PARAMOUNT

SYNERGISING INNOVATION SUSTAINING GROWTH

ANNUAL REPORT 2017

SYNERGISING INNOVATION SUSTAINING GROWTH

Over the years, Paramount has built up its strength and reputation in delivering quality developments and nurturing lives.

2017 is the mid-point of implementation of Paramount's 5-year strategy highlighting the Group's keen commitment and unprecedented initiatives aimed at shaping the fast-developing nation. As Paramount is evolving as a Group, Paramount will continue fulfilling the promise, and make an indelible mark as a living testament of the buildings we have built and the lives we have touched.

ONE COMPANY; TWO SYNERGISTIC BUSINESSES

PARAMOUNT PROPERTY

Paramount Property is an award winning developer with a 36-year track record of building enduring addresses in the Klang Valley and Sungai Petani. From its beginnings in 1981 as a township developer, Paramount Property has grown its portfolio to include residential, commercial, retail, educational, industrial and integrated developments.

Paramount Property's strong adherence to quality, its innovative, practical designs, its commitment to delivering value and its respect for the customer has cemented its reputation as the people's developer. It is now focusing its efforts on creating new addresses and growing its landbank to meet the needs of the growing Malaysian population, in line with the Paramount Group's vision of changing lives and enriching communities for a better world.

PARAMOUNT EDUCATION

Paramount Education is a full-spectrum education services provider, offering the national and international curriculum in private primary and secondary schools, through to undergraduate and post-graduate programmes. Paramount Education includes the reputable Sri KDU Schools and R.E.A.L. Education Group for the K-12 segment; KDU College Petaling Jaya, a pioneer in Pre-University and twinning programmes; and KDU University College in Glenmarie, Shah Alam and KDU Penang University College in Georgetown, Penang.

Paramount Education has a track record of 34 years of providing good quality, high value education, anchored on its promise of shaping characters, and building careers. Paramount Education is proud to have had more than 100,000 students since its inception in 1983; serving to realise the Paramount Group's vision of changing lives and enriching communities for a better world.

AT A GLANCE

employs more than
2,500
employees

total landbank of
731.4
acres

2 core sectors

PARAMOUNT PROPERTY
36 years experience

PARAMOUNT EDUCATION
34 years experience

group revenue
RM758.3 million
FY2016: RM573.1M

PBT
RM182.2 M
FY2016: RM112.5M

total dividend
16 sen

As at 31 December 2017

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PARAMOUNT PROPERTY

THE PEOPLE'S DEVELOPER

7 ongoing developments	contribute 70% to group's revenue	registered sales 1,287 units GDV RM816M	launched 1,652 units in year 2017

PARAMOUNT EDUCATION

SHAPING CHARACTERS, BUILDING CAREERS

more than 100,000 students since inception	3 campuses nationwide	Revenue grew 54% to RM234.7 million	PBT grew 41% to RM38.9 million

INSIDE THIS REPORT

01 THE COMPANY

HOW WE CREATE VALUE

OUR VISION

Changing lives and enriching communities for a better world.

OUR MISSION

We deliver superior products and services that benefit society, and shape future generations of leaders and thinkers.

We care for the safety and health of our people, and we believe in developing their talents through empowerment and enabling them to maximise their potential.

We grow our business to deliver sustainable and responsible shareholder returns while ensuring that we continue to protect our environment.

We must be bold in technological innovations to be market leaders in our core businesses.

We will leverage on the synergies within our business ecosystem to create unique product offerings.

CORE VALUES

TRUST

We will strive to strengthen the faith in our shareholders, customers and the community have placed upon us to deliver sustainable returns.

RESPECT

We respect people as individuals, care for their well-being, and welcome diversity in capability and background. We encourage positive teamwork and expect everyone to be open, candid and constructive in their comments and suggestions and always seek to help our colleagues inside and outside Paramount.

INTEGRITY

We expect to do what is right, not only what is allowed. We believe in absolute honesty and strong principles of uncompromising ethical and moral behaviour from everyone – our employees as well as those who do business with us. Integrity must not only be heard but must also be seen in action at all times.

BRAVERY

We must have the courage to stand up for what we believe in and be bold enough to venture into new areas and businesses.

ENERGY

We embrace the future with vitality and vigour, exhibiting innovativeness and entrepreneurship in the true spirit upon which the company was founded.

GROUP CORPORATE STRUCTURE

PROPERTY

100%
Aneka Sepakat Sdn Bhd

100%
Berkeley Sdn Bhd

100%
Berkeley Maju Sdn Bhd

100%
Carp Legacy 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 Property Development Sdn Bhd

100%
Paramount Property (Glenmarie) Sdn Bhd

100%
Paramount Property (Lakeside) Sdn Bhd

100%
Paramount Property (PG) Sdn Bhd

100%
Paramount Property (PW) Sdn Bhd

100%
Paramount Property (Sepang) 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 (PJ) Sdn Bhd

100%
KDU Management Development Centre Sdn Bhd

100%
Sri KDU Sdn Bhd

100%
KDU University College Sdn Bhd

100%
KDU University College (PG) Sdn Bhd

100%
Paramount Education Sdn Bhd

- 66%
  R.E.A.L. Education Group Sdn Bhd
  - 100%
    R.E.A.L. Education Corporation Sdn Bhd
  - 100%
    R.E.A.L. Education International Sdn Bhd
  - 100%
    R.E.A.L. Kids (Ampang) Sdn Bhd
  - 100%
    Cambridge Children's House Sdn Bhd
  - 80%
    Cambridge Education For Life Sdn Bhd
    - 100%
      Cambridge English For Life Sdn Bhd
    - 30%
      Pusat Bahasa Cambridge English For Life Sdn Bhd

100%
Paramount Education (Klang) Sdn Bhd

OTHERS

100%
Broad Projects Sdn Bhd

100%
Janahasil Sdn Bhd

100%
Jasarim Bina Sdn Bhd

100%
Paramount Capital Resources Sdn Bhd

100%
Paramount Coworking Sdn Bhd

100%
Paramount Global Assets Sdn Bhd
(in members' voluntary liquidation)

100%
Paramount Global Investments Pty Ltd

- 100%
  Paramount Investments & Properties Pty Ltd
  - 50%
    VIP Paramount Pty Ltd

100%
Paramount Projects Sdn Bhd
(in members' voluntary liquidation)

100%
Paramount Property Holdings Sdn Bhd

100%
Paramount Utropolis Retail Sdn Bhd

100%
Utropolis Sdn Bhd

45%
Super Ace Resources 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 Bursa Malaysia Securities Berhad) on 15 July 1971.

Driven by its vision "changing lives and enriching communities for a better world", Paramount continues to make great strides in propelling its businesses, under the Paramount Property and Paramount Education brands, into formidable entities that consistently contribute to the growth and development of Malaysia and the Malaysian people.

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 is rice milling operations in 1984).

Today, Paramount Property is a full-spectrum integrated property developer, with residential, commercial, retail, education, hospitality, 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.

From Townships to Integrated Developments

Paramount Property's first property development project was Taman Patani Jaya in Sungai Petani. Launched in 1981, the development set new industry benchmarks 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 in 1996 – a luxury riverside residential address home to Kedah's first gated and guarded community.

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

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On the back of Bandar Laguna Merbok's success, Paramount added 520 acres of land in Sungai Petani in December 2006. This led to the launch of the Bukit Banyan forest development in 2012. Sungai Petani's only gated and guarded hilltop development, Bukit Banyan features lush landscapes anchored by a 25-acre forest park.

In 2007, Paramount Property made the strategic decision to venture into commercial and industrial property development, acquiring 5.2 acres of industrial 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. Shortly after, another two parcels of industrial land in Kota Damansara, measuring approximately 9.4 acres, were acquired in February 2008.

Recognising the potential of Malaysia's tech hub in Cyberjaya, Selangor, Paramount Property acquired 50 acres of freehold residential land there in June 2010. In 2013, Paramount Property launched Sejati Residences, a gated and guarded precinct built around the concept of *inviting the outdoors in*. Featuring spacious, luxury landed homes, lush landscaping and eco-friendly features, Sejati Residences is anchored by Chengal House, a 11,000 sq ft clubhouse built using 200-year-old upcycled chengal wood. The iconic building is Paramount's tribute to the beauty and resilience of Malaysian hardwoods and a source of pride to the Sejati Residences community.

