amongst our students.

This new brand promise is reflected in a new, highly focused brand and marketing campaign built around the theme of "Hit the Ground Running", which has helped raised the overall KDU tertiary brand profile.

Opposite

In January 2015, Paramount inked a deal to acquire 237 acres of freehold land in Salak Tinggi, Sepang, which will pave the way for Paramount Property to launch its second township in the Klang Valley, after the successful Kemuning Utama township in Shah Alam.

This page

Sri KDU Schools believes in providing every student the opportunity to shine, creating a caring learning environment and following teaching methodologies that promote independent, self-directed learning.



KDU University College

The recent years have been challenging for KDUUC, marked by a slide in recruitment numbers. In 2014, we worked hard to turn this around, focusing primarily on the completion of our new flagship campus at Paramount Utopolis, Glenmarie, developing new market-relevant programmes as well as our sales and marketing efforts. Our efforts in sales and marketing, and in particular our increased presence in the digital space, helped push recruitment numbers in the last quarter of 2014.

The opening of the new 10-acre Utopolis campus in Glenmarie, with its state-of-the-art facilities, its myriad of lecture halls, classrooms and labs, the 50,000-sq ft fully-equipped library designed for contemporary learning and the 65,000 sq ft School of Hospitality, Tourism and Culinary Arts (SHTCA), with its specialist kitchens, all served to raise the profile of KDUUC, and put us back

on the consideration list of parents, students and agents.

The new campus, in particular the SHTCA facilities – the best in the region – has also served to create market chatter about our education offering, making more people aware of the KDU brand and more importantly, the quality and value that it stands for.

New student enrolment grew by 3% in 2014. As at 31 December 2014, total student population was 2,596 (2013: 2,520).

Revenue declined marginally to RM34.1 million (2013: RM32.3 million), with loss before tax of RM15.6 million (2013: RM7.4 million), mainly attributable to higher operational costs, which include the preparation costs of moving to the campus and increased marketing expenses. While the numbers are soft, the growth in recruitment numbers at the end of 2014, which have continued to

keep pace in Q1 of 2015, bodes well for the future and signal a turnaround for the KDUUC brand in the future, as our efforts begin to bear fruition.

In 2014, KDUUC launched the Bachelor's of Accountancy (Hons) programme with exemption in nine Association of Chartered Certified Accountants (**ACCA**) papers. This accelerated pathway into ACCA qualifications grants students exemption in nine papers and allows students to take the ACCA professional papers in the final year of studies. The launch was timely as KDUUC was also awarded Platinum level by ACCA for meeting targets relating to the way the institution is run, how the ACCA courses are delivered and how students consistently meet pass rate targets set by the ACCA.

KDUUC also submitted five new programmes for launching in 2015. These included Masters of Design (Visual & Innovation) with RUFA University, Bachelor of Software Engineering (Hons), Bachelor of Arts in Banking & Finance (Hons), Bachelor of Arts in Accounting & Finance (Hons) and Diploma in International Hotel Management. These new programmes are all designed to meet future market demands and deliver on our promise of being a real-world university.

In a collaboration with Teeside University, UK, KDUUC hosted Teeside's annual International Festival of Animation and Computer Games, UK's largest games, animation and comic festival, which was for the first time hosted outside of the UK. The week-long festival event saw speakers and representatives from the world's animation and games community educate, inspire and entertain a diverse audience comprising students, professionals and enthusiasts, attracting some of the industry's biggest names.

KDUUC's move to its new campus at Paramount Utopolis, Glenmarie in January 2015 paved the way for Paramount Education to open KDU College Petaling Jaya, at the premises previously occupied by the university college.

Envisioned to be a centre for foundation, pre-university and twinning programmes, KDU College Petaling Jaya provides Paramount Education a second tertiary offering in the Klang Valley, and an alternative pathway for students looking to pursue tertiary education.

This page

KDUUC's 50,000-sq ft library (top) and culinary theatre (bottom) are among the many state-of-the-art facilities in its brand new campus in Utopolis, Glenmarie.

Opposite

KDU College Penang has strong industry linkages that provide its students real-world opportunities for training and learning, and help create highly employable graduates.



Paramount Education has taken the decisive step of crafting a new positioning for its entire tertiary education offering, anchored on the promise of being “real-world universities meeting real-world needs”. This promise is reflective of our focus on industry-relevant programmes, the insights, knowledge and exposure that our long-standing industry links offer to students, and instilling a spirit of entrepreneurship amongst our students.

To enhance its offering of twinning programmes, KDU College Petaling Jaya signed on two new partners in 2014: Rome University of Fine Arts for a Masters programme in Design, and University of Chester, UK to start a franchise business programme in 2016.

KDU College Penang

KDU College Penang continues to hold steady, reflective of its strong reputation as one of the top centres for higher education in the Northern region, with its focus on academic excellence, strong industry linkages and graduate employability, as well as insightful marketing efforts.

This performance was reflected in its financial results, with growth in revenue and PBT to RM24.6 million and RM7.4 million, respectively (2013: RM22.7 million and RM7.2 million respectively). As at 31 December 2014, enrolment was 2,265 students (2013: 2,102 students).

In 2014, KDU College Penang continued its efforts in the development and delivery of academic programmes, successfully designing five new programmes – Diploma in Accounting, Diploma in Fashion Design & Merchandising, Diploma in 3D Animation & Motion Capture, Diploma in English Professional Communication and Bachelor of Mechanical Engineering (Hons).

The Teaching & Learning team focused its efforts on strengthening the academic standard by identifying gaps in the teaching processes in order to achieve better learning outcomes.

KDU College Penang’s students continued to participate in international competitions, as a way of gaining exposure and experience. In July 2014, the Engineering team from the School of Engineering, Science and Technology participated in the 4th Global Competition/Exhibition in



Systematic Innovation 2014 at San Jose State University, which is one of the top providers of engineering, science and business graduates to Silicon Valley. Despite having to compete against experts from different parts of the world, the team took home the International Award in Innovative project, a reflection of the world-class academic standards of KDU College Penang.

In November 2014, three KDU College Penang A-level students were recognised in the “Top in the World” awards for mathematics and business studies at the Outstanding Cambridge Learner Award ceremony. In total, KDU College Penang students won a total of over 100 national and international awards in 2014.

Students from the college also received a number of prestigious scholarships from various international scholarship

endowment bodies such as the Singapore Ministry of Foreign Affairs Scholarship, ASEAN Scholarships, Hong Kong City University Top Scholarship for International Students, University of British-Columbia Chancellor Scholarship, as well as the Jabatan Perkhidmatan Awam Scholarships from the Government of Malaysia.

KDU College Penang also continued its efforts to strengthen its industry linkages. It signed a Memorandum of Understanding with National Instruments, a leading engineering firm, to set up the National Instruments Lab View Academy at KDU College Penang, paving the way for KDU and National Instruments to partner on training and certification programmes for students, professionals and the public who are keen to use the National Instruments hardware and software platforms to test, control and embed design applications.

We are becoming more innovative, more agile, more dynamic, but at the same time holding true to our cornerstones of quality and value and aligned to building our brand to one that is not only respected and trusted to one that is progressive and engaged with our stakeholders.

The college also inked an agreement with British Council Penang to become an Associate of the International English Language Testing System (IELTS). The collaboration enables the college to conduct IELTS examinations on site, and provides students with a platform to learn from native English speakers through joint activities like having guest lecturers co-teach at the college.

KDU College Penang's International Student Conference in 2014 attracted attendees from 12 different countries, all interested in listening to the many industry and business leaders who spoke on the theme "Leader in Action".

Moving forward, KDU College Penang is focusing its efforts on attaining university college status, which will provide students with more options to pursue homegrown programmes, in tandem with its offering of twinning diploma and degree programmes. These flexible study pathways will further enhance KDU College Penang's standing, and pave the way for its elevation to university college status.

HUMAN CAPITAL STRATEGY

In 2014, Paramount focused on building the strengths of its leadership team in both core divisions, making critical new hires at Group level as well as across both divisions. These new hires were hand-picked to complement the existing leadership team, and contribute towards our evolution and growth strategy.

In Paramount Property, we added key talents in quality control and design, as well as a new CEO for the property business, to take over from Dato' Ricque Liew, who has moved on to a senior leadership role at Group level.

In Paramount Education, we made

senior hires to improve our tertiary academic product, as well as to drive sales & marketing.

Across the Group, our human capital strategy was focused on implementing a high performance culture, developing a pipeline of talent for succession, building organisation capability, enhancing the Paramount brand as an employer of choice and inculcating a high performance culture.

We also continued to improve on the development of a talent pipeline to build and strengthen the organisational bench strength and capabilities.

In 2014, we put the final touches to the Long Term Incentive Plan for 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 the effectiveness and efficiency of the Company's operations.

our stakeholders. More importantly, we are gearing ourselves to best take advantage of the inherent strengths across our two businesses; a unique differentiator that will give our business a much needed impetus for growth, and which will underpin our performance in coming years.

The clarity of vision and the plan to see it through have been made possible through the untiring efforts of Paramount staff. I would like to record my utmost appreciation and thanks to all of you, on whom the future success of the Company rests.

JEFFREY CHEW

GROUP CHIEF EXECUTIVE OFFICER

CONCLUSION

Overall, 2014 proved to be a good year for the Company. While market conditions moving forward remain uncertain, we have taken stock of where we are, and put together a plan that makes the best use of our talents, assets, products and brand to build stakeholder value.

We are becoming more innovative, more agile, more dynamic, but at the same time holding true to our cornerstones of quality and value and aligned to building our brand to one that is not only respected and trusted to one that is progressive and engaged with

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 whilst ensuring these 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. Paramount's ethos of respecting people and planet was best exemplified when, in October 2014, the Company launched Chengal House by Paramount Property. The 11,000-square feet clubhouse located within Sejati Residences in Cyberjaya is the first commercial property development of its kind in Malaysia to be built using

200-year-old chengal timber, salvaged from a 70-year-old factory owned by Paramount. Complementing the ecologically sustainable design approaches is an arboretum within the landed residential development, showcasing the rich diversity of Malaysian woods.

- **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. The flagship campus of KDU University College in Utropolis, Glenmarie has been granted a provisional Green Building Index (GBI) certification for its sustainable approaches in a higher-education development. Starting with the use of the Industrial Building System materials, KDU University College, Utropolis makes admirable progress in green building construction and maintenance, tracked by the Advanced Building Management System.

- **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. We seek to achieve this 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 Human Resource practices 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 take a proactive approach by providing opportunities for our employees to obtain professional and nationally recognised qualifications. We also encourage participation in 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 segment 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 trainings are provided.
- Recognising that effective employee communication and engagement are important in achieving our business objectives. As such, 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 support numerous charitable causes both in cash and kind as well as through the provision of scholarships to deserving students. In 2014, Paramount made donations in cash and kind totalling RM8.7 million.
- Supporting local communities through opportunities for employment, interaction with schools, liaison and support for local well-being. We actively promote community interaction through social programmes and activities. In Sungai Petani, the Company's Bukit Banyan Green Ride was started as Kedah's first eco-ride in 2012 and today, it is an annual get-together event that brings friends and families together.
- 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 websites ensure that they are accessible to all interested parties.
- Maintaining high standards of corporate governance. We monitor and evaluate risks 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 58 to 67 and 71 to 72.

STATEMENT ON CORPORATE GOVERNANCE

Paramount Corporation Berhad (**Paramount** or **the Company**) is committed to maintaining high standards of corporate governance, integrity and accountability, underpinned by robust management of risks and internal controls to ensure the long-term sustainability of its businesses and to safeguard the interests of all stakeholders. To this end, the Board of Directors (**the Board**) of Paramount will continue to review the manner in which the Company and its subsidiaries (**the Group**) have instituted the practices of good corporate governance into the Group's daily business operations.

This statement sets out 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 2014.