In December 2011, Paramount completed the acquisition of 29.2 acres of commercial land in Klang town, which is earmarked for the future development of an integrated commercial hub.

In February 2012, Paramount completed the acquisition of 21.8 acres of freehold land in Glenmarie, Shah Alam. The following year, Paramount Property launched Paramount Utropolis, an integrated, self-contained university metropolis with a distinctive urban vibe. 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 one integrated development. A hotel has also been earmarked for this development, marking Paramount Property's first venture into hospitality building and development.

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In 2013, the Group acquired 30.3 acres of industrial land in Shah Alam, creating a commercial hub called Sekitar26. The same year, Sekitar26 Business was launched – a 13.2-acre boutique development comprising detached and semi-detached industrial lots 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 30.7 acres of freehold land in Batu Kawan, Penang from Penang Development Corporation. The land, located approximately 5.5 km from the Second Penang Bridge and part of what is will be Penang's third township, comprises 10.4 acres of institutional land and 20.3 acres for mixed development land. An additional 13.5-acre plot of land comprising five acres of freehold land and 8.5 acres of mixed development land, adjoining this 30.7-acre landbank was purchased in May 2015. The acquisition marked Paramount Property's entry into the lucrative Penang property market, and paved the way for the creation of Penang's first university metropolis, Utropolis Batu Kawan. Mirroring Paramount's successful Utropolis Glenmarie concept, Utropolis Batu Kawan is an integrated development anchored by a 10-acre KDU Penang University College campus.

Continuing its foray into the Northern region, Paramount completed the acquisition of a 65-acre landbank in Machang Bubuk, Penang in February 2015. This development has been earmarked for affordably-priced landed residential development. In July 2016, a further four acres of adjacent land was acquired to enhance the viability of any future development.

In September 2015, the Company completed the acquisition of 237 acres of freehold land in the highly-accessible Sepang-Salak Tinggi, Selangor area. This led to the launch of Greenwoods Salak Perdana, Paramount Property's second township in the Klang Valley which offers affordably-priced landed homes set amidst wide inviting spaces, tranquil parks and abundant greenery.

An Award-Winning Developer

With its reputation for innovative, practical designs and strong adherence to quality, it is no surprise that Paramount Property has earned several awards through the years.

In 2004, it garnered the 12th Federation Internationale des Adminstrateurs de Bien-Consetis Immobiliers (FIABCI), Property Award of Distinction 2004, Residential Development Category for Bandar Laguna Merbok, a first for a residential development outside the Klang Valley.

Paramount Property achieved another major milestone when the purpose-built private primary and secondary school, Sekolah Sri KDU, won the FIABCI-Malaysia, Malaysia Property Awards 2005 in the Specialised Project category. Sekolah Sri KDU was also named first runner-up in the Specialised Category of FIABCI International Prix d'Excellence 2006.

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In March 2015, Paramount Property received two awards at the Property Insight Inaugural Prestigious Developer Awards – Best Boutique Development Award for Sejati Residences and Best Self-Sustained Development Award for Paramount Utropolis.

In September 2015, it was honoured with two awards at the Malaysian Construction Industry Excellence Awards (MCIEA) 2015 – the Best Project Award in the Small Project, Building Development category for pushing construction boundaries in the use of reclaimed timber with the construction and completion of Chengal House; and a Special Mention for the Green Construction Special Award in recognition of Chengal House's green construction concepts and practices as well as environmental impact.

Paramount Property continued this winning trend in 2016, picking up several notable awards. In March, the Company was accorded the All-Star Award at the inaugural StarProperty.my Awards 2016, in recognition of its achievements in engaging, supporting and serving customers and communities. Paramount Utropolis also received an Honours Award in the 'Just Walk' category, recognising the development's overall design and layout, which placed emphasis on creating an integrated township with all key elements within walking distance of each other.

In November 2016, The Edge-PEPS Value Creation Excellence Award was presented to Paramount Property for its Pangsapuri Kemuning Aman project in Kemuning Utama. This award recognises developers who create the best value for buyers, as measured by capital appreciation.

Chengal House continued its award-winning trajectory, taking home its fifth award in two years - the FIABCI award in the Purpose-Built category, announced in November 2016, making it the fourth FIABCI award won by Paramount Property.

More recently, at the StarProperty.my Awards in March 2017, Sejati Residences won the 'Earth Conscious' award for most sustainable development, Sejati Residences' Chengal House has garnared FIABCI Prix d' Excellence Silver Award 2017 for Purpose Built category and the KU Suites, Kemuning Utama project received The Edge - Value Creation Excellence Award 2017 for residential category.

Aside from property development awards, Paramount Property has also enjoyed a strong reputation as an employer of choice, winning the HR Asia Best Companies to Work For in Asia Award in 2013.

CORPORATE PROFILE

Sejati Residences, Cyberjaya

- Paramount's first high-end residential development, built around the concept of inviting the *outdoors in*.
- Anchored by award-winning Chengal House, an iconic clubhouse built using 200-year old upcycled chengal wood.
- 249 units of landed residential bungalows, semi-detached, courtyard villas and superlink properties on 40 acres of land, with another 10 acres of land on which development plans are being finalised.
- Located in Cyber 9, Cyberjaya, the development is a mere 5 minutes (2.2km) drive from D'Pulze mall, 4 minutes (1.5km) from Multimedia University, 6 minutes (2.4km) from Lembaga Hasil Dalam Negeri and less than a minute (100m) from Tamarind Square.
- Multiple award winning development:
  - 2017 FIABCI World Prix d' Excellence Silver Award in the Purpose Built category for Chengal House
  - Malaysian Wood Award 2017 in the Public/Commercial category for Chengal House
  - 2016 FIABCI Award in the Purpose Built category for Chengal House
  - QLASSIC Achievement Award 2016 by Malaysia's Construction Industry Development Board
  - Top award for being 'Earth Conscious' at StarProperty.my Awards 2017
- Launched in 2013; expected completion in 2021.

Utropolis Glenmarie, Shah Alam

- Marked the first time Paramount brought its two core businesses of property and education in one location, in the process bringing to life its strength-through-synergy strategy.
- An integrated masterplanned university metropolis with a strong urban vibe, encompassing 11.7 acres of freehold land.
- Anchored by the 10-acre KDU University College flagship campus.
- Located in Glenmarie, Shah Alam, the development is easily accessible to all corners of the Klang Valley via major highways and the Keretapi Tanah Melayu (KTM) and Light Rail Transit (LRT) railway systems.
- 1,484 units of serviced apartments, SOHO's and dual key residential apartments, 120,000-sq ft retail space, co-working space cum incubator and a 4-star international chain business hotel, Mercure.
- Winner of StarProperty.my "Just Walk" Award 2016.
- Launched in 2013; expected completion in 2020.

CORPORATE PROFILE

Sekitar26, Shah Alam

- Part of the 30-acre Sekitar26 development, envisioned to be a thriving place of business and a vibrant destination for leisure.
- An integrated address with an urban DNA, contemporary designs and a lush landscape.
- Located along Persiaran Kuala Selangor, Shah Alam and adjacent to Hicom Glenmarie Industrial Park, the development is surrounded by the mature catchment of Section 26, Shah Alam, as well as USJ, Puchong and Kota Kemuning.
- Sekitar26 Business is a boutique industrial development sitting on 13.2 acres of freehold land.
- Comprises 38 units of 3-storey semi-detached industrial units and 1 three-storey detached industrial unit, all with wide storefronts – designed for a myriad of uses.
- Launched in 2013; completed in 2016.
- Another part of the 30-acre Sekitar26 development, Sekitar26 Enterprise is an integrated commercial development located at a mature commercial and industrial district.
- It is a commercial hub with a community street mall concept.
- Comprises seven blocks of 3-storey and one block of 2-storey shop offices, all designed with dual frontages for maximum visibility.
- Launched in 2016, expected completion in 2020.

CORPORATE PROFILE

Greenwoods Salak Perdana, Sepang

- Paramount Property's second township development in the Klang Valley developed around the concept of *My Home, My Community.*
- Mixed township development on 237 acres of freehold land, which consists of double storey link houses, strata homes, town houses, apartments and commercial shops.
- Located in Salak Tinggi, Sepang, 1.8 km north of Bandar Salak Tinggi, and easily accessible via major highways as well as the Express Rail Line.
- Close to Xiamen University Malaysia, Nilai University, Mitsui Outlet Park and Kuala Lumpur International Outlet.
- Launched in 2015, with first phase of 96 units landed residential homes; completed in 2017.