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 is 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
- 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 Group 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

The Board is principally responsible for providing guidance to management and overseeing 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

- Formulating policies to ensure adherence to high standards of ethics and corporate behaviour by all stakeholders within the Group

Board Composition

The Board currently has seven members, comprising one Executive Director and six Independent Non-Executive Directors (**Independent NED**). The Independent NED's, including the Chairman of the Board, account for 75% of the Board, hence exceeding the minimum requirement of one-third independent Board members as stipulated in Paragraph 15.02 of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad (**Bursa Malaysia**).

Except for the re-designation of Mr Ong Keng Siew as an Independent NED on 14 August 2014, there were no changes to the Board composition in the financial year 2014 and during the period from 1 January 2015 to the date of publication of this statement.

Full details of the Board members are set out on pages 28 to 31 of this annual report.

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 relating to policy formulation, 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.

Additionally, the Board adheres to the practice of non-discrimination of any form, regardless of age, gender, race or religion, and ensures that the selection of a candidate for a directorship position is based on merit, in the context of skills, time commitment and experience.

Separation of Powers and Responsibilities

The clear division of responsibilities between the Chairman and the Group CEO ensures a balance of power and 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.

Mr Jeffrey Chew Sun Teong, who was appointed as Group CEO on 1 July 2014 in place of Dato' Teo Chiang Quan, is responsible for the executive management of the Group's businesses and the effective implementation of strategic plans.

Succession Planning

The Board takes the pivotal role of ensuring continuity in leadership for key management positions in the Group, particularly CEO positions. To achieve this, the Board, with the assistance of 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.

Board Policies

The following policies are in place to ensure that high standards of corporate governance are embedded in the conduct of the Board's activities and the Group's businesses:

- Board Charter *
- Code of Business Conduct and Ethics *
- Whistle Blowing Policy *
- Directors' Code of Ethics
- Directors' Assessment Policy
- Boardroom Diversity Policy
- Succession Planning Policy
- Insider Dealing Policy
- Board Remuneration Policy
- Investor Relations Policy
- Related Party Transaction Policy

Note: * Available on the Company's website at pcb.my

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, Non-Executive Directors, Independent NED's, the CEO, Board Committees and the Company Secretary
- Board processes, including Board meetings, appointment, reappointment and removal of Directors

- Directors' Code of Ethics
- Terms and Reference of the Audit, Nominating and Remuneration Committees

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 Executive 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 Group CEO, the divisional CEO's 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	4 out of 4	100%
Datuk Seri Michael Yam Kong Choy	4 out of 4	100%
Dato' Haji Azlan bin Hashim	3 out of 4	75%
Ong Keng Siew	4 out of 4	100%
Dato' Rohana Tan Sri Mahmood	4 out of 4	100%
Quah Chek Tin	4 out of 4	100%

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 includes dialogue sessions with the Chairman, the other Board members, the Group CEO and other senior management personnel; visits to the Group's business sites; and access to the 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 issues. The Secretaries, acting under the instruction of the Nominating Committee, compile training programmes that are available to the Directors for their selection. 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 in the year under review are as follows:

Corporate Governance

- Advocacy sessions on corporate disclosure for Directors
- MSWG's appreciation & application of ASEAN CG scorecard
- Bursa Malaysia – Great companies deserve great boards
- Nominating Committee Programme
- BNM Dialogue Session with Nominating Committee Members

Risk Management and Finance

- Risk Appetite Training
- Talk on corporate liability by Gerald Forlin
- "Risks: From Whereof?" by Tan Sri Andrew Sheng
- KPMG: The impact of cyber security at board levels, Understanding how effective your Fraud Risk Management program is
- Saadiq: Annual Dialogue with Syariah Advisory Committee

- Murabahah Standards by Associate Professor Dr. Nurdianawati Irwani Abdullah
- Bai'Inah and Tawarruq Exposure Drafts by Dr Wan Azhar Wan Ahmad
- Wakalah, Kafalah and Wa'd Exposure Drafts by Dr. Akhtarzaite Abdul Aziz
- Hibah & Wadiah Exposure Drafts by Abdul Latif bin Ahmad Subki
- Mudarabah & Musharakah Standards by Dr. Hikmatullah Babu Sahib
- IUHF-International Union for Housing Finance
- LSE insights on the Financial Crisis & Financial Reforms and China's Foreign Affairs under Xi Jin Ping
- Roundtable on financial reporting

Legal and Regulatory Updates

- Roundtable on the Malaysian Code for Institutional Investors 2014
- PDPA 2010 Training for the Directors
- Briefing on GST
- Malaysia's GST: Possible lessons from the UK & Singapore
- Anti-money laundering workshop

Economic Updates

- National Economic Summit & Dialogue with The Prime Minister of Malaysia
- Roundtable on Graduate Employability
- Fireside Chat with Dato Seri Abd Wahid Omar
- MITI-Dialogue with YB Dato Sri Mustapa Mohamed "ASEAN Economic Community"
- ISIS Roundtable Discussion with Amb Weny R Sherman, Under Secretary for Political Affairs, US Department of State

- LSE Forum "Building Asian Futures: Integration, welfare and growth?"
- Kuala Lumpur Business Club in Singapore
- 28th Asia Pacific Roundtable
- International Affairs Forum "The Next Indonesian Presidency and the Future of Malaysia-Indonesia Relations"
- Ekuinas: The Malaysian Private Equity Forum

Industry-Related Topics

- Malaysia 2014 market trends and updates
- Airport Cities by MAHB
- DBKL (Kuala Lumpur Slope Information System)
- Briefing to Developers on Hillslope Projects
- Gaming markets and global trend

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 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 the Company's major shareholders on the nomination of candidates and has the sole discretion to determine the appropriate manner and scope of consultation with the major 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 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 MMLR 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 annual general meeting (**AGM**). At least one-third of the Board members 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 Group CEO are

subject to a self and peer assessment annually. The Directors are provided with an online survey tool to carry out the assessment. 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 Group 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 Group 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 four Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (**TOR**). Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee through reports by the Chairman of each of the Board Committees at Board meetings.

The composition, functions and activities of these Board Committees in the year under review are described as follows:

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 (*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 TOR are presented on pages 68 to 70 of this annual report.

Nominating Committee

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

- Datuk Seri Michael Yam Kong Choy, Chairman (*Senior 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 Group CEO on an ongoing basis. The NC meets as and when required, and at least once in a year. The following activities were

undertaken by the NC in 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 Directors for the ensuing year

The TOR of the NC are set out 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*)

The primary function of the RC is to review, assess and recommend to the Board the remuneration packages of Executive Directors, the Group CEO and senior management personnel to ensure that they are fairly rewarded for their individual and team contributions to the Group's overall performance and that the

levels of remuneration be 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.

The RC meets as and when required, and at least once in a year. 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 team
- Reviewed the bonus payment and salary increment to the Group CEO
- Reviewed Directors' fees and Board Committees' fees

Subsequently, on 2 March 2015, the Board empowered the RC to assume the role as the committee to implement and administer the Company's Long Term Incentive Plan (**LTIP**) in accordance with the By-Laws governing the LTIP that were duly approved by the Company's shareholders on 17 April 2013. On 11 March 2015, the RC met to review and determine the criteria for employees' eligibility to participate in the LTIP, the performance targets for both, the performance-based share incentive plan and restricted share incentive plan of the LTIP, the number of new ordinary shares of RM0.50 each in the Company to be awarded to the eligible employees of the Group pursuant to the first award of the LTIP, and the date of the First Award.

The TOR of the RC 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 (*Senior 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 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 performances and responsibilities.

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.

Annual fees and Directors' travelling allowances are paid based on current market surveys. The Board, upon the recommendation of the RC, is proposing an increase in the Board Committees' fees payable in respect of the financial year 2014 by RM2,000.00 for each member of the AC, RM3,000.00 for each member of the NC and the RC, RM5,000.00 for the Chairman of the AC, NC and RC, and RM2,000.00 for

the Chairman of the BRMC. Subject to approval being obtained from the shareholders on the total Directors' fees, which are inclusive of the above-mentioned increase in Board Committees' fees, at the forthcoming Forty-Fifth AGM, the details of the remuneration of each Director on a Group basis, for the financial year 2014 are as follows:

	BASIC SALARY (RM'000)	BONUS (RM'000)	DIRECTORS FEES ⁽¹⁾ (RM'000)	BENEFITS IN-KIND (RM'000)
Executive Director				
Dato' Teo Chiang Quan	1,200	737	67	111
Non-Executive Directors				
Dato' Md Taib bin Abdul Hamid	—	—	116	—
Datuk Seri Michael Yam Kong Choy	—	—	76	—
Dato' Haji Azlan bin Hashim	—	—	75	—
Ong Keng Siew	—	—	70	—
Dato' Rohana Tan Sri Mahmood	—	—	80	—
Quah Chek Tin	—	—	101	—
Total	1,200	737	585	111

⁽¹⁾ Inclusive of Board Committees' fees

The number of Directors whose remuneration for the financial year 2014 fall within the respective bands are as follows:

RANGE OF REMUNERATION	NUMBER OF DIRECTORS
Executive Director	
RM2,300,001 to RM2,350,000	1
Non-Executive Director	
RM50,000 to RM100,000	4
RM100,001 to RM150,000	2

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 to monitor the status of the respective risks 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 BMRC.

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 competitiveness 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 the 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 71 to 72 of this annual report, provides a detailed report on the Group's level of risk management and internal control for the year under review.

Internal Audit Function

The Internal Audit (**IA**) Department continues to undertake regular and systematic review of the Group's internal controls to provide the AC 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 68 to 72 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 Letter to Shareholders on pages 35 to 43 and the Group CEO's Review of Operations report on pages 47 to 54 of this annual report. 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 77 of this annual report.

Related Party Transactions

All related party transactions (**RPT's**) are reviewed by the IA Department to ensure that the terms are fair and at arm's length, and that all necessary steps are being taken to comply with the requirements of MMLR with regard to RPT's. All verified RPT's are submitted to the AC for its review on a quarterly basis.

The details of all RPT's that were entered into by the Group in the financial year 2014 are disclosed in Note 37(a) to the financial statements on pages 154 to 155 of this annual report.

Relationship with External Auditors

The Company has always maintained a transparent and appropriate relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia. The report on the role of the AC in relation to the external auditors can be found in the Report of the AC on pages 68 to 70 of this annual report.

Code of Business Conduct and Ethics

To ensure that good corporate governance practices are integrated into the Group's business operations, the Code of Business Conduct and Ethics that was adopted in 2013, 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 conflicts 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. The code is available on the Company's corporate website at pcb.my.

Insider Trading

The Board, in efforts to prevent insider trading in the Company's shares and to maintain the confidentiality of price sensitive information, has adopted an 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 pre 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

In promoting a culture of high integrity and greater transparency, the Whistleblowing Policy that was adopted in 2013, provides employees of the Group 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 AC or the Head of the IA at whistleblower@pcb.my.

The Head of IA, upon the receipt of complaints, would investigate and keep record of all evidences gathered from the investigation, and recommend to the AC the course of action in a fair manner. The AC 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 are followed. All details pertaining to the whistle-blower will be kept strictly confidential throughout the investigative proceedings. There were no concerns reported in the financial year 2014 or during the period from 1 January 2015 to the date of publication of this statement. The Whistleblowing Policy is available on the Company's website at pcb.my.

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 MMLR. The Company obliges the requests of analysts and fund managers for company visits and briefings and, where possible, at least once in every year, a scheduled company briefing is held, coinciding with the release of the Group's final quarter results and press release and media briefings are held in conjunction with the Company's AGM's. The Company's website at 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 2013 was presented to shareholders at the 44th AGM held on 9 June 2014. Shareholders were invited to ask questions and express their views about the Company's business at the meeting, 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 44th 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 the 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 are 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 interest of shareholders is 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 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 appearing on pages 55 to 57 of this annual report.

Further, to ensure that essential elements of corporate sustainability are 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-renewable 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 NC 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 the relevant industries enables them to provide the Board and the various 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 MMLR, and they have shown exemplary evidence that the length of their service does not in any way interfere with their exercise of unfettered independent judgment nor hinder their ability to act in the best interest 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 report of the Audit Committee and its activities for the year ended 31 December 2014.

Members and Meetings

The Audit Committee comprises three Independent Non-Executive Directors.

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

DIRECTORS	STATUS	ATTENDANCE
Quah Chek Tin (Chairman)	Independent Non-Executive Director	4 out of 4 meetings
Dato' Md Taib bin Abdul Hamid	Independent Non-Executive Director	4 out of 4 meetings
Ong Keng Siew ⁽¹⁾	Independent Non-Executive Director	3 out of 3 meetings
Dato' Haji Azlan bin Hashim ⁽²⁾	Independent Non-Executive Director	1 out of 1 meeting

⁽¹⁾ Appointed as a member on 27 February 2014

⁽²⁾ Ceased to be a member on 27 February 2014

Terms of Reference

The Terms of Reference of the Audit Committee are as follows:

1.0 Introduction

The Audit Committee (**the Committee**)'s primary objective is to assist the Board of Directors (**the Board**) in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

2.0 Composition

- 2.1 The Committee shall be appointed by the Directors amongst their numbers, who fulfills the following requirements:
 - comprised no fewer than three (3) members
 - all members must be Non-Executive Directors
 - at least one member of the Committee must be a member of the Malaysian Institute of Accountants
- 2.2 The Chairman of the Committee shall be an Independent Director.
- 2.3 No alternate Director shall be appointed as a member of the Committee.

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

3.0 Frequency of 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 and internal auditors without the presence of executive Board members at least twice a year.

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.

The Chairman of the Committee should engage on a continuous basis with senior management such as the Chief Executive Officer, the Chief Financial Officer, the external auditors and the Head of Internal Audit in order to keep abreast of matters affecting the Company and its subsidiaries (**the Group**).

4.0 Secretary

The Company Secretary shall be the secretary of the Committee.

5.0 Authority

The Committee is hereby authorised by the Board to:

- i) investigate any matters within its Terms of Reference;
- ii) have resources which are required to perform its duties;
- iii) have full and unrestricted access to any information pertaining to the Company and the Group;
- iv) have direct communication channels with the external auditors and internal auditor; and
- v) obtain independent professional or other advice as deemed necessary.

6.0 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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Malaysia**), the Committee shall promptly report such matter to Bursa Malaysia.

7.0 Duties of the Committee

The duties of the Committee shall be as follows:

- i) To consider the suitability, independence and appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensures co-ordination where more than one audit firm is involved;
- iii) To review the quarterly and year-end financial statements of the Company/Group, focusing particularly on:
 - a) Any changes in accounting policies and practices;
 - b) Significant adjustments arising from the audit;
 - c) The going concern assumption; and
 - d) Compliance with accounting standards and other legal requirements.

- iv) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- v) To review with the external auditors their audit reports and management letter, if any;
- vi) To discuss with the external auditors contracts for the provision of non-audit services, if any;
- vii) 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;
- viii) To review the internal audit programme and results of the internal audit process and where necessary to ensure that appropriate action is taken on the recommendations of the internal audit function;
- ix) To consider major findings of internal investigations and management's response;
- x) To consider any related party transactions that may arise within the Company or Group;
- xi) To take cognisance of resignations of senior internal audit staff members and to provide the staff an opportunity to submit his/her reasons for resigning; and
- xii) To consider other topics deemed fit by the Committee within its Terms of Reference and/or as defined by the Board.

8.0 Review of the Audit 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. They include the following:

a) Financial Statements

- i) Reviewed the quarterly and year-end financial statements prior to Board's approval for release to Bursa Malaysia and the press;
- ii) Discussed audit plans with the external auditors before commencement of the statutory audit;
- iii) Reviewed the external auditors' Report to the Committee in respect of the Group;
- iv) Met with the external 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 auditors may wish to discuss.
- v) Reviewed the external auditors' audit fee and proposed the same to the Board for its approval; and
- vi) Reviewed the suitability and independence of the external auditors and considered the

re-appointment of the external auditors, Messrs Ernst & Young as the Company's auditors and proposed 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) Reviewed results of the 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 Committee, and proposed the report to the Board for its approval; and
- vi) Reviewed and confirmed the appointment of a new Head of Internal Audit to replace the former Head of Internal Audit who retired from service during the year.

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 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 Committee in the form of the audit charter and 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, the Committee and management.

b) Activities

For the year 2014, the Internal Audit Department carried out audit assignments in accordance with the approved audit plan, and audit reports were presented to the 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 Function for the year was RM962,983.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 or the Company**) 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 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, which is chaired by the Group Chief Executive Officer, assists the Board in its discharge of its risk management responsibilities. The committee's functions are to coordinate 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 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 summarised for presentation to the Board during their quarterly meetings.

Management has established a 5-year Group strategic planning process that is reviewed by the Board on a regular 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 practised 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 10 April 2015

Share Capital

Authorised capital : RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each
 Issued and fully paid-up : RM211,132,160 divided into 422,264,320 ordinary shares of RM0.50 each
 Class of shares : Ordinary shares of RM0.50 each
 Voting rights : 1 vote per ordinary share

Distribution of Shareholdings

SIZE OF SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES HELD	%
1 – 99	98	1.75	3,530	0.00
100 – 1,000	302	5.40	197,881	0.05
1,001 – 10,000	3,008	53.80	14,570,851	3.45
10,001 – 100,000	1,865	33.35	52,675,676	12.47
100,001 – 21,113,215*	316	5.65	207,399,882	49.12
21,113,216 and above**	3	0.05	147,416,500	34.91
Total	5,592	100.00	422,264,320	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

Thirty (30) Largest Shareholders

	NAME OF SHAREHOLDER	NO. OF SHARES HELD	%
1.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Paramount Equities Sdn Bhd (CBM-Team 2)	56,000,000	13.26
2.	Paramount Equities Sdn Bhd	54,180,000	12.83
3.	Southern Palm Industries Sdn Bhd	37,236,500	8.82
4.	Southern Acids (M) Berhad	19,316,500	4.57
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	17,000,000	4.03
6.	Bunga Indah (M) Sdn Bhd	11,583,000	2.74
7.	Southern Realty (Malaya) Sdn Bhd	10,496,500	2.49
8.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AlA Bhd	7,303,125	1.73
9.	Eliyezer Resources Sdn Bhd	6,244,000	1.48
10.	Teo Chiang Quan	5,337,500	1.26
11.	Ong Keng Siew	3,987,700	0.94

Thirty (30) Largest Shareholders

	NAME OF SHAREHOLDER	NO. OF SHARES HELD	%
12.	Kenanga Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Teo Pek Swan (6Q-31037)	3,965,000	0.94
13.	Amanahraya Trustees Berhad Public Optimal Growth Fund	3,500,000	0.83
14.	Teh Wei Siong	2,912,000	0.69
15.	Amanahraya Trustees Berhad Public Smallcap Fund	2,785,200	0.66
16.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Oh Kim Sun (PBCL-0G0019)	2,730,100	0.65
17.	Yayasan Kelantan Darulnaim	2,683,000	0.64
18.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB-OSK Small Cap Opportunity Unit Trust (3548)	2,540,000	0.60
19.	Cheong Hon Keong	2,516,500	0.60
20.	Neoh Choo Ee & Company Sdn Bhd	2,197,800	0.52
21.	Goh Thong Beng	2,178,500	0.52
22.	Bernard Chang Tze Wah	2,040,000	0.48
23.	Amsec Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	2,034,000	0.48
24.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	1,665,900	0.39
25.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,660,525	0.39
26.	Mikdavid Sdn Bhd	1,516,500	0.36
27.	Gemas Bahru Estates Sdn Bhd	1,508,500	0.36
28.	Yeo Khee Huat	1,505,000	0.36
29.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (PACIFIC6939-407)	1,372,975	0.33
30.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Chee Tong	1,285,000	0.30

Substantial Shareholders

NAME OF SHAREHOLDER	NO. OF SHARES HELD		%
	DIRECT	INDIRECT	
Paramount Equities Sdn Bhd	110,180,000	–	26.09
Dato' Teo Chiang Quan	5,610,500	111,033,500 ⁽¹⁾	27.62
Southern Palm Industries Sdn Bhd	37,236,500	19,316,500 ⁽²⁾	13.39
Southern Edible Oil Industries (M) Sdn Bhd	1,165,500	56,553,000 ⁽³⁾	13.67
Southern Realty (Malaya) Sdn Bhd	10,496,500	57,718,500 ⁽⁴⁾	16.16
Banting Hock Hin Estate Co Sdn Bhd	644,000	68,215,000 ⁽⁵⁾	16.31

Directors' Shareholdings

NAME OF DIRECTOR	DIRECT		INDIRECT	
	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
Dato' Teo Chiang Quan	5,610,500	1.33	111,033,500	26.29
Ong Keng Siew	3,987,700	0.94	–	–
Dato' Md Taib bin Abdul Hamid	–	–	175,000	0.04
Datuk Seri Michael Yam Kong Choy	132,500	0.03	–	–

Dato' Teo Chiang Quan, by virtue of his interest in the Company, is also deemed interested in the shares in 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.

Group CEO's Shareholding

NAME OF CEO	DIRECT		INDIRECT	
	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
Chew Sun Teong	175,000	0.04	–	–

LIST OF TOP 10 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 31.12.2014
1	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	KDU University College campus	–	Freehold	435,626	247,397
2	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 approved for commercial and residential use (held for future development)	–	Freehold	1,447,766	148,257
3	Lot PT 510, Pekan Hicom, District of Petaling Selangor Darul Ehsan	07.06.2012	Land approved for industrial and commercial development - Sekitar26	–	Freehold	1,306,800	144,886
4	Block 17, Cyberjaya Flagship Zone Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	31.12.2012	Land approved for residential development - Sejati Residences	–	Freehold	2,178,000	122,884
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)	4 - 13 years	99 years lease expiring 25.01.2104	520,579	89,378
6	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Land approved for commercial development - Paramount Utropolis	–	Freehold	514,008	78,576
7	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	23.06.2006	Land approved for commercial and residential development - Bukit Banyan	–	Freehold	21,411,047	71,945
8	Lot 94 Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan held under Title No. PN17345	20.02.2008	Land approved for commercial and residential use (held for future development)	–	99 years lease expiring 04.06.2063	225,680	52,283
9	Lot PT 5827 Mukim 13, Seberang Prai Selatan Penang	05.12.2014	Land approved for commercial and residential use (held for future development)	–	Freehold	884,717	48,868
10	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 use (held for future development)	–	99 years lease expiring 19.01.2107	411,642	45,995

STATEMENT OF DIRECTORS' RESPONSIBILITY

in relation to the financial statements

This statement is prepared as required by the Main Market 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.

3

79	Directors' Report
83	Statement by Directors
83	Statutory Declaration
84	Independent Auditors' Report
86	Consolidated Income Statement
87	Consolidated Statement of Comprehensive Income
88	Consolidated Statement of Financial Position
90	Consolidated Statement of Changes in Equity
91	Consolidated Statement of Cash Flows
93	Income Statement
94	Statement of Financial Position
95	Statement of Changes in Equity
96	Statement of Cash Flows
98	Notes to the Financial Statements

THE FINANCIALS

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 2014.

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	64,086	88,273

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 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2013 as reported in the directors' report of that year:	
Final single tier dividend of 5.5 sen, on 337,812,000 ordinary shares, declared on 27 February 2014 and paid on 27 June 2014	18,580
In respect of the financial year ended 31 December 2014:	
Interim single tier dividend of 2.5 sen, on 422,265,000 ordinary shares, declared on 14 August 2014 and paid on 17 September 2014	10,556
	29,136

At the forthcoming Annual General Meeting, a final single tier dividend of 5.0 sen, in respect of the financial year ended 31 December 2014 on 422,265,000 ordinary shares, amounting to a dividend payable of RM21,113,250 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 2015.