Bandar Laguna Merbok, Sungai Petani

- Paramount's first township development and Kedah's first gated and guarded community.
- Riverside mixed township development next to Sungai Merbok, with Gunung Jerai as its backdrop.
- Set on 500 acres of freehold land, with 4.251 units of bungalows, semi-detached and double-storey terrace homes as well as commercial shophouses.
- Located in Sungai Petani, Kedah, the development is directly accessible via the Western Bypass and is conveniently connected to the Sungai Petani-Alor Setar Federal Route and the North-South Highway.
- Award-winning township development – recipient of the 2004 FIABCI- Malaysia Best Residential development, the first for a Malaysian property outside the Klang Valley.
- First launched in 1996, completed in 2016.

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Bukit Banyan, Sungai Petani

- Sungai Petani's first hillside, gated-and-guarded township development.
- 520 acres of freehold land, with 25 acres set aside for a hill park.
- Mixed township development with 4,984 units of bungalows, semi-detached and double storey terrace properties, as well as commercial shophouses.
- Located in Sungai Petani, Kedah, 9 km from Sungai Petani town and easily accessible via major highways.
- First launched in 2012; expected completion in 2027.

Utropolis Batu Kawan, Penang

- Marks Paramount's entry into the lucrative Penang market.
- An integrated university metropolis, mirroring Paramount's very successful Utropolis Glenmarie, comprising 20.3 acres of freehold land and 8.5 acres of leasehold land.
- Comprises residential apartments, 2 and 3-storey commercial lots and retail centre, all anchored by the 10-acre KDU Penang University College.
- Centrally located in the heart of Batu Kawan, the third satellite city of Penang, which has been earmarked to serve as the Central Business District and Lifestyle Hub for the Northern region.
- Easily accessible via the North-South Highway, and a mere 10-minute drive from the Penang 2nd Bridge.
- Utropolis Batu Kawan is within easy walking distance to the Penang Design Village premium outlet towards the North and Aspen Vision City, Columbia Asia Hospital and IKEA towards the South.
- Launched in 2016; expected completion in 2026.

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PARAMOUNT EDUCATION – SHAPING CHARACTERS, BUILDING CAREERS

Paramount Education has its beginnings in the early 1980's, at a time of great challenge. Spaces in Malaysian public universities were limited and spiraling exchange rates created a financial strain on Malaysians studying overseas. Amidst this environment, Kolej Damansara Utama – later known as KDU College – was established in 1983 in Damansara Jaya, Selangor to provide the opportunity for young Malaysians to pursue quality 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 Programme, a very successful model that other education providers quickly emulated. Over the years, KDU College gained a strong reputation for high quality education, attracting students from across the country and overseas.

KDU College became the anchor from which the Paramount Education group grew. Today, Paramount Education is a full-spectrum education services provider, offering Pre-School at R.E.A.L. Kids, National Primary and Secondary Curriculum at Sekolah Sri KDU and R.E.A.L. Schools under Sekolah Seri Cahaya and Sekolah Seri Suria; the International Primary Curriculum, the British National Curriculum and IGCSE at Sri KDU International Schools and R.E.A.L. International Schools, pre-university, foundation and twinning programmes at KDU College Petaling Jaya, homegrown degree and masters programmes at KDU University College and KDU Penang University College as well as postgraduate programmes at KDU Management Development Centre Sdn Bhd. Its reputation for high value, high quality education, has cemented its reputation for shaping characters and building careers.

KDU University College

In August 2010, KDU College was upgraded to university college status, becoming KDU University College (**KDUUC**). In January 2015, KDUUC moved to its new purpose-built Utropolis campus at Glenmarie, Shah Alam with its state-of-the-art facilities and a contemporary teaching and learning environment.

Today, KDUUC offers a wide range of programmes at Diploma, Degree and Masters levels. Its homegrown degree programmes are at the forefront of growing industries, reflecting its promise of a real-world university meeting real-world needs. Its flagship schools include the School of Hospitality, Tourism and Culinary Arts, boasting the biggest teaching kitchens in South East Asia, the School of Computing with its renowned Game Development programme, the

CORPORATE PROFILE

School of Communications and Creative Arts, as well as the School of Business.

KDUUC emerged Bronze award winner again in 2017 in the Education and Learning category for Putra Brand Awards 2017.

On top of that, KDUUC was rewarded The BrandLaureate Most Sustainable Brand Award 2016-2017 for Brand Excellence in the Education – Private University College category and The Edge Malaysia Pioneer Development Award 2017 by The Edge Media Group, a prestige accolade for the credible and truly deserving winner.

KDU Penang University College

Spurred by the success of the Damansara Jaya campus, Paramount Education opened KDU College Penang in July 1991. After 25 years as one of the top colleges in Penang, with a 6-Star rating in the Malaysian Quality Evaluation System for Private Colleges (MyQuest), KDU College Penang successfully received the Ministry of Higher Education's approval for its upgrade to university college status. This upgrade has led to the change of the college's name to KDU Penang University College (**KDU PG UC**) in October 2015.

In 2015, KDU PG UC also commenced development of its new purpose-built campus in Batu Kawan, Penang, which is expected to further spur the growth of the KDU brand in the Northern region. The campus will be completed in 2019.

KDU College Petaling Jaya

In February 2015, Paramount Education opened the doors to KDU College Petaling Jaya (**KDU College**) at what was previously the KDUUC campus in Damansara Jaya. KDU College offers pre-university,

CORPORATE PROFILE

foundation and twinning programmes. In addition to offering students another stream of tertiary education, the college also creates a flow-through pipeline of students for KDUUC and KDU PG UC.

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 established a reputation for high quality, all-round education under its ethos of *letting every student shine*. In 2007, Sri KDU Schools included the International Baccalaureate Diploma Programme (**IBDP**) to its offering, providing a holistic education that 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. In addition to providing good quality, high value education, the school's pedagogy includes a high focus on character-building through its structured performing arts programme and extra-curricular activities.

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 at the Sri KDU Schools campus in Kota Damansara, Selangor.

The opening of SKIS was significant in that it 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 commitment to academic excellence, personal development and pastoral care.

Over the years, SKIS has produced many outstanding students, and in 2015, five SKIS students emerged as best performing learners in the IGCSE in First Language English, Design & Technology and Arts & Design.

Sri KDU Schools consistently enjoy a high enrolment, inspiring Paramount

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Education to put in place plans for expansion. In August 2015, the Ministry of Education gave its stamp of approval for the establishment of a Sri KDU International School in Klang.

R.E.A.L. Education Group

In line with the Group's strategy to scale up its primary and secondary school segments, Paramount Education inked an agreement on 11 January 2017 to acquire a 66% stake in R.E.A.L. Education Group (**R.E.A.L.**).

R.E.A.L. has a strong presence in the kindergarten, primary and secondary and child enrichment programmes sectors under three key brands – R.E.A.L. Kids, R.E.A.L. Schools and Cambridge English For Life. With an instant access to R.E.A.L.'s 18,000 strong student base, Paramount Education, has emerged as the largest full-spectrum education services provider in Malaysia.

The acquisition provides Paramount Education the opportunity to widen its student universe, expanding further into the K-12 education segment, offering more affordable alternatives for high quality primary and secondary school education in key market centres.

Paramount Education is proud to have had more than 100,000 students since its inception and now being one of the largest education service provider in Malaysia.

KDU University College, Utropolis Glenmarie

- Established in Damansara Jaya in 1983 as KDU College, Malaysia's first purpose-built private college campus.
- Established to provide opportunities for young Malaysians to pursue high-quality overseas tertiary education locally.
- First private college in Malaysia to offer a twinning programme – the American Degree Transfer Programme.
- Upgraded to University College in 2010.
- Moved to its new purpose-built, 10-acre campus at Paramount Utropolis, Glenmarie in January 2015.
- Today, KDUUC offers more than 40 proprietary programmes at Certificate, Foundation, Diploma, Degree and Masters Levels through 6 schools.
- Two of its schools – the School of Hospitality, Tourism & Culinary Arts and School of Computing and Creative Media were involved in two out of the 12 PEMANDU-led Entry Point Projects under the Malaysian Government Economic Transformation Programme's National Key Economic Areas.