DIRECTORS' REPORT

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

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 37 to the financial statements.

Directors' Interests

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

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1 JANUARY 2014	BOUGHT	SOLD	AT 31 DECEMBER 2014
The Company				
Direct Interest				
Dato' Teo Chiang Quan	4,488,400	1,122,100*	—	5,610,500
Ong Keng Siew	3,116,400	871,300*	—	3,987,700
Datuk Seri Yam Kong Choy	108,000	24,500*	—	132,500
Deemed Interest				
Dato' Teo Chiang Quan	88,826,300	22,207,200*	—	111,033,500
Dato' Md Taib bin Abdul Hamid	140,000	35,000*	—	175,000

* Subscription for new ordinary shares of RM0.50 each in the Company pursuant to the Rights Issue exercise.

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.

Issue of Shares

During the financial year, the Company;

- (a) increased its authorised share capital from RM200,000,000 comprising 400,000,000 ordinary shares of RM0.50 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of additional 600,000,000 ordinary shares of RM0.50 each; and
- (b) increased its issued and paid-up share capital from RM168,906,000 to RM211,132,000 by way of issuance of 84,453,000 ordinary shares of RM0.50 each ("Right Shares") on the basis of every one (1) new rights share for every four (4) existing ordinary shares held at an issue price of RM1.10 each per share for a total cash consideration of RM92,898,000 for repayment of existing bank borrowings, working capital purposes and defray estimated expenses in relation to the rights issues proposal. The excess of rights issue proceed over par value of the shares of RM50,672,000 has been credited to the share premium account as disclosed.

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

Issue of Private Debt Securities ("PDS")

During the financial year, the Company issued RM100,000,000 in nominal value of PDS pursuant to the PDS programme.

The PDS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 6.5% per annum, subject to a yearly step-up rate after the first call date.

The PDS have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on or after 6 February 2019 together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

These PDS were issued for the Company's working capital purposes as well as to finance future capital expenditure, land bank for development and investment in education business.

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.

DIRECTORS' REPORT

Other Statutory Information (cont'd.)

- (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 43 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2015.

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 86 to 166 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 2014 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 44 to the financial statements on page 167 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 24 February 2015.

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 86 to 166 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by
the abovenamed Foong Poh Seng at
Petaling Jaya in Selangor Darul Ehsan
on 24 February 2015

FOONG POH SENG

Before me,

Commissioner for Oaths

NG SAY HUANG

No. B185
69A, Jalan SS21/37
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

To the Members of Paramount Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2014 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 86 to 166.

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 is 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 2014 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 44 on page 167 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

TAN SHIUM JYE

No. 2991/05/16(J)

Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2015

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 December 2014

	NOTE	2014 RM'000	2013 RM'000
Revenue	4	510,043	512,073
Other income		41,934	30,052
Property development costs	13(b)	(211,081)	(145,274)
Construction contract costs		(56,369)	(150,047)
Employee benefits expense	5	(102,971)	(92,684)
Depreciation		(12,413)	(13,793)
Other expenses		(82,841)	(63,924)
Finance costs	7	(273)	(1,095)
Share of loss of associates		(273)	(212)
Profit before tax	8	85,756	75,096
Income tax expense	9	(21,670)	(21,593)
Profit net of tax		64,086	53,503
Profit attributable to:			
Ordinary equity holders of the Company		62,474	53,503
Holder of Private Debt Securities ("PDS") of the Company		1,612	–
		64,086	53,503
Basic Earnings Per Share ("EPS") attributable to ordinary equity holders of the Company (sen)	10(a)	16.17	14.83

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2014

	2014 RM'000	2013 RM'000
Profit net of tax	64,086	53,503
Foreign currency translation	(123)	(1,006)
Total comprehensive income	63,963	52,497
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	62,351	52,497
Holder of PDS of the Company	1,612	–
	63,963	52,497

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTE	2014 RM'000	2013 RM'000
Non-current assets			
Property, plant and equipment	12	434,848	317,491
Land held for property development	13(a)	530,440	457,634
Investment properties	14	108,583	61,118
Intangible asset	16	15,674	15,674
Investments in associates	18	8,084	8,604
Other investments	19	340	342
Deferred tax assets	31	13,477	9,774
		1,111,446	870,637
Current assets			
Property development costs	13(b)	149,814	131,628
Inventories	20	399	1,732
Trade receivables	21	82,004	105,382
Other receivables	22	28,746	22,325
Other current assets	23	68,757	17,777
Tax recoverable		8,585	4,818
Other investments	19	270	1,530
Cash and cash equivalents	26	192,270	110,544
		530,845	395,736
Assets held for sale	15	9,900	35,956
		540,745	431,692
Total assets		1,652,191	1,302,329

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

	NOTE	2014 RM'000	2013 RM'000
Current liabilities			
Borrowings	27	112,821	41,402
Trade payables	28	109,821	109,335
Other payables	29	105,176	77,746
Tax payable		5,391	3,195
Other current liabilities	30	76,788	49,132
		409,997	280,810
Net current assets		130,748	150,882
Non-current liabilities			
Borrowings	27	272,270	276,344
Deferred tax liabilities	31	18,080	18,077
		290,350	294,421
Total liabilities		700,347	575,231
Equity			
Share capital	32	211,132	168,906
Reserves		640,925	558,192
Private debt securities	33	99,787	–
Total equity		951,844	727,098
Total equity and liabilities		1,652,191	1,302,329

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2014

	SHARE CAPITAL RM'000	<-----NON-DISTRIBUTABLE-----> SHARE PREMIUM RM'000	TRANSLATION RESERVE RM'000	DISTRIBUTABLE RETAINED EARNINGS (NOTE 34) RM'000	PRIVATE DEBT SECURITIES RM'000	TOTAL EQUITY RM'000
At 1 January 2014	168,906	41,631	(1,006)	517,567	–	727,098
Total comprehensive income	–	–	(123)	62,474	1,612	63,963
Transaction with owners						
Issuance of private debt securities (Note 33)						
- Issuance of private debt securities	–	–	–	–	100,000	100,000
- Private debt securities expenses	–	–	–	–	(213)	(213)
Issuance of ordinary shares						
- Rights issue (Note 32)	42,226	50,672	–	–	–	92,898
- Rights issue expenses	–	(1,154)	–	–	–	(1,154)
Private debt securities distribution	–	–	–	–	(1,612)	(1,612)
Dividends (Note 11)	–	–	–	(29,136)	–	(29,136)
Total transaction with owners	42,226	49,518	–	(29,136)	98,175	160,783
At 31 December 2014	211,132	91,149	(1,129)	550,905	99,787	951,844
At 1 January 2013	168,906	41,631	–	489,400	–	699,937
Total comprehensive income	–	–	(1,006)	53,503	–	52,497
Transaction with owners						
Dividends (Note 11)	–	–	–	(25,336)	–	(25,336)
At 31 December 2013	168,906	41,631	(1,006)	517,567	–	727,098

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before tax	85,756	75,096
Adjustments for:		
Depreciation of property, plant and equipment	12,385	13,458
Depreciation of investment properties	28	335
Property, plant and equipment written off	285	128
Impairment of asset held for sale	3,793	–
Additions of allowance for impairment of receivables	255	184
Reversal of allowance for impairment of receivables	(104)	(268)
Bad debts written off	280	164
Gain on disposal of assets held for sale	(15,920)	(155)
Gain on disposal of property, plant and equipment	(420)	(343)
Gain on disposal of investment properties	(1,269)	–
Unrealised foreign exchange loss	57	557
Share of loss of associates	273	212
Net derivative gain from interest rate swap	(4)	(100)
Interest expense	273	1,095
Interest income	(5,074)	(2,846)
Operating profit before working capital changes	80,594	87,517
Increase in receivables	(34,454)	(15,881)
(Increase)/decrease in development properties	(14,270)	23,556
Decrease/(increase) in inventories	1,333	(1,732)
Increase in payables	55,643	20,161
Cash generated from operations	88,846	113,621
Taxes paid	(26,941)	(22,152)
Interest paid	(16,609)	(12,915)
Net cash generated from operating activities	45,296	78,554

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2014

	2014 RM'000	2013 RM'000
Cash flows from investing activities		
Increase in land held for development	(39,414)	(55,453)
Purchase of property, plant and equipment	(170,361)	(68,674)
Purchase of investment properties	(32,328)	(8,921)
Proceeds from disposal of property, plant and equipment	934	922
Proceeds from disposal of asset held for sale	38,183	957
Proceeds from disposal of investment properties	5,000	–
Movement in other investment	1,262	(1,313)
Interest received	5,074	2,846
Net cash used in investing activities	(191,650)	(129,636)
Cash flows from financing activities		
Dividends paid	(29,136)	(25,336)
Proceeds from rights issue	92,898	–
Payment of rights issue related expenses	(1,154)	–
Proceeds from issuance of PDS	100,000	–
Payment of PDS related expenses	(213)	–
Payment of PDS distribution	(1,612)	–
Proceeds from issuance of Islamic Medium Term Notes (“iMTN”)	65,490	57,000
Payment of iMTN related services	–	(1,466)
Drawdown of term loan	43,303	31,303
Repayment of borrowings	(41,496)	(21,786)
Net cash generated from financing activities	228,080	39,715
Net increase/(decrease) in cash and cash equivalents	81,726	(11,367)
Cash and cash equivalents at beginning of year	110,544	121,911
Cash and cash equivalents at end of year (Note 26)	192,270	110,544

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

INCOME STATEMENT

For the Financial Year Ended 31 December 2014

	NOTE	2014 RM'000	2013 RM'000
Revenue	4	110,307	36,356
Other income		408	12
Employee benefits expense	5	(8,430)	(7,799)
Depreciation		(644)	(570)
Other expenses		(5,259)	(3,099)
Finance costs	7	(7,763)	(3,047)
Profit before tax	8	88,619	21,853
Income tax expense	9	(346)	(2,205)
Profit net of tax, representing total comprehensive income for the year		88,273	19,648
Total comprehensive income attributable to:			
Ordinary equity holders of the Company		86,661	19,648
Holder of PDS of the Company		1,612	–
		88,273	19,648

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTE	2014 RM'000	2013 RM'000
Non-current assets			
Property, plant and equipment	12	2,310	1,115
Investment properties	14	675	690
Investments in subsidiaries	17	657,266	586,934
Other investments	19	165	165
Deferred tax assets	31	51	14
		660,467	588,918
Current assets			
Other receivables	22	7,070	5,372
Tax recoverable		765	1,091
Due from subsidiaries	25	245,218	61,456
Cash and cash equivalents	26	89,757	43,359
		342,810	111,278
Total assets		1,003,277	700,196
Current liabilities			
Other payables	29	4,022	3,288
Due to subsidiaries	25	166,827	113,536
		170,849	116,824
Net current assets/(liabilities)		171,961	(5,546)
Equity			
Share capital	32	211,132	168,906
Reserves		521,509	414,466
Private debt securities	33	99,787	—
		832,428	583,372
Total equity and liabilities		1,003,277	700,196

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

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2014

	SHARE CAPITAL RM'000	NON- DISTRIBUTABLE SHARE PREMIUM RM'000	DISTRIBUTABLE RETAINED EARNINGS (NOTE 34) RM'000	PRIVATE DEBT SECURITIES RM'000	TOTAL EQUITY RM'000
At 1 January 2014	168,906	41,631	372,835	–	583,372
Total comprehensive income	–	–	86,661	1,612	88,273
Transaction with owners					
Issuance of private debt securities (Note 33)					
- Issuance of private debt securities	–	–	–	100,000	100,000
- Private debt securities expenses	–	–	–	(213)	(213)
Issuance of ordinary shares					
- Rights issue (Note 32)	42,226	50,672	–	–	92,898
- Rights issue expenses	–	(1,154)	–	–	(1,154)
Private debt securities distribution	–	–	–	(1,612)	(1,612)
Dividends (Note 11)	–	–	(29,136)	–	(29,136)
Total transaction with owners	42,226	49,518	(29,136)	98,175	160,783
At 31 December 2014	211,132	91,149	430,360	99,787	832,428
At 1 January 2013	168,906	41,631	378,523	–	589,060
Total comprehensive income	–	–	19,648	–	19,648
Transaction with owners					
Dividends (Note 11)	–	–	(25,336)	–	(25,336)
At 31 December 2013	168,906	41,631	372,835	–	583,372