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KDU Penang University College

- One of the top university colleges in Penang, offering reputable programmes coupled with strong industry linkages.
- Established as KDU College Penang in 1991 in Penang's historic old Town Hall.
- Moved to its present campus in Jalan Anson in October 1997.
- Only private college in Penang (and the Northern region) to be awarded 6-star in MyQUEST 2014/2015 for the large category.
- Upgraded to University College status in 2015.
- Today, KDU Penang University College offers more than 38 programmes at Certificate, Foundation, Diploma, Degree and Masters Levels through six schools.
- Commenced building of new 10-acre flagship campus in Batu Kawan in 2016; targeted completion in 2019.

KDU College (PJ)

- Established in January 2015 at what was previously the KDUUC campus in Damansara Jaya.
- Assumed all the pre-university and twinning programmes with foreign universities as well as professional qualifications previously offered by KDUUC, in line with MOHE regulations for universities and university colleges.
- Offers good quality and foreign degrees at local fees.
- Builds a flow-through pipeline of students for KDUUC.

CORPORATE PROFILE

Sri KDU Schools, Kota Damansara

- Sri KDU Schools, Kota Damansara comprises Sekolah Sri KDU and Sri KDU International School.
- Sekolah Sri KDU offers the Malaysian National Primary and Secondary Curriculum while Sri KDU International School offers the National Curriculum of England, IGCSE and the International Baccalaureate Diploma Programme.
- This provides parents with a choice between the two curriculum tracks whilst enjoying the benefits of an award-winning, purpose-built campus in Kota Damansara, Selangor.
- Built on the ethos of *letting every student shine*, Sri KDU Schools place great emphasis on developing students to be all-rounded global citizens.

Sekolah Sri KDU

- Established in 2003, offering the Malaysian National Curriculum enhanced with additional subjects such as Mandarin, Cambridge ICT Starters, Computer Science and a Structured Performing Arts Programme.
- Testament to the school's sound pedagogy, Sekolah Sri KDU secured top position amongst Malaysian schools in OECD's Programme for International Student Assessment (PISA) 2012, placing it amongst the top-ranked countries in the world in Mathematics, Science and Reading.

Sri KDU International School (SKIS)

- Launched in 2011 and follows the National Curriculum of England from Year 1 to Year 9, IGCSE (Years 10 and 11) and the International Baccalaureate Diploma Programme (Years 12 and 13) to meet growing demand for international curricula. First school in Malaysia to achieve the Education Development Trust (formerly CfBT) International School Quality Mark (ISQM) at Gold level in 2017.
- A member of the Federation of British International Schools in Asia (FOBISIA) that gives SKIS access to a plethora of competitive, learning and networking events.

CORPORATE PROFILE

R.E.A.L. Education Group

- R.E.A.L. Education Group comprises three key brands – R.E.A.L. Kids, R.E.A.L. Schools and Cambridge English for Life.
- The essence of R.E.A.L. is built on its name – 'Results Enhancing through Active Learning'.
- R.E.A.L. promotes active learning by taking students through a transformative journey which results in academic achievements, extracurricular excellence and honorable character.

- **R.E.A.L. Kids**
  - Established in 1986, its first pre-school was previously known as Child Enrichment Centre (CEC).
  - Places emphasis on enhancing children's unique abilities and multiple intelligences in order to realise their full potential.
  - Largest owner-operated kindergarten chain in Malaysia with more than 30 centres nationwide.

- **R.E.A.L. Schools**
  - Established in 1985, offering both the national and international school curriculum.
  - Located in Cheras, Shah Alam and Johor Bahru; each campus houses a R.E.A.L. private school and international school respectively.
  - Anchored by rich academic curricula, solid character-building programme and robust extra-curricular activities.

- **Cambridge English For Life**
  - Established in 2001, offering accredited ready-to-launch English language courses, early childhood development programmes, and primary school mathematics enrichment programmes.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' TEO CHIANG QUAN
DPTJ
Chairman & Executive Director

JEFFREY CHEW SUN TEONG
Group Chief Executive Officer & Executive Director

DATUK SERI MICHAEL YAM KONG CHOY
SMW, DSNS
Senior Independent Non-Executive Director
Mobile : 012-639 8578
Email : myam@pcb.my

DATO' ROHANA TAN SRI MAHMOOD
DPMP
Independent Non-Executive Director

ONG KENG SIEW
Independent Non-Executive Director

QUAH CHEK TIN
Independent Non-Executive Director

TAN SRI JAMES FOONG CHENG YUEN
PSM
Independent Non-Executive Director

QUAH POH KEAT
Independent Non-Executive Director

SECRETARY

NG WAI PENG
(MAICSA 7014112)

REGISTERED OFFICE

Level 8, Uptown 1
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Facsimile : 03-7712 3322
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REGISTRAR

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Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
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Telephone : 03-2783 9299
Facsimile : 03-2783 9222
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

AUDITORS

Ernst & Young, Chartered Accountants

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

OTHER INFORMATION
REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

AUDIT AND NON-AUDIT SERVICES RENDERED

For financial year ended 31 December 2017, Ernst & Young provided the following audit and non-audit services to the Group at the respective fees:

	Company RM'000	Group RM'000
Fees paid/payable to Ernst & Young		
• Audit	110	621
• Audit-related		
o Accounting and other review work	65	65
o Review of the Statement on Risk Management and Internal Control	5	5
o Review of the Group's compliance with the Housing Development (Control and Licensing) Act, 1966	-	24
o Training on Malaysian Financial Reporting Standards	187	227
	367	942
• Non-Audit		
o Tax advisory services	0	162
Total	367	1,104

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

As at 28 March 2018, the status of utilisation of the proceeds raised from the Company's disposal and lease of property which was completed on 29 September 2017 amounting to RM165.0 million is set out below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
o Defray expenses in relation to the disposal and lease of property	500	345	155
o Cut back on leverage for the Group	113,000	113,000	0
o Reward to shareholders	31,800	32,120	(320)
o Working capital purposes	19,700	19,535*	165
Total	165,000	165,000	0

*The actual amount utilised for working capital has been adjusted accordingly as a result of the variation in the actual amount utilised for the first three (3) items.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

EMPLOYEE SHARE SCHEME

The Long Term Incentive Plan (**LTIP**) 2013-2023, which involves the allotment and issuance of new ordinary shares in the Company to eligible employees and executive directors of Paramount Corporation Berhad and its subsidiaries provided that the total number of shares so allotted shall not at any time exceed ten per centum (10%) of the issued share capital of the Company, was implemented on 17 September 2013.

OTHER INFORMATION
REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Details of the LTIP are set out in Note 35 to the Audited Financial Statements on pages 104 to 129 of this annual report, and the number of LTIP Shares granted, vested and outstanding since the commencement of the LTIP up to the end of the financial year ended 31 December 2017 are set out below:

1. LTIP Shares granted

Type of Grant	Total Granted	Group Chief Executive Officer/ Executive Director (GCEO/ED)	Key Senior Management (KSM)	Other Selected Employees (OSE)
2015 Restricted Shares (**RS**)	2,200,100	444,800	423,200	1,332,100
2015 Performance-based Shares (**PS**)	Up to 3,244,200	Up to 996,400	Up to 947,800	Up to 1,300,000
2016 RS	2,362,600	501,700	456,700	1,404,200
2016 PS	Up to 3,700,600	Up to 1,260,400	Up to 1,147,200	Up to 1,293,000
2017 RS	2,440,400	576,600	535,700	1,328,100
2017 PS	Up to 5,016,200	Up to 1,382,000	Up to 1,284,200	Up to 2,350,000

2. LTIP Shares vested

Type of Grant	Total Vested	GCEO/ED	KSM	OSE
2015 RS	1,282,700	296,600	282,200	703,900
2015 PS	0	0	0	0
2016 RS	748,900	167,200	152,100	429,600
2016 PS	0	0	0	0
2017 RS	0	0	0	0
2017 PS	0	0	0	0

3. Outstanding LTIP Shares

Type of Grant	Total Outstanding	GCEO/ED	KSM	OSE
2015 RS	612,300	148,200	141,000	323,100
2015 PS	Up to 2,829,800	Up to 996,400	Up to 947,800	Up to 885,600
2016 RS	1,502,100	334,500	304,600	863,000
2016 PS	Up to 3,549,600	Up to 1,260,400	Up to 1,147,200	Up to 1,142,000
2017 RS	2,440,400	576,600	535,700	1,328,100
2017 PS	Up to 5,016,200	Up to 1,382,000	Up to 1,284,200	Up to 2,350,000

With regard to the LTIP Shares granted to the GCEO/ED and KSM as at 31 December 2017:

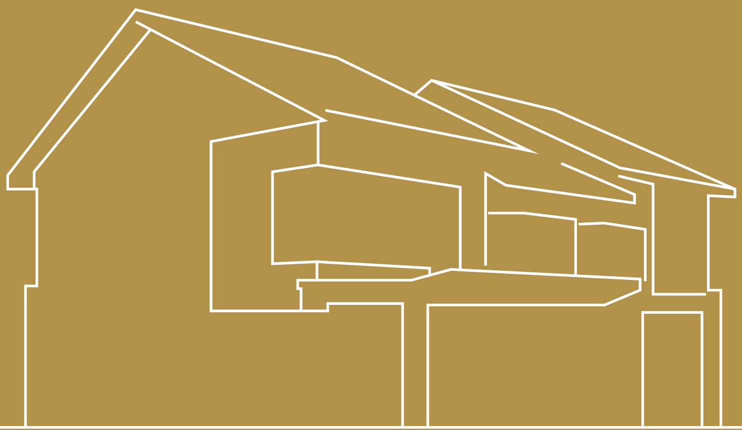
(1) the maximum allocation of LTIP Shares to the GCEO/ED was 15% of the maximum number of LTIP Shares available under the LTIP, which shall not exceed 10% of the issued share capital of the Company (excluding treasury shares, if any) at any point in time during the plan period of the LTIP;

(2) the granting of LTIP Shares to the KSM was not subject to any maximum allocation; and

(3) the actual percentage of LTIP Shares granted to these two categories of Eligible Employees as at 31 December 2017 was 74.5% of the total number of LTIP Shares granted.

Non-Executive Directors of the Company are not eligible to participate in the LTIP.

02
THE INNOVATION STORY



MESSAGE FROM THE CHAIRMAN

Dear friends of Paramount,

On behalf of the Board of Directors, I am pleased to share with you on the achievements and progress made by Paramount Corporation Berhad and its subsidiaries (**the Group**) for the financial year ended 31 December 2017.

MESSAGE FROM THE CHAIRMAN

In 2017, we leveraged on the property division's strong spectrum of offerings, broadened our range of products and expanded to more locations. Our education division focussed on delivering a full-spectrum of quality education offerings, while looking to increase enrolment, enhance our capabilities and improve overall cost management.

In 2017, Group revenue grew by 32% to reach RM758.3 million. On the back of better revenue performance and improved cost efficiencies, Group profit before tax (**PBT**) rose by 62% to RM182.2 million. The details of which can be found in the Management Discussion and Analysis section of our 2017 annual report.

In line with the Group's commitment to reward shareholders, the Board has declared and paid an interim dividend of 2.5 sen per share in September 2017 and a single tier special dividend of 7.5 sen in March 2018. The Board has also declared a final dividend of 6.0 sen per share subject to shareholders' approval at the forthcoming annual general meeting. The total dividend declared for the current financial year to date is 16.0 sen per share.

Aligning our Vision and Refocussing our Mission

In 2017, we have embraced a new Group vision and mission, which sets the path and purpose for us to evolve into a better Company.

Our new vision is a direct reflection of our desire to provide game-changing and positive impact on our stakeholders across the economic, environmental and social (**EES**) landscapes. Certainly, our business presence in property development and education have enabled us to create life-changing, transformational impact for individuals and communities across the country, while enabling us to achieve sustainable business growth and progress.

Property ownership allows individuals and families to enjoy a better quality of life, to realise their lifestyle aspirations and ultimately provides a stable foundation upon which they can build an enriched and fulfilling future.

Revenue grew by
32%
to reach **RM758.3 million**

Total dividend of
16 sen
per share for **FY2017**

Group PBT rose by
62%
to **RM182.2 million**

The Paramount Vision

" CHANGING LIVES AND ENRICHING COMMUNITIES FOR A BETTER WORLD. "

Beyond brick and mortar, property ownership allows individuals and families to enjoy a better quality of life, to realise their lifestyle aspirations and ultimately provides a stable foundation upon which they can build an enriching and fulfilling future. Likewise, education is the catalyst for personal development, for cultural enrichment and socio-economic mobility. Both business divisions ultimately contribute to harmony, prosperity and happiness to build a better community and nation.

Our mission statements further articulate the broad directions towards realising our vision.

By continuing to deliver sustainable and responsible shareholder returns via the provision of products and services of high quality made possible through technological innovations; by seeking to shape the future generation of leaders and thinkers, we are poised to create a landscape of unrivalled opportunities, potential and success. This is measured not just in material terms but in delivering a more harmonious, peaceful and sustainable future for generations to come.

Our new vision and mission is a seamless evolution of the Group's corporate aspirations. Since our inception, we have aspired to create value and to do good; to bring about a betterment of society. The distinction is that the new vision and mission better articulate our purpose; while providing clearer guidance as to the kind of positive impact we wish to deliver to society across EES parameters and the legacy we wish to create.

MESSAGE FROM THE CHAIRMAN

Hence, in 2017, we have also committed ourselves to five of the United Nation's Sustainable Development Goals (**SDG**) which are people, planet, prosperity, partnership and peace. By committing ourselves to these noble goals, Paramount has a clear pathway towards achieving its vision and mission. Our presence in the property and education sectors reflects our innate desire to create positive and meaningful results for society. We seek to create new opportunities, realise ambitions and dreams and provide the means for socio-economic betterment and ultimately progress for the nation.

Working closely with Senior Management, the Board will continue to play an active role in ensuring the realisation of the Group's vision and mission through its business operations; and that we stay well on track with our 5-year plan. The Board will continue to exercise due diligence and provide the necessary stewardship for the Group.

In keeping abreast with the Malaysian Code on Corporate Governance 2017, the Board has updated our Board Charter, Terms of Reference of our Board Committees and the relevant Board Policies to ensure that the board continues to operate within a robust corporate governance framework deliver long-term sustainable shareholder value.

We look forward to the future with cautious optimism, and given our encouraging performance in 2017 and the strong business fundamentals of the Group, we are well positioned to continue progressing in the year ahead.

Acknowledgements

On behalf of the Board, I would like to once again thank Dato' Md Taib bin Abdul Hamid for his outstanding and long service as a member of the Board of Directors. We are very grateful for his contribution as a non-executive director of the Company since 1994.

I would also like to convey my sincere thanks to the management team and colleagues for their tireless dedication and professionalism during the year under review. Their contribution and commitment has been outstanding and the Board expresses its thanks for a job well done.

I also wish to express my appreciation to my fellow members of the Board and the Board Committees for their astute leadership and counsel, to our business partners, clients and bondholders.

Naturally, we also thank our many shareholders who have given us their trust. With your continued support, we will strive for greater heights, while looking to continue earning your vote of confidence. Let us work together and look forward to a year of better prospects and successes in 2018.

DATO' TEO CHIANG QUAN
Chairman & Executive Director

Committed ourselves to **five** of the **United Nation's Sustainable Development Goals**

We look forward to the future with cautious optimism given our **ENCOURAGING PERFORMANCE IN 2017**

With your continued support, we will **STRIVE FOR GREATER HEIGHTS**, while looking to continue earning your vote of confidence.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite facing intensified competition and challenging marketing conditions for both our property and education divisions, Paramount Corporation Berhad and its subsidiaries (**the Group**) registered another year of encouraging growth and progress. In the financial year ended 31 December 2017 (**FY2017**), on the back of a 32% revenue growth, the Group's profit before tax (**PBT**) rose by 62%.

OVERVIEW OF BUSINESS AND OPERATIONS

Paramount Corporation Berhad (**Paramount** or **the Company**) is an investment holding company, whose vision is **"changing lives and enriching communities for a better world"**. In line with this, Paramount and its subsidiary companies have well-established interests in property development and education, operating under the Paramount Property and Paramount Education brands, respectively.

Guided by our founding business principles and business values, our role is to serve by providing the possibility of better lifestyles, renewed aspirations and the creation of opportunities while delivering value for the growth and development of Malaysia and the Malaysian people.