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

STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before tax	88,619	21,853
Adjustments for:		
Depreciation of property, plant and equipment	629	555
Depreciation of investment properties	15	15
Interest expense	7,763	3,047
Gain on disposal of property, plant and equipment	(69)	–
Dividend income	(88,000)	(21,017)
Interest income	(9,724)	(5,711)
Operating loss before working capital changes	(767)	(1,258)
Increase in receivables	(1,698)	(5,108)
Increase in payables	734	28
Cash used in operations	(1,731)	(6,338)
Interest paid	(7,763)	(3,047)
Net tax (paid)/refunded	(57)	167
Net cash used in operating activities	(9,551)	(9,218)
Cash flows from investing activities		
Interest received	9,724	5,711
Dividends received	88,000	19,266
Subscription of ordinary shares in subsidiaries	(6,268)	–
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	(133,999)	(138,072)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	69,935	1,500
Proceeds from disposal of property, plant and equipment	69	–
Purchase of property, plant and equipment	(1,824)	(471)
Net cash generated from/(used in) investing activities	25,637	(112,066)

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

	2014 RM'000	2013 RM'000
Cash flows from financing activities		
Proceeds from rights issue	92,898	–
Payment of rights issue related expenses	(1,154)	–
Proceeds from issuance of PDS	100,000	–
Payment of PDS related expenses	(213)	–
PDS distribution	(1,612)	–
Dividends paid	(29,136)	(25,336)
Changes in subsidiaries balances	(130,471)	152,843
Net cash generated from financing activities	30,312	127,507
Net increase in cash and cash equivalents	46,398	6,223
Cash and cash equivalents at beginning of year	43,359	37,136
Cash and cash equivalents at end of year (Note 26)	89,757	43,359

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 24 February 2015.

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 going concern basis and under the historical cost convention, 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 2014 did not have any significant effect on the financial statements of the Company.

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 2014 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*

In November 2014, MASB issued the final version of FRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces FRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

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

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

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2013, 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 2013, 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 four years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

The Group and the Company fall within the definition of Transitioning Entities and have opted to defer the adoption of the new MFRS Framework. 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 2017. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

2.4 Basis of consolidation (cont'd.)

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.

2.6 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.

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

2.6 Investment in associates (cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

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

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.

2.9 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?

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

2.9 Investment properties (cont'd.)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 (cont'd.)

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.

2.14 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")).

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

2.14 Impairment of non-financial assets (cont'd.)

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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

2.15 Financial assets (cont'd.)

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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 make 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 42, 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, derivative at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 39.

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:

- (a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) 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:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

3.1 Judgements made in applying accounting policies (cont'd.)

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.

(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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of properties	307,385	217,804	–	–
Construction contracts	68,267	167,283	–	–
Educational fees	131,152	124,658	–	–
Membership fee	777	729	–	–
Interest income from:				
- Deposits with licensed banks	2,412	1,551	2,409	1,416
- Advances to subsidiaries	–	–	7,315	4,295
Dividends from subsidiaries	–	–	88,000	21,017
Management fees from subsidiaries	–	–	12,533	9,580
Rental income	50	48	50	48
	510,043	512,073	110,307	36,356

5. Employee benefits expense

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages and salaries	85,906	79,114	6,612	6,015
Contributions to defined contribution plan	10,142	9,021	797	709
Other benefits	8,631	6,430	1,021	1,075
	104,679	94,565	8,430	7,799
Less: Amount included in costs of construction contracts (Note 24)	(1,708)	(1,881)	–	–
	102,971	92,684	8,430	7,799

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,236,000 (2013: RM2,029,000) and RM1,417,000 (2013: RM1,321,000) 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 2014, the Group did not award any share incentive pursuant to the LTIP.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

6. Directors' remuneration

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company				
Executive:				
Salaries	1,200	1,140	761	761
Fees	67	60	67	60
Bonus and other benefits	737	618	444	365
Defined contribution plan	232	211	145	135
Executive directors' remuneration excluding benefits-in-kind	2,236	2,029	1,417	1,321
Estimated monetary value of benefits-in-kind	111	318	39	232
	2,347	2,347	1,456	1,553
Non-executive:				
Fees	528	525	498	505
	2,875	2,872	1,954	2,058

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	
	2014	2013
Executive directors:		
RM2,300,001 - RM2,350,000	1	1
Non-executive directors:		
RM50,000 - RM100,000	4	6
RM100,001 - RM150,000	2	1

7. Finance costs

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense on:				
- Term loans	12,795	11,975	–	–
- Islamic Medium Term Notes (iMTN)	3,763	920	–	–
- Other borrowings	51	20	14	–
- Advances from subsidiaries	–	–	7,749	3,047
	16,609	12,915	7,763	3,047
Less: Interest expense capitalised in:				
- Investment properties (Note 14)	(1,407)	(1,254)	–	–
- Capital work-in-progress (Note 12(c))	(3,763)	(920)	–	–
- Land held for property development (Note 13)	(7,298)	(6,667)	–	–
- Property development costs (Note 13)	(3,868)	(2,979)	–	–
	273	1,095	7,763	3,047

8. Profit before tax

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-executive directors' remuneration (Note 6)	528	525	498	505
Auditors' remuneration				
- statutory audit	354	333	95	85
Operating lease:				
- minimum lease payments for premises	5,203	3,998	606	603
- minimum lease payments for equipment	1,112	781	–	–
Direct operating expenses of investment properties	12	14	–	–
Impairment of asset held for sale	3,793	–	–	–
Depreciation of:				
- property, plant and equipment	12,385	13,458	629	555
- investment properties	28	335	15	15

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

8. Profit before tax (cont'd.)

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment written off	285	128	–	–
Gain on disposal of:				
- assets held for sale	(14,283)	(155)	–	–
- property, plant and equipment	(420)	(343)	(69)	–
- investment properties	(1,269)	–	–	–
Additions of allowance for impairment of receivables (Notes 21 and 22)	255	184	–	–
Reversal of allowance for impairment of receivables (Notes 21 and 22)	(104)	(268)	–	–
Bad debts written off	280	164	–	–
Interest income from:				
- deposits with licensed banks	(5,074)	(2,846)	(2,409)	(1,416)
- advances to subsidiaries	–	–	(7,315)	(4,295)
Rental income	(6,145)	(5,221)	–	–
Net foreign exchange (gain)/loss:				
- realised	(494)	(903)	–	–
- unrealised	57	557	–	–
Net derivative gain on interest rate swaps	(4)	(100)	–	–

During the financial year, the Group recognised a net gain of RM4,000 (2013: RM100,000) arising from fair value changes of interest rate swaps. The fair value changes are attributable to changes in interest rate yield. The method and assumptions applied in determining the fair value of interest rate swaps are disclosed in Note 39.

9. Income tax expense

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current income tax:				
Malaysian income tax	28,641	22,498	307	2,278
(Over)/under provision in prior years	(3,271)	(835)	76	(11)
	25,370	21,663	383	2,267
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	(4,061)	460	40	(52)
Under/(over) provision in prior years	361	(530)	(77)	(10)
	(3,700)	(70)	(37)	(62)
Income tax expense	21,670	21,593	346	2,205

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 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.

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 2014 and 2013 are as follows:

	2014 RM'000	2013 RM'000
Group		
Profit before tax	85,756	75,096
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	21,439	18,774
Effect of share of loss of associates	68	53
Income not subject to tax	(2,821)	(353)
Effect of changes in tax rates on opening balance of deferred tax	–	(760)
Effect of utilisation of tax incentive	(146)	–
Effect of PDS's distribution deductible for tax purposes	(403)	–
Expenses not deductible for tax purposes	4,778	3,197

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

9. Income tax expense (cont'd.)

	2014 RM'000	2013 RM'000
Group (cont'd.)		
Utilisation of previously unrecognised tax losses	(137)	(24)
Deferred tax assets recognised	–	(66)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	1,802	2,137
Under/(over) provision of deferred tax in prior year	361	(530)
Over provision of tax expense in prior year	(3,271)	(835)
Income tax expense	21,670	21,593
Company		
Profit before tax	88,619	21,853
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	22,155	5,463
Income not subject to tax	(22,085)	(3,507)
Effect of PDS's distribution deductible for tax purposes	(403)	–
Expenses not deductible for tax purposes	680	270
Under/(over) provision of deferred tax in prior year	76	(10)
Over provision of tax expense in prior years	(77)	(11)
Income tax expense	346	2,205

10. Earnings per share

(a) Basic

	2014 RM'000	GROUP 2013 RM'000
Profit attributable to ordinary equity holders of the Company (RM'000)	62,474	53,503
Issued ordinary shares at beginning of the year ('000)	337,812	337,812
Effect of Rights Issue ('000)	48,517	22,849
Weighted average number of ordinary shares in issue ('000)	386,329	360,661
Basic earnings per share (sen)	16.17	14.83*

10. Earnings per share (cont'd.)**(a) Basic (cont'd.)**

* The comparative for the EPS has been restated to reflect the effect of the Company's rights issue during the year as required by FRS 133 *Earnings Per Share*.

(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	
	2014 RM'000	2013 RM'000	2014 SEN	2013 SEN
Recognised during the year:				
For the financial year ended 31 December 2014				
Interim single tier dividend of 2.5 sen	10,556	–	2.5	–
For the financial year ended 31 December 2013				
Interim single tier dividend of 2.5 sen	–	8,445	–	2.5
Final single tier dividend of 5.5 sen	18,580	–	5.5	–
For the financial year ended 31 December 2012				
Final single tier dividend of 5.0 sen	–	16,891	–	5.0
	29,136	25,336	8.0	7.5

At the forthcoming Annual General Meeting, a final single tier dividend of 5.0 sen, in respect of the financial year ended 31 December 2014 on 422,265,000 ordinary shares, amounting to a dividend payable of RM21,113,250 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 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

12. Property, plant and equipment

	LAND AND BUILDING* RM'000	PLANT, EQUIPMENT, FURNITURE, FIXTURES, FITTING AND MOTOR VEHICLES RM'000	TOTAL RM'000
Group			
Cost or valuation			
At 1 January 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-offs	—	(1,549)	(1,549)
At 31 December 2013 and 1 January 2014	321,242	123,675	444,917
Additions	164,967	9,157	174,124
Transfer to land held for development (Note 13)	(28,860)	—	(28,860)
Transfer to investment properties (Note 14)	(19,343)	—	(19,343)
Disposals	—	(4,104)	(4,104)
Write-offs	—	(5,361)	(5,361)
At 31 December 2014	438,006	123,367	561,373
At 31 December 2014			
At cost	436,024	123,367	559,391
At valuation	1,982	—	1,982
	438,006	123,367	561,373
At 31 December 2013			
At cost	319,260	123,675	442,935
At valuation	1,982	—	1,982
	321,242	123,675	444,917

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

	LAND AND BUILDING* RM'000	PLANT, EQUIPMENT, FURNITURE, FIXTURES, FITTING AND MOTOR VEHICLES RM'000	TOTAL RM'000
Group (cont'd.)			
Accumulated depreciation and impairment			
At 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 and 1 January 2014	31,686	95,740	127,426
Depreciation charge for the year	2,595	9,790	12,385
Transfer to land held for development (Note 13)	(2,766)	–	(2,766)
Transfer to investment properties (Note 14)	(1,854)	–	(1,854)
Disposals	–	(3,590)	(3,590)
Write-off	–	(5,076)	(5,076)
At 31 December 2014	29,661	96,864	126,525
Net carrying amount			
At 31 December 2014			
At cost	406,363	26,503	432,866
At valuation	1,982	–	1,982
	408,345	26,503	434,848
At 31 December 2013			
At cost	287,574	27,935	315,509
At valuation	1,982	–	1,982
	289,556	27,935	317,491

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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
Group					
Cost or valuation					
At 1 January 2013	67,804	152,315	52,037	39,783	311,939
Additions	–	408	–	62,664	63,072
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)	–	(538)
At 31 December 2013 and 1 January 2014	14,573	152,723	51,499	102,447	321,242
Additions	–	535	–	164,432	164,967
Transfer to land held for development (Note 13)	–	(28,860)	–	–	(28,860)
Transfer to investment properties (Note 14)	–	(19,343)	–	–	(19,343)
At 31 December 2014	14,573	105,055	51,499	266,879	438,006
At 31 December 2014					
At cost	12,591	105,055	51,499	266,879	436,024
At valuation	1,982	–	–	–	1,982
	14,573	105,055	51,499	266,879	438,006
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

12. Property, plant and equipment (cont'd.)*** Land and building (cont'd.)**

	FREEHOLD LAND RM'000	LONG TERM LEASEHOLD LAND AND BUILDING RM'000	FREEHOLD BUILDING RM'000	CAPITAL WORK-IN PROGRESS RM'000	TOTAL RM'000
Group (cont'd.)					
Accumulated depreciation					
At 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 and 1 January 2014	–	13,972	17,714	–	31,686
Depreciation charge for the year	–	1,090	1,505	–	2,595
Transfer to land held for development (Note 13)	–	(2,766)	–	–	(2,766)
Transfer to investment properties (Note 14)	–	(1,854)	–	–	(1,854)
At 31 December 2014	–	10,442	19,219	–	29,661
Net carrying amount					
At 31 December 2014					
At cost	12,591	94,613	32,280	266,879	406,363
At valuation	1,982	–	–	–	1,982
	14,573	94,613	32,280	266,879	408,345
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

	PLANT, EQUIPMENT, FURNITURE, FIXTURES, FITTING AND MOTOR VEHICLES RM'000
Company	
Cost	
At 1 January 2013	4,511
Additions	471
Write-off	(688)
At 31 December 2013 and 1 January 2014	4,294
Additions	1,824
Disposals	(182)
Write-off	(920)
At 31 December 2014	5,016
Accumulated depreciation	
At 1 January 2013	3,312
Depreciation charge for the year	555
Write-off	(688)
At 31 December 2013 and 1 January 2014	3,179
Depreciation charge for the year	629
Disposals	(182)
Write-off	(920)
At 31 December 2014	2,706
Net carrying amount	
At 31 December 2014	2,310
At 31 December 2013	1,115

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 2014 would be RM35,000 (2013: RM35,000).

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

	GROUP	
	2014 RM'000	2013 RM'000
Capital work-in-progress	266,879	102,447
Long term leasehold land and buildings	–	43,582
	266,879	146,029

- (c) The Group's capital work-in-progress includes borrowing costs capitalised arising from borrowings drawdown specifically for the purpose of the construction of the building. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RM3,763,000 (2013: RM920,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

13. Land held for property development and property development costs

(a) Land held for property development

	2014 RM'000	GROUP 2013 RM'000
Freehold land		
At 1 January	318,995	374,566
Additions	52,700	26,087
Transfer from property, plant and equipment (Note 12)	–	2,283
Transfer to property development costs (Note 13(b))	(17,163)	(83,941)
At 31 December	354,532	318,995
Leasehold land		
At 1 January	39,734	39,734
Transfer from property, plant and equipment (Note 12)	26,094	–
At 31 December	65,828	39,734
Development costs		
At 1 January	98,905	101,308
Costs incurred during the financial year	32,321	36,033
Transfer to property development costs (Note 13(b))	(21,146)	(38,436)
At 31 December	110,080	98,905
Carrying amount at 31 December	530,440	457,634

13. Land held for property development and property development costs (cont'd.)**(b) Property development costs, at cost**

	GROUP	
	2014 RM'000	2013 RM'000
Freehold land		
At 1 January	182,991	101,663
Reversal of completed projects	(4,127)	(2,500)
Transfer from land held for property development (Note 13(a))	17,163	83,941
Transfer to inventories (Note 20)	–	(113)
At 31 December	196,027	182,991
Leasehold land		
At 1 January/31 December	31,058	31,058
Cumulative property development costs		
At 1 January	1,134,396	1,004,593
Cost incurred during the year	190,958	126,429
Transfer from land held for property development Note 13(a))	21,146	38,436
Transfer to inventories (Note 20)	–	(1,619)
Reversal of completed projects	(89,401)	(33,443)
At 31 December	1,257,099	1,134,396
Cumulative costs recognised in income statement		
At 1 January	(1,216,817)	(1,107,486)
Recognised during the financial year	(211,081)	(145,274)
Reversal of completed projects	93,528	35,943
At 31 December	(1,334,370)	(1,216,817)
Property development costs at 31 December	149,814	131,628

The freehold land held for property development with carrying value of RM230,912,270 (2013: RM280,451,000) 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 RM11,166,000 (2013: RM9,646,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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
Cost					
At 1 January 2013	1,382	8,772	8,867	7,311	26,332
Additions	–	–	–	10,175	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 and 1 January 2014	1,382	2,835	8,867	53,434	66,518
Additions	–	–	–	33,735	33,735
Transfer from property, plant and equipment (Note 12)	–	–	–	17,489	17,489
Disposal	–	–	(8,867)	–	(8,867)
At 31 December 2014	1,382	2,835	–	104,658	108,875
Accumulated depreciation and impairment losses					
At 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 and 1 January 2014	264	–	5,136	–	5,400
Depreciation charge for the year	28	–	–	–	28
Disposal	–	–	(5,136)	–	(5,136)
At 31 December 2014	292	–	–	–	292
Net carrying amount					
At 31 December 2014	1,090	2,835	–	104,658	108,583
At 31 December 2013	1,118	2,835	3,731	53,434	61,118

14. Investment properties (cont'd.)

GROUP (CONT'D.)					
	FREEHOLD BUILDINGS RM'000	FREEHOLD LAND RM'000	LEASEHOLD LAND AND BUILDINGS RM'000	INVESTMENT PROPERTIES UNDER CONSTRUCTION RM'000	TOTAL RM'000
Fair value					
At 31 December 2014	2,490	5,670	–	*	8,160
At 31 December 2013	2,140	3,810	5,500	*	11,450

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

COMPANY		BUILDING RM'000
Cost		
At 1 January 2013/31 December 2014		750
Accumulated depreciation		
At 1 January 2013		45
Depreciation charge for the year		15
At 31 December 2013 and 1 January 2014		60
Depreciation charge for the year		15
At 31 December 2014		75
Net carrying amount		
At 31 December 2014		675
At 31 December 2013		690
Fair value		
At 31 December 2014		1,800
At 31 December 2013		1,500

The freehold land of the Group with carrying value of RM38,721,090 (2013: RM33,000,000) has been pledged as security for term loans as disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

14. Investment properties (cont'd.)

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 39.

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 RM1,407,000 (2013: RM1,254,000).

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
Group	
Carrying amount	
At 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 and 1 January 2014	35,956
Impairment (Note 8)	(3,793)
Disposals	(22,263)
At 31 December 2014	9,900

As at year end, RM9,900,330 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	
	2014 RM'000	2013 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- year 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% (2013: 11%) used is pre-tax and reflects specific risks relating to the industry.

(b) Growth rate

The growth rate of 12% (2013: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

17. Investments in subsidiaries

	COMPANY	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	254,280	248,012
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPs")	515,736	383,237
Less: Redemption of NCRCPs	(69,935)	(1,500)
Less: Accumulated impairment losses	(42,815)	(42,815)
	657,266	586,934

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
	2014 %	2013 %		
Incorporated in Malaysia				
Berkeley Sdn. Bhd.	100	100	RM5,000	Investment holding and property development
Berkeley Maju Sdn. Bhd.	100	100	RM1,000	Property investment
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	Property development
Paramount Projects Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor and project management and property development

17. Investments in subsidiaries (cont'd.)

NAME OF SUBSIDIARIES	EFFECTIVE INTEREST		PAID-UP CAPITAL '000	PRINCIPAL ACTIVITIES
	2014 %	2013 %		
Incorporated in Malaysia (cont'd.)				
Paramount Property (Shah Alam) Sdn. Bhd.	100	100	RM5,000	Property development
KDU University College Sdn. Bhd.	100	100	RM15,000	Educational services
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 Utropolis Retail Sdn. Bhd. (formerly known as 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	RM15,000	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.	100	100	RM1	Inactive

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

17. Investments in subsidiaries (cont'd.)

NAME OF SUBSIDIARIES	EFFECTIVE INTEREST		PAID-UP CAPITAL '000	PRINCIPAL ACTIVITIES
	2014 %	2013 %		
Incorporated in Malaysia (cont'd.)				
Paramount Property (PG) Sdn. Bhd.	100	100	*	Property development
Carp Legacy Sdn. Bhd.	100	100	*	Investment holding and car park operator
Paramount Property (PW) Sdn. Bhd. (formerly known as Seamless Cartel Sdn. Bhd.)	100	–	RM50	Property development and investment holding
Paramount Construction (PG) Sdn. Bhd.	100	–	RM100	Inactive
Lagun Pertiwi Sdn. Bhd.	100	–	*	Inactive
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 27 January 2014, the Company acquired a shelf company, Paramount Property (PW) Sdn. Bhd. (formerly known as Seamless Cartel Sdn. Bhd.) with an issued and paid-up share capital of RM2.
- (ii) On 15 December 2014, the Company incorporated a new subsidiary, Paramount Construction (PG) Sdn Bhd ("PCPG"), by subscribing for 100 ordinary shares of RM1.00 each in PCPG representing 100% of the total issued and paid-up share capital of PCPG.
- (iii) On 31 December 2014, the Company acquired a shelf company, Lagun Pertiwi Sdn. Bhd. with an issued and paid-up share capital of RM2.

18. Investments in associates

	GROUP	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	9,668	9,680
Share of post-acquisition reserves	(1,584)	(1,076)
	8,084	8,604

The summarised financial information of associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	GROUP	
	2014 RM'000	2013 RM'000
Assets and liabilities		
Current assets, representing total assets	24,019	25,216
Current liabilities, representing total liabilities	7,851	7,977
Results		
Revenue	22	108
Loss for the year	(261)	(424)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

18. Investments in associates (cont'd.)

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation losses of RM458,000 (2013: RM748,000).

Details of the associate are as follows:

NAME OF ASSOCIATE	EFFECTIVE INTEREST		PAID-UP CAPITAL '000	PRINCIPAL ACTIVITIES
	2014 %	2013 %		
Incorporated in Malaysia				
Kane Paramount Sdn. Bhd.*	—	40	RM30	Struck off
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") was placed under Members' Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. The winding-up of KPSB was completed on 29 December 2014 and did not have any material impact to the financial statements of the Group.

19. Other investments

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current:				
Club memberships, at cost	483	485	165	165
Less: Accumulated impairment losses	(143)	(143)	–	–
	340	342	165	165

19. Other investments (cont'd.)

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current:				
Proceeds Account	30	30	–	–
Finance Service Reserve Account (“FSRA”)	1	1,277	–	–
Other deposits with licensed banks	239	223	–	–
	270	1,530	–	–
	610	1,872	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 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 3.05% to 3.20% (2013: 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. The said deposit is placed for a period of 4 months (2013: 12 months) and earns interest of 3.10% (2013: 2.95%) per annum.