Paramount Property

Paramount Property is an award winning developer with a 36-year track record for building enduring addresses in Sungai Petani, Penang and the Klang Valley. From its beginnings as a township developer in Sungai Petani, Paramount Property has grown its portfolio to include residential, commercial, retail, institutional, industrial and integrated developments. Details of these developments are presented on pages 8 to 11 of this annual report.

Paramount Property is renowned 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. Leveraging on this 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.

As at the date of publication of this report, Paramount Property has eight ongoing developments – Sejati Residences, Utropolis Glenmarie, Sekitar26 Business, Greenwoods Salak Perdana and Atwater, Section 13 Petaling Jaya – all in the Klang Valley; Bandar Laguna Merbok and Bukit Banyan in Sungai Petani, Kedah as well as Utropolis Batu Kawan in Penang. Details of these developments are presented on pages 8 to 11 of this annual report.

As a Malaysian property developer who feels the pulse of the people, we continue to adopt a strategy of varied price points, options and choices to meet the diverse requirements of homeowners. We build what is desired and what offers value and a better future. This ensures that our properties are relevant to homeowners and within their budgets while meeting their lifestyle aspirations.

MANAGEMENT DISCUSSION AND ANALYSIS

Paramount Education

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

Paramount Education's tertiary offerings across its KDU University College (**KDUUC**), KDU Penang University College and KDU College campuses in Glenmarie, Shah Alam, Penang and Petaling Jaya respectively, is anchored on its promise of being real-world institutious meeting real-world needs. Its primary and secondary school offerings, via Sekolah Sri KDU and Sri KDU International School, is built on the ethos of *letting every student shine*. The Group also recently added to its fold the R.E.A.L. Education Group which operates under the following brands: R.E.A.L. Kids, R.E.A.L. School and Cambridge English for Life.

With the acquisition of R.E.A.L., Paramount Education is the largest full spectrum education services provider with offerings ranging from kindergarten to primary and secondary right up to tertiary education level.

Paramount Education is proud to have had over 100,000 students since its inception in 1983, testament to its 34-year record in providing good quality, high value education, anchored on its promise of *Shaping Characters, Building Careers*.

GROUP OBJECTIVES AND STRATEGIES

I am happy to share that in FY2017 the Group has continued to make headway in the realisation of our 5-year strategic plan (2015-2019). With the year being the mid-point of our 5-year journey, it was an opportune to take stock of the progress achieved and to make necessary adjustments to ensure we remain on track in delivering continued value for our stakeholders.

Our Group strategy of deriving strength through synergy, maintaining an asset light business model and building our Paramount Property and Paramount Education brands have supported us well in 2017.

Our philosophy of One Company; Two Synergistic businesses, has enabled us to leverage on the combined strengths of our property and education businesses to give us a competitive edge in crowded markets. Our asset light strategy has enabled more efficient capital expenditure (**CAPEX**) to facilitate quicker business expansion within the property development and education sectors. By focussing on strategic brand building activities, we have enhanced the appeal and perception of our product and service offerings and earned the trust and confidence of consumers.

These over-arching strategies are then reflected in the strategies of our respective businesses.

In FY2017, Paramount Property leveraged on its diverse range of residential, commercial and retail product offerings nationwide. We further expanded our product range and also added new locations based on consumer demographic and demand patterns. With Paramount Education being a full-spectrum education provider, the Division also continued to expand – offering more affordable alternatives for high quality, K-12 education while increasing its capabilities in the tertiary segment.

In the year under review, we continued to see strong performance from both businesses which have led to an improvement in the Group's overall financial results.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

For FY2017, Group revenue had increased by 32% on the back of higher revenue recognition from on-going property projects as well as improved student enrolment within the education division. As a result, Group PBT had also improved by 62% to RM182.2 million. The improvement is due to the gain on disposal of the Sri KDU school campus to Alpha REIT.

ASSETS	2017 RM'000	2016 RM'000
Non-current	1,835,658	1,533,793
Current	682,442	484,918
Total assets	2,518,100	2,018,711

EQUITY & LIABILITIES	FY2017 RM'000	FY2016 RM'000
Share capital & reserves	1,036,793	934,636
Total equity attributable to owners of the company	1,036,793	934,636
Non-controlling interest	74,995	0
Private debt securities	199,787	199,787
Total equity	1,311,575	1,134,423
Non-current liabilities	690,945	433,593
Current liabilities	515,580	450,695
Total liabilities	1,206,525	884,288
Total equity and liabilities	2,518,100	2,018,711

CASH FLOW, CASH AND BANK BALANCES	2017 RM'000	2016 RM'000
Net cash from operating activities	66,288	9,003
Net cash used in investing activities	(151,773)	(47,745)
Net cash from financing activities	80,467	9,366
Net decrease in cash and cash equivalents	(5,018)	(29,376)
Cash and cash equivalents at the beginning of the year	114,445	143,821
Cash and cash equivalents at the end of the year	109,427	114,455

On the back of this, Paramount's profit after tax (**PAT**) has also increased to RM150.3 million, a 69% improvement from the previous year's PAT of RM88.7 million.

Capital Structure & Capital Resources

The Group's borrowings increased by 29% to RM823.8 million compared to the previous year's RM636.6 million. This is mainly due to drawdown of borrowings to finance the acquisition of R.E.A.L. Education Group. As a result, the Group's debt to equity ratio increased to 0.63 times as at 31 December 2017 compared to 0.56 times as at the end of the previous financial year.

The Group is comfortable with its present debt to equity ratio and is confident of servicing its debt.

As a whole, the Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years. We remain confident of meeting working capital requirements and repaying existing loan obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

KNOWN TRENDS & EVENTS – PARAMOUNT PROPERTY

The Group's property business remained the largest contributor to Group revenue and earnings, accounting for 69% of overall Group turnover and 47% of PBT. The property division sold over 1,287 property units in FY2017 equivalent to a Gross Development Value (**GDV**) of RM816 million.

The growth in revenue is largely attributable to strong sales achieved and higher level of work progress recognised for the following projects: Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana.

70% of the units launched in FY2017 were landed residential homes while the remaining were high-rise homes. This is in line with our strategy of meeting real market demand. While the high-rise market has been impacted by various factors, demand for landed homes remained relatively robust. We continued to see traction among this niche segment with buyers still actively transacting provided the pricing, product concept and location were right.

A majority of our products were priced at RM800,000 and below in line with potential buyers' purchasing power. Case in point, the 237-acre Greenwoods project located at Salak Tinggi where landed homes are priced from RM330,000. Another is the 43.8-acre Utropolis Batu Kawan, Penang project where units are priced below RM500,000.

By providing home seekers with a wide range of products at different locations and price points, we have seen continued strong take-up by buyers who can

appreciate the affordability, value and unique lifestyle enhancing offerings of the Paramount Property brand. In FY2017, our new launches recorded take-up rates of between 50% and 90%.

Utropolis Batu Kawan, Penang

In Utropolis, Batu Kawan, our residential suites have been well received with take-up rates of 90%. We also launched our retail lots on the back of the earlier launched residential suites and are confident that sales will pick up for the latter, going forward. This is a natural progression, as once residents move in and the community has been established, retailers will look to tap the potential of the captive market and we foresee the entire eco-system developing strongly within the next financial year or so.

Centrally located in the heart of Batu Kawan, Penang's new satelite city, Utropolis Batu Kawan is a game-changing first for Penang – marking the arrival of several new lifestyle concepts to Penang. It marked the arrival of the university metropolis concept in Penang. The construction of the 10-acre, flagship campus of KDU Penang University College is progressing well and is scheduled for completion in 2019. Current property prices range from RM280,000 to RM1.2 million with full completion expected in 2026.

Venturing Into Senior Friendly Living Lifestyle Segment

In Petaling Jaya, Selangor, the opening of the Atwater sales gallery marked our maiden steps into the senior friendly development segment. Located in the mature area of Section 13, Petaling Jaya, Atwater is an integrated, mixed development project that is differentiated by its focus on providing a safe, convenient and strategic location that offers buyers a development that is centered on their needs. These include the interior design of units as well as the external facilities around the 5.2-acre development.

The senior friendly market is a fast-growing, lucrative market evident by the emergence of retirement villages and retirement communities across the country. Our entry into this niche segment is timely and we continue to

MANAGEMENT DISCUSSION AND ANALYSIS

refine our offerings to cater to the specific requirements of buyers in this segment.

Responding to Evolving Market Trends

Another highlight is the significant milestone of Utropolis Marketplace Glenmarie reaching its first full year of operations. This is the Group's only retail community centre and we are pleased to report that occupancy rates have been improving. Tenants include a major supermarket, banks, a fitness centre, clinic, convenient stores and co-working space provider, Co-Labs, that is part of Paramount Property.

Co-Labs is a community-centric co-working space and incubator uniquely designed for rising entrepreneurs, freelancers, digital nomads and professionals. More than a turn-key office, Co-Labs is in the business of creating an enabling environment where business can take root and flourish by offering professional advice, training, and investor networking when needed.

This is part of our strategy to explore and develop new product offerings to cater to evolving market trends within the property space.

Landbank Replenishment

Given the need to replenish our landbank, Paramount Property inked two agreements to expand its landbank, one in Section 14, Petaling Jaya, Selangor and another in Cyberjaya at the end of FY2017 and in January 2018.

As at 31 December 2017, our landbank stood at 731.4-acres consisting of parcels located nationwide in various strategic locations.

PROPERTY DIVISION - GDV
REMAINING UNSOLD & UNDEVELOPED DEVELOPMENTS AS AT THE END OF FY2017

No.	Project	Total GDV RM' 000	Land area acre
1	Kemuning Utama, Shah Alam	506,130	50.9
2	Atwater Section 13, PJ	803,831	
3	Atwater Section 13, PJ - carpark	34,848	5.2
4	Atwater Section 13, PJ - retail, tower	22,661	
5	Sejati Residences, Cyberjaya	213,900	10.0
6	Sekitar 26, Shah Alam	371,821	11.6
7	Greenwoods, Salak Perdana	1,084,246	209.8
8	Berkeley Uptown, Klang	1,410,211	33.3
9	Lot 7&9, KD, Kota Damansara	870,217	9.5
	Central Region	**5,317,865**	**330.3**
10	Bandar Laguna Merbok, Sg Petani	5,740	0.5
11	Bukit Banyan, Sg Petani	624,474	308.0
12	Machang Bubuk, Penang	409,955	69.2
13	Batu Kawan, Penang	2,083,100	23.4
	Northern Region	**3,123,269**	**401.1**
	TOTAL GDV	**8,441,134**	**731.4**

MANAGEMENT DISCUSSION AND ANALYSIS

Enhancing Quality via Industrialised Building Systems

In FY2017, we made further strides in the utilisation of Industrialised Building Systems (**IBS**) for the construction of homes. IBS is a sustainable, environmental friendly construction methodology that allows for better quality control, shorter construction periods, and better safety standards and reduced dependence on foreign labour.

IBS could be applied to a wide variety of construction areas, such as wall panels, floor slabs, staircases, balconies/ air-conditioner ledges as well as architectural facades. As a pilot IBS project, we implemented the use of light weight dry walls as partition walls for one of our residential high rise projects. With the use of light weight dry walls, we found that it:

- Reduces reliance on workers by up to 40%.
- Shorter construction time of 20 days (with IBS) vs 42 days (conventional methods).
- Improved cash flow position due to shorter construction time (overall progress billing faster by 1 month).
- High output – approx. 1,000 units/year.
- Safer working methodology.
- Produces high quality products that are both CONQUAS and QLASSIC-compliant.

Brand Building & Development

2017 saw the property division continue to invest in brand engagement and awareness initiatives across conventional and digital media. We also continued to strengthen overall brand credibility and in 2017, Paramount Property was awarded the following accolades:

- FIABCI Prix d' Excellence Silver Award 2017 (Project: Sejati Residences - Chengal House Category: Purpose built)
- StarProperty.my - The Earth Conscious award (Project: Sejati Residences, Category: Earth Conscious)
- The Edge - Value Creation Excellence Award 2017 (Project: KU Suites - Kemuning Utama, Category: Residential)

Joint Ventures & Strategic Partnerships

In injecting further value into Utropolis Glenmarie, Paramount Property, in

April 2017 through Super Ace Resources Sdn Bhd, a joint-venture company owned by Paramount and Singapore-listed Lasseters International Holdings Limited signed an agreement with French-based AccorHotels, a renowned hospitality brand to launch a Mercure hotel at Ultropolis Glenmarie.

The hotel completes the ecosystem of Paramount's first university metropolis. It provides the 21-acre development with an integral hospitality or tourism component to complement the existing residential,

education and retail components. The hotel will provide students of KDUUC's School of Hospitality, Tourism and Culinary Arts with a real-world training ground for internship and potnetial job opportunities upon graduation.

It also expands Paramount Property's portfolio as a broad-based property development arm with a wider revenue stream. This is a further reflection of deriving strength via the synergy between our property and education businesses.

Further reflecting the strength through synergy concept, the division will build an international school in its Klang mixed development project and also construct the KDU Penang University College (**KDU PG UC**)'s campus at Utropolis Batu Kawan, an integrated university metropolis, mirroring Paramount's highly successful Utropolis Glenmarie. Phase one of the development, consisting of high-rise residential and commercial properties, was soft-launched in 2016 to overwhelming response.

KNOWN TRENDS & EVENTS – PARAMOUNT EDUCATION

Paramount Education posted a higher revenue of RM234.7 million, a 54% increase year-on-year (**y-o-y**). The improved performance is largely due to post acquisition contribution from R.E.A.L. Education and increased student enrolment across its primary and secondary schools as well as its tertiary institutions.

Institution	Total Student Enrolment as at 31 December 2017	NEW PROGRAMMES LAUNCHED IN 2017
Sri KDU	3,039	
R.E.A.L. Kids	4,849	
R.E.A.L. School	3,321	
KDU University College and KDU College	3,014	• BA (Hons) Hospitality Entrepreneurship • PhD (Business) • Bachelor of Engineering (Hons) Mechatronics Engineering • Bachelor of Arts (Hons) Accounting and Finance • Diploma in Mechanical Engineering • Master of Business Administration • Master in Communication Management • BA Enterprise Information System • Diploma in Food & Beverage Retail Management • MBA (Tourism Management) • Chester University, UK (3 + 0), BA (Hons) in Media & Advertising • Chester University, UK (3 + 0), BA (Hons) Advertising & Journalism • Chester University, UK (3 + 0), BA (Hons) Media & Journalism
KDU Penang University College	2,180	• Foundation in Science • BA (Hons) in Communication and Public Relations • BA (Hons) in Media Production • BA (Hons) in Interior Architecture • BA (Hons) in Teaching English As A Second Language (discontinued) • Diploma in Professional English Communication (discontinued) • Advanced Diploma in Creative Media Design (Visual Effects)

MANAGEMENT DISCUSSION AND ANALYSIS

The education landscape remains competitive across all segments. In the tertiary segment, market penetration remain high at 75%. The segment is saturated with universities who, to retain market share and students, have engaged in price wars with some providing hefty discounts on fees as well as offering waivers, rebates and scholarships.

In the K-12 segment, while market penetration is lower, at 16%, there has been a significant increase in the number of international schools in recent years. Growing market demand as well as other factors has led to a mushrooming of such institutions, especially in key urban locations.

Rather than compete in a price war, our focus remained on delivering quality and value to ensure the long-term equity of the brand in the eyes of parents and students. We continued to also leverage on the proven, long-standing track record of the KDU brand while adopting various and innovative marketing strategies to grow our student community.

R.E.A.L. Education Group	• **Global Responsible Business Leadership Awards –** 'Pre-school Education Excellence'
R.E.A.L. Kids	• **NAPEI Award (National Association of Private Educational Institutions) –** R.E.A.L. Kids retains its title in the 'Early Childhood Education Providers - Kindergartens' category
R.E.A.L. Schools	• **NAPEI Award (National Association of Private Educational Institutions) –** Winners of both 'Private International Schools' and 'Private National Schools' award for R.E.A.L. Schools, Cheras Campus

Primary & Secondary Schools

We are happy to report that both Sri KDU and R.E.A.L. continue to be acknowledged for delivering quality educational experiences. The K-12 segment was the main driver within the enlarged segment in Paramount Education (comprising Sri KDU and R.E.A.L.) to offer premium and affordably priced alternatives for private national and international schools.

The Sri KDU Schools have received the following accolades in 2017:

- ISQM Gold Accreditation
- WWF Eco School - Green Flag Award
- A member of FOBISIA (attained in December 2016 and retained membership status in 2017).