20. Inventories

	GROUP	
	2014 RM'000	2013 RM'000
At cost		
Completed properties (Note 13(b))	399	1,732

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

21. Trade receivables

	GROUP	
	2014 RM'000	2013 RM'000
Third parties	61,756	72,117
Retention sums on contracts	20,737	33,620
	82,493	105,737
Less: Allowance for impairment	(489)	(355)
Trade receivables, net	82,004	105,382

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2013: 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	
	2014 RM'000	2013 RM'000
Neither past due nor impaired	61,806	94,521
1 to 30 days past due not impaired	4,262	2,882
31 to 60 days past due not impaired	360	2,356
61 to 90 days past due not impaired	246	847
91 to 120 days past due not impaired	847	80
More than 121 days past due not impaired	14,483	4,696
	20,198	10,861
Impaired	489	355
	82,493	105,737

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	
	2014 RM'000	2013 RM'000
Trade receivables - nominal amount	489	355
Less: Allowance for impairment	(489)	(355)
	-	-

Movement in allowance accounts:

	GROUP	
	2014 RM'000	2013 RM'000
At 1 January	355	494
Addition during the year (Note 8)	255	112
Reversal for the year (Note 8)	(83)	-
Written off	(38)	(251)
At 31 December	489	355

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

22. Other receivables

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits	17,556	14,579	6,476	5,318
Sundry receivables	11,023	7,680	594	54
Derivative asset from interest rate swap	210	149	–	–
	28,789	22,408	7,070	5,372
Less: Allowance for impairment	(43)	(83)	–	–
Other receivables, net	28,746	22,325	7,070	5,372

Included in deposits for the Group and the Company are earnest deposits paid for the purchase of land amounting to RM6,261,000 (2013: RM5,000,000) and RM6,261,000 (2013: RM5,000,000) respectively.

The Group 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	
	2014 RM'000	2013 RM'000
At 1 January	83	279
Addition during the year (Note 8)	–	72
Reversal during the year (Note 8)	(21)	(268)
Written off during the year	(19)	–
At 31 December	43	83

23. Other current assets

	GROUP	
	2014 RM'000	2013 RM'000
Prepaid expenses	1,447	3,042
Accrued billings in respect of property development costs	64,656	9,577
Due from customers on contracts (Note 24)	2,654	5,158
	68,757	17,777

24. Due from/(to) customers on contracts

	GROUP	
	2014 RM'000	2013 RM'000
Construction contract costs incurred to date	1,557,327	1,405,530
Less: Reversal for completed projects	(126,994)	(160,975)
Construction contract costs incurred to date for contracts in progress	1,430,333	1,244,555
Attributable profits	87,537	90,147
Less: Reversal for completed projects	(7,095)	(17,665)
Attributable profits to date for contracts in progress	80,442	72,482
	1,510,775	1,317,037
Less: Progress billings	(1,666,244)	(1,503,741)
Add: Reversal for completed projects	134,089	178,640
Progress billings to date for contracts in progress	(1,532,155)	(1,325,101)
	(21,380)	(8,064)
Due from customers on contracts (Note 23)	2,654	5,158
Due to customers on contracts (Note 30)	(24,034)	(13,222)
	(21,380)	(8,064)

The costs incurred to date on construction contracts of the Group include employee benefits expense of RM1,708,000 (2013: RM1,881,000) 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 4.70% to 6.50% (2013: 4.50% to 6.60%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

26. Cash and cash equivalents

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash on hand and at banks	91,381	45,816	1,915	1,141
Deposits with licensed banks	100,889	64,728	87,842	42,218
Cash and cash equivalents	192,270	110,544	89,757	43,359

Included in cash and cash equivalents of the Group are amounts of RM38,263,000 (2013: RM30,646,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which are restricted from use in other operations.

Included in deposits with licensed banks of the Group are amount of RM2,890,000 (2013: RM Nil) in the FSRA. The FSRA is secured against the Sukuk Programme as disclosed in Note 27.

Included in cash on hand and at banks of the Group and of the Company are interest-bearing bank balances amounting to RM34,883,000 (2013: RM41,790,000) and RM1,845,000 (2013: RM1,096,000) which bear interest ranging from 1.50% to 2.50% (2013: 1.50% to 2.50%) per annum.

Deposits with licensed banks are made for varying periods of between 1 day and 3 months (2013: 1 day and 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 2014 for the Group and the Company were 1.50% to 3.65% (2013: 1.50% to 3.20%) and 1.50% to 3.65% (2013: 1.50% to 3.20%) respectively.

Deposits with licensed banks are placed with or entered into with reputable licensed banks.

27. Borrowings

	GROUP	
	2014 RM'000	2013 RM'000
Current		
Secured:		
Term loans		
- Fixed rate	–	9,000
- Floating rate	91,221	32,402
Islamic Medium Term Notes (“iMTN”) - Floating rate	21,600	–
	112,821	41,402

27. Borrowings (cont'd.)

	GROUP	
	2014 RM'000	2013 RM'000
Non-current		
Secured:		
Term loans		
- Fixed rate	–	2,500
- Floating rate	172,786	218,298
iMTN - Floating rate	99,484	55,546
	272,270	276,344
Total	385,091	317,746

The maturities of the borrowings as at 31 December 2014 and 31 December 2013 are as follows:

	GROUP	
	2014 RM'000	2013 RM'000
Within one year	112,821	41,402
More than 1 year and less than 2 years	51,771	44,306
More than 2 years and less than 5 years	115,799	167,087
More than 5 years	104,700	64,951
	385,091	317,746

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”). During the year, KDUUC issued iMTN amounting to RM65,490,000 (2013: RM57,000,000).

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 5.00% (2013: 4.34%) per annum during the financial year.

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;

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

27. Borrowings (cont'd.)

- (iv) A legal charge and assignment of the Proceeds Account and FSRA as disclosed in Note 19 and Note 26; 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 term loans of the Group are secured by the following:

- (i) Fixed charge and deposit of land titles over the leasehold land and buildings and land held for property development of the Group as disclosed in Notes 12(b) and 13(b) respectively; and
- (ii) Fixed charge and deposit of land titles over the freehold land of the Group as disclosed in Note 14.

The effective interest rates of the term loans as at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
Term loans:		
- Fixed rates	—	6%
- Floating rates	4.6% - 5.0%	4.4% - 4.8%

The management of the interest rate risk of the Group is disclosed in Note 40(c).

28. Trade payables

	GROUP	
	2014 RM'000	2013 RM'000
Trade payables	72,671	86,674
Retention sums on contracts	37,150	22,661
	109,821	109,335

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2013: 30 to 90 days).

29. Other payables

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sundry payables	78,165	50,824	4,006	3,272
Tenants deposits	1,879	955	16	16
Refundable deposits	25,027	23,537	–	–
Earnest deposits received	–	2,381	–	–
Derivative liability from interest rate swap	105	49	–	–
	105,176	77,746	4,022	3,288

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2013: 30 to 90 days).

The Group 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 swaps entered into during the financial year is RM57,000,000 (2013: RM39,000,000). The interest rate swaps receive floating interest equal to the KLIBOR, pays a fixed rate of interest of 3.98% and 4.08% (2013: 3.98%) per annum, and matures on 30 June 2018.

30. Other current liabilities

	GROUP	
	2014 RM'000	2013 RM'000
Progress billings in respect of property development costs	24,842	5,928
Due to customers on contracts (Note 24)	24,034	13,222
Tuition fees received in advance	27,912	29,982
	76,788	49,132

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

31. Deferred tax (assets)/liabilities

Group

	2014 RM'000	2013 RM'000
At 1 January	8,303	8,373
Recognised in the income statement (Note 9)	(3,700)	(70)
At 31 December	4,603	8,303
Presented after appropriate offsetting as follows:		
Deferred tax assets	(13,477)	(9,774)
Deferred tax liabilities	18,080	18,077
	4,603	8,303

	AT 1 JANUARY 2014 RM'000	RECOGNISED IN THE INCOME STATEMENT RM'000	AT 31 DECEMBER 2014 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	22,997	401	23,398
Deferred tax assets of the Group:			
Unutilised tax losses and unabsorbed capital allowances	(1,928)	(3,549)	(5,477)
Others	(12,766)	(552)	(13,318)
	(14,694)	(4,101)	(18,795)
	8,303	(3,700)	4,603

31. Deferred tax (assets)/liabilities (cont'd.)**Group (cont'd.)**

	AT 1 JANUARY 2013 RM'000	RECOGNISED IN THE INCOME STATEMENT RM'000	AT 31 DECEMBER 2013 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	25,000	(2,003)	22,997
Deferred tax assets of the Group:			
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

Company

	2014 RM'000	2013 RM'000
At 1 January	(14)	48
Recognised in the income statement (Note 9)	(37)	(62)
At 31 December	(51)	(14)

	AT 1 JANUARY 2014 RM'000	RECOGNISED IN THE INCOME STATEMENT RM'000	AT 31 DECEMBER 2014 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	(14)	(37)	(51)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

31. Deferred tax (assets)/liabilities (cont'd.)

Company (cont'd.)

	AT 1 JANUARY 2013 RM'000	RECOGNISED IN THE INCOME STATEMENT RM'000	AT 31 DECEMBER 2013 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	48	(62)	(14)

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

	2014 RM'000	GROUP 2013 RM'000
Unutilised tax losses	21,973	17,486
Unabsorbed capital allowances	12,744	10,026
Other deductible temporary differences	1,142	1,140
	35,859	28,652

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		AMOUNTS	
	2014 '000	2013 '000	2014 RM'000	2013 RM'000
Authorised share capital				
At 1 January	400,000	400,000	200,000	200,000
Increased during the year	600,000	–	300,000	–
At 31 December	1,000,000	400,000	500,000	200,000

32. Share capital (cont'd.)

	NUMBER OF ORDINARY SHARES		AMOUNTS	
	2014 '000	2013 '000	2014 RM'000	2013 RM'000
Issued and fully paid				
At 1 January	337,812	337,812	168,906	168,906
Ordinary shares issued pursuant to Rights Issue	84,453	–	42,226	–
At 31 December	422,265	337,812	211,132	168,906

During the financial year, the Company:

- (a) increased its authorised share capital from RM200,000,000 comprising 400,000,000 ordinary shares of RM0.50 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of additional 600,000,000 ordinary shares of RM0.50 each; and
- (b) increased its issued and paid-up share capital from RM168,906,000 to RM211,132,000 by way of issuance of 84,453,000 ordinary shares of RM0.50 each ("Right Shares") on the basis of every one (1) new rights share for every four (4) existing ordinary shares held at an issue price of RM1.10 each per share for a total cash consideration of RM92,898,000 for repayment of existing bank borrowings, working capital purposes and defray estimated expenses in relation to the rights issues proposal. The excess of rights issue proceed over par value of the shares of RM50,672,000 has been credited to the share premium account as disclosed.

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 ranked pari passu with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

33. Private debt securities

	GROUP	
	2014 RM'000	2013 RM'000
Private debt securities	99,787	–

On 6 February 2014, the Company issued RM50,000,000 in nominal value of PDS pursuant to the PDS programme.

Subsequently on 1 October 2014, the Company issued another RM50,000,000 in nominal value of PDS pursuant to the PDS programme.

The PDS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 6.5% per annum, subject to a yearly step-up rate after the first call date.

The PDS have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on or after 6 February 2019 together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

These PDS were issued for the Company's working capital purposes as well as to finance future capital expenditure, land bank for development and investment in education business.

34. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2014 and 31 December 2013 under the single tier system.

35. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Future minimum lease payments:				
Not later than 1 year	1,925	3,389	567	617
Later than 1 year and not later than 5 years	638	1,273	–	565
	2,563	4,662	567	1,182

35. Operating lease arrangements (cont'd.)**(a) The Group and Company as lessee (cont'd.)**

The lease payments recognised in income statements during the financial year are disclosed in Note 8.

(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:

	2014 RM'000	GROUP 2013 RM'000
Not later than 1 year	3,911	394
Later than 1 year and not later than 5 years	7,333	264
	11,244	658

36. Commitments

	2014 RM'000	GROUP 2013 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	–	129,589
- Investment properties	53,982	83,050
- Land held for property development	10,635	–
Approved but not contracted for:		
- Property, plant and equipment	–	92,369
- Investment properties	11,764	17,013
- Land held for property development	222,836	–
	299,217	322,021

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

36. Commitments (cont'd.)

	COMPANY	
	2014 RM'000	2013 RM'000
Approved but not contracted for:		
- Land held for property development	222,836	—

37. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 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	544	412	23	27
Interior design contracts paid to Damansara Uptown Interiors Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan, has financial interest	2,543	—	1,888	—
Sale of properties to Dato' Teo Chiang Quan	—	3,023	—	—
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	—	—
Sale of a property to Mr Wang Chong Hwa, a director of a subsidiary	—	1,016	—	—
Sale of a property to Mr Ooi Hun Peng, a director of a subsidiary	620	—	—	—

37. Related party disclosures (cont'd.)**(a) Sale and purchase of goods and services (cont'd.)**

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of properties to Datin Teh Geok Lian, a director of a subsidiary	–	551	–	–
Sale of properties to Ms Eunice Teo Wan Tien, the daughter of Dato' Teo Chiang Quan	850	–	–	–
Sale of properties to Dato' Liew Yin Chew and Mr Foong Poh Seng, directors of a subsidiary	–	1,103	–	–
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has financial interest	622	617	621	617

(b) Compensation of key management personnel

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term employee benefits	10,415	10,119	4,547	4,588
Defined contribution plan	1,177	1,007	515	407
	11,592	11,126	5,062	4,995

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

37. 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	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company					
Executive		2,347	2,347	1,456	1,553
Non-executive		528	525	498	505
		2,875	2,872	1,954	2,058

38. Classification of financial instruments

			GROUP		COMPANY	
	NOTE		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	21		82,004	105,382	–	–
Other receivables	*		28,536	22,176	7,070	5,372
Amount due from subsidiaries			–	–	245,218	61,456
Other investment	*		270	1,530	–	–
Cash and cash equivalents	26		192,270	110,544	89,757	43,359
Total loans and receivables			303,080	239,632	342,045	110,187
Derivative asset, included in other receivables, representing total financial asset at fair value through profit or loss						
	22		210	149	–	–
Trade payables	28		109,821	109,335	–	–
Other payables	*		103,339	76,213	3,860	3,161
Amount due to subsidiaries			–	–	166,827	113,536
Borrowings	27		385,091	317,746	–	–
Total financial liabilities carried at amortised cost			598,251	503,294	170,687	116,697

38. Classification of financial instruments (cont'd.)

	NOTE	GROUP		COMPANY	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Derivative liability, included in other payables, representing total financial liability at fair value through profit or loss	29	105	49	–	–

* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, Financial Instruments: Recognition and Measurement.

39. 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 2014 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 following table provides the fair value measurement hierarchy of the Group's and the Company's assets:

	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000
31 December 2014				
Group				
<u>Assets for which fair values are disclosed</u>				
Investment properties	–	–	8,160	8,160
<u>Assets measured at fair value</u>				
<u>Derivative</u>				
Interest rate swap - assets	–	210	–	210
Interest rate swap - liabilities	–	(105)	–	(105)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

39. Fair value of assets and liabilities (cont'd.)

	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000
31 December 2014 (cont'd.)				
Company				
<u>Assets for which fair values are disclosed</u>				
Investment properties	–	–	1,800	1,800
31 December 2013				
Group				
<u>Assets for which fair values are disclosed</u>				
Investment properties	–	–	11,450	11,450
<u>Assets measured at fair value</u>				
<u>Derivative</u>				
Interest rate swap – assets	–	149	–	149
Interest rate swap – liabilities	–	(49)	–	(49)
Company				
<u>Assets for which fair values are disclosed</u>				
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 yield.

39. Fair value of assets and liabilities (cont'd.)

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.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	2014		2013	
	CARRYING AMOUNT RM'000	FAIR VALUE RM'000	CARRYING AMOUNT RM'000	FAIR VALUE RM'000
Group				
Fixed rate term loan	–	–	11,500	10,643

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current financial assets and liabilities are reasonable approximation 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.

40. 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 Chief Financial Officer. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

40. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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.

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 RM318,835,000 (2013: RM353,750,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.

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:

	RM'000	2014 % OF TOTAL	RM'000	2013 % OF TOTAL
Group				
Property development	29,561	36%	23,932	23%
Construction	51,798	63%	81,106	77%
Education	645	1%	344	*
	82,004	100%	105,382	100%

* Represents 0.32%.

As at 31 December 2014, approximately 22% (2013: 27%) 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.

40. 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.

	2014 RM'000			
	ON DEMAND OR WITHIN ONE YEAR	ONE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Group				
Financial liabilities:				
Trade and other payables	213,265	–	–	213,265
Borrowings	130,642	210,781	112,634	454,057
Total undiscounted financial liabilities	343,907	210,781	112,634	667,322
Company				
Financial liabilities:				
Other payables	3,860	–	–	3,860
Due to subsidiaries	174,668	–	–	174,668
Total undiscounted financial liabilities	178,528	–	–	178,528

	2013 RM'000			
	ON DEMAND OR WITHIN ONE YEAR	ONE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Group				
Financial liabilities:				
Trade and other payables	185,597	–	–	185,597
Borrowings	55,968	234,380	78,746	369,094
Total undiscounted financial liabilities	241,565	234,380	78,746	554,691

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

40. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2013 RM'000			
	ON DEMAND OR WITHIN ONE YEAR	ONE TO FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
Company				
Financial liabilities:				
Other payables	3,161	–	–	3,161
Due to subsidiaries	118,645	–	–	118,645
Total undiscounted financial liabilities	121,806	–	–	121,806

(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 interest rate had been 50 basis points lower/higher with all other variables held constant, the Company's property, plant and equipment, investment properties, land held for development and property development costs would have been RM1,944,468 (2013: RM1,662,491) lower/higher arising mainly as a result of lower/higher interest expense on floating rate term loans capitalised in land held for development and property development costs. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

41. 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	2014	GROUP 2013
Total debts (RM'000)	27	385,091	317,746
Total equity (RM'000)		951,844	727,098
Debts to equity ratio		40%	44%

42. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

42. Segmental information (cont'd.)

	PROPERTY DEVELOPMENT		CONSTRUCTION		EDUCATION		INVESTMENT AND OTHERS		ADJUSTMENTS AND ELIMINATIONS		NOTE	PER CONSOLIDATED FINANCIAL STATEMENTS	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000		2014 RM'000	2013 RM'000
Revenue :													
External customers	308,162	218,533	68,267	167,283	131,152	124,658	2,462	1,599	–	–		510,043	512,073
Inter-segment sales	–	–	300,905	146,254	–	–	56,135	32,570	(357,040)	(178,824)	A	–	–
Total revenue	308,162	218,533	369,172	313,537	131,152	124,658	58,597	34,169	(357,040)	(178,824)		510,043	512,073
Results:													
Interest income	4,081	1,220	1,064	305	2,082	876	12,276	1,516	(14,429)	(1,071)	A	5,074	2,846
Interest expense	69	–	73	310	–	268	5,342	3,984	(5,211)	(3,467)	A	273	1,095
Depreciation and amortisation	1,306	1,413	1,092	1,262	9,193	9,280	822	1,838	–	–		12,413	13,793
Share of results of associates	–	–	–	–	–	–	(273)	(212)	–	–		(273)	(212)
Segment profit	61,458	45,641	6,856	5,153	24,604	27,808	41,704	18,144	(48,866)	(21,650)	B	85,756	75,096
Assets:													
Investment in associates	–	–	–	62	–	–	8,084	8,542	–	–		8,084	8,604
Additions to non-current assets	87,207	65,195	1,092	601	174,516	67,722	30,065	8,371	–	–	C	292,880	141,889
Segment assets	1,054,813	781,253	175,777	162,010	536,272	384,251	471,206	210,980	(585,877)	(236,165)	D	1,652,191	1,302,329
Segment liabilities	566,500	367,672	130,837	112,915	245,303	161,719	252,549	156,711	(494,842)	(223,786)	E	700,347	575,231

42. Segmental information (cont'd.)

- 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:

	2014 RM'000	2013 RM'000
Inter-segment dividends	(36,000)	(17,355)
Inter-segment interests	(12,866)	(4,295)
	(48,866)	(21,650)

- C Additions to non-current assets consist of:

	2014 RM'000	2013 RM'000
Property, plant and equipment	174,124	69,594
Land held for property development	85,021	62,120
Investment properties	33,735	10,175
	292,880	141,889

- D The following items are deducted from segment assets to arrive at the total assets reported in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Investment in associates	(520)	(961)
Inter-segment assets	(528,534)	(178,170)
Unrealised gains from inter-segment transactions	(56,823)	(57,034)
	(585,877)	(236,165)

- 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 2014 and 2013, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

43. Events Occurring After The Reporting Date

- (i) On 2 January 2015, the Company entered into a conditional Sale and Purchase Agreement (SPA) with NCT United Development Sdn Bhd for the proposed acquisition of 12 contiguous parcels of freehold land measuring approximately 237.2727 acres situated within the Mukim of Dengkil, District of Sepang, State of Selangor for a total cash consideration of RM227,383,174, subject to satisfactory completion of condition precedent as contained in the SPA.
- (ii) On 26 January 2015, KDUUC redeemed RM21,600,000 in nominal value of the iMTN that were issued with a seven-year tenure under Sukuk Programme on 23 June 2014.

44. 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 2014 and 2013 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.

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	759,666	655,250	430,309	372,821
- Unrealised	(6,001)	(9,495)	51	14
	753,665	645,755	430,360	372,835
Total share of retained earnings from associates				
- Realised	(524)	(201)	–	–
Less: Consolidation adjustments	(202,236)	(127,987)	–	–
Retained earnings as per financial statements	550,905	517,567	430,360	372,835

NOTICE OF FORTY-FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth 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 Wednesday, 3 June 2015 at 10.30 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 2014 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 5.0 sen per share in respect of the year ended 31 December 2014. **Resolution 1**
3. To approve the payment of Directors' fees of RM565,084.91 for the year ended 31 December 2014. **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' Teo Chiang Quan **Resolution 3**
 - (b) Datuk Seri Michael Yam Kong Choy **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 5.0 sen per share in respect of the year ended 31 December 2014, will be paid on 24 June 2015 to shareholders whose names appear in the Record of Depositors on 10 June 2015.

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 10 June 2015 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
12 May 2015

Notes

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 27 May 2015 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Fifth 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/her/its 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-Fifth 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 67 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-Fourth AGM held on 9 June 2014, which will lapse at the conclusion of the Forty-Fifth 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.

PROXY FORM

Paramount Corporation Berhad 8578-A

PARAMOUNT®

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-Fifth 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 Wednesday, 3 June 2015 at 10.30 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		
Re-election and re-appointment of Directors:			
Resolution 3	Dato' Teo Chiang Quan		
Resolution 4	Datuk Seri Michael Yam Kong Choy		
Resolution 5	Dato' Md Taib bin Abdul Hamid		
Resolution 6	Dato' Haji Azlan bin Hashim		
Resolution 7	Re-appointment of Auditors		
Resolution 8	Authority to Directors to issue shares		

Dated this _____ day _____ 2015.

CDS ACCOUNT NO.	NO. OF SHARES HELD

Signature/Common Seal

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/her/its 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/her 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/she thinks fit.
- The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 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 27 May 2015 (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 SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Fold along this line (2)

Paramount Corporation Bhd 8578-A

Level 8, Uptown 1, 1 Jalan SS21/58
Damansara Uptown, 47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7712 3333 F +603 7712 3322
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