Tertiary Institutions

Similar to the primary and secondary schools landscape, the tertiary market space remains very competitive given the proliferation of educational institutions, which have oversaturated the matured market. We estimate the penetration rate at 75%. The market is increasingly becoming more price sensitive due to living costs issues, rising inflation and the ample availability of choice.

In response, we focussed on developing unique selling propositions for selected flagship schools, placing increased focus on structured entrepreneurship programmes as a key attribute of KDU graduates and introduced new programmes and articulation into universities to provide more options.

KDU UNIVERSITY COLLEGE

KDUUC continued to expand its education programmes and courses to better cater to market demands. Efforts were also placed on reviewing our programme development roadmap to ensure a better balance revenue generation with heavy costs required for new programmes in view of slower tertiary market population growth than anticipated. We also looked at creating better alignment with positioning of schools and USPs in our flagship schools – the School of Hospitality, School of Tourism and Culinary Arts, School of Business and School of Computing and Creative Media.

MANAGEMENT DISCUSSION AND ANALYSIS

We also looked to tap into our primary and secondary student population by developing an educational pathway in increasing the number of students who continue to tertiary level with the KDU brand. This has generated positive results as we saw some increase in the number of secondary students opting to pursue their foundation and undergraduate courses with KDU.

Efforts were also focused on targeting niche markets such as the Bumiputera student market, the United Examination Certificate (**UEC**) market and the outstation market. In enhancing the quality of the KDU brand, we focussed on improving our SETARA and MyQuest ratings.

In building the pathway for students, efforts were also centered on strengthening existing industry and community linkages. In 2017, we look at creating greater involvement of the industry advisory panel as well as creating more entrepreneurship and employability possibilities for students. Technology also continues to be tapped to bring a cutting-edge element to our overall proposition. This includes the online delivery of course materials and lectures.

KDU Penang University College

As the first private higher institution in the northern region awarded university college status, KDU PG UC is a trailblazer which has garnered strong following among stakeholders in the region.

With its university college status, plans progressed for the restructuring of the organisation to support its status as a university college. The UC governance structure has been setup. New programmes have been developed with agreements signed for dual-award programmes. Thus far, KDU PG UC has 14 new programmes and six more pending approval. A research centre has also been established.

In addition to this, faculty quality was strengthened, teaching and learning approaches continued to be improved and facilities upgraded. In tandem with this, the university college's staff qualification composition has increased to 18 PhD holders and 99 from diverse backgrounds and fields.

The new RM150 million campus in Batu Kawan is well under construction. It sits on a 10-acre parcel of land, anchoring Paramount Property's Utropolis Batu Kawan, an integrated development eco system, which will enable KDU PG UC to deliver truly affordable and quality education – equipped with state-of-the-art teaching and learning facilities.

FORWARD LOOKING STATEMENT & OUTLOOK FOR 2018

As the Malaysian economy continues to recover, Gross Domestic Product (**GDP**) growth is expected to moderate between 5% and 5.5% in 2018, mainly driven by domestic demand and continued strength in global trade which is likely to expand by 5.3% y-o-y. Headline inflation

MANAGEMENT DISCUSSION AND ANALYSIS

is expected to decline to the 3% to 3.5% range due to the lower impact from global oil prices. Foreign direct inflows are expected to remain on an uptrend and the overall Malaysian economy displaying resilience.

The improved property market is expected to persist in 2018. However, while overall market conditions may be better, there are still various challenges that continue to dampen overall consumer sentiment. This includes an overhang in supply of high-rise properties, tight financing and unaffordability issues.

With the 14th general elections imminently to be held in 2018, buyers may adopt a "wait and see" attitude pending the outcome of the polls which could further impact sentiment. Land prices remain high, yet costs for compliance, construction and development continue to rise. This places further pressure on overall sales.

In the education segment, market competition remains a key factor, with slow market growth and high market penetration for the tertiary segment. The K-12 segment is expected to see continued mushrooming of new entrants into the market.

The Group is well cognisant of these factors and have adopted clear and comprehensive mitigation strategies. Given the proven effectiveness of our business strategies, our established track record and the strength of our brands, we are confident of our path and progress forward driven by a strong purpose to deliver value and quality to Malaysians.

In 2018, we will continue to adopt a pro-active stance reflected via our property and education divisions.

Our property division, underpinned by strong lock-in sales from the launches such as Utropolis Batu Kawan, Sejati Residences and Urbano (Utropolis Glenmarie) as well as Bukit Banyan in 2017. We will continue to see revenue recognition and unbilled sales going forward into 2018 as proven by the 100% take up rate of our 2-storey Keranji homes at Greenwoods Salak Perdana.

We look forward to the launch of two new developments – Atwater Section 13 and our Klang project at Jalan Goh Hock Huat. The former will leverage on the integrated development and senior friendly living concepts. The latter will be anchored by our Sri KDU school and residential as well as retail components.

Our entry into the senior friendly living segment will hold us in good stead as we diversify to offer a broader spectrum of property offerings to meet all stages in the consumer lifecycle.

Beyond the Klang Valley, we see plenty of upside where certain states still face a shortage of properties such as Kedah and Selangor. In both locations, Paramount Property has an entrenched presence and a proven brand name that resonates with local buyers.

Certainly, there is potential for properties below RM1 million in these locations. The onus now is to supply homes at the right location and priced to the right target market. We are confident of continued strong take up rates for our offerings in 2018.

In line with our asset light strategy, we will continue to pursue joint venture and sales & leaseback property development strategies if such opportunities arise. We expect to complete the disposal of our Lot 7&9, Kota Damansara land in the second half of 2018.

On the education front, competition will remain intense amidst a highly price sensitive environment as both incumbents and new market entrants compete for students. Student numbers are expected to remain low due to continued slow population growth.

Responding to market conditions, our education division will increase its marketing efforts to reach new markets within Malaysia, while also enhancing strategies for international marketing and relationship building with recruitment agencies. We will maintain existing business strategies – tapping the Bumiputera, UEC and outstation sub-groups.

The division will also focus on developing (USPs) to raise the profiles of selected flagship schools, as well as improve the value and quality of programmes offered. Internally, considerable efforts are being made to harness greater operational efficiency via cost management and consolidation.

With that, we foresee improved enrolment and efficiencies derived from cost optimisation.

2018 will see the full year's recognition of results from R.E.A.L. Education Group, which will contribute strongly to our financial performance. We see synergies and opportunities for student retention, with R.E.A.L. Kids kindergarten students flowing-through to R.E.A.L. Schools or Sri KDU schools, and R.E.A.L. School students flowing-through to KDU University Colleges.

Barring any unforeseen circumstances, the Group is expected to deliver a better operating performance for 2018.

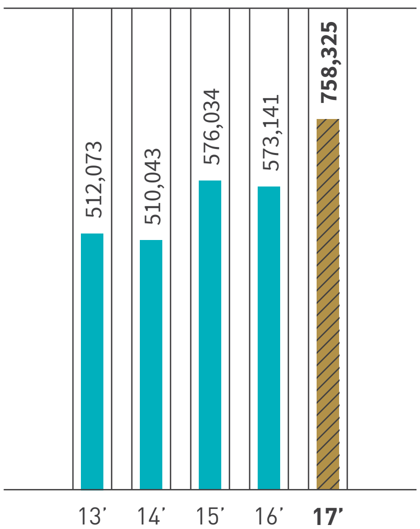
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	Year 31 Dec 2017 RM'000	Year 31 Dec 2016 RM'000	Year 31 Dec 2015 RM'000	Year 31 Dec 2014 RM'000	Year 31 Dec 2013 RM'000
Revenue	**758,325**	573,141	576,034	510,043	512,073
Profit before tax	**182,169**	112,477	101,694	85,756	75,096
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**225,252**	138,212	121,799	93,368	87,138
Profit net of tax	**150,279**	88,673	74,181	64,086	53,503
Profit attributable to equity holders of the Company	**133,409**	75,016	67,681	62,474	53,503
Total assets	**2,518,100**	2,018,711	1,930,223	1,652,191	1,302,329
Total liabilities	**1,206,525**	884,288	839,600	700,347	575,231
Total borrowings	**823,832**	636,554	549,617	385,091	317,746
Shareholders' equity	**1,036,793**	934,636	890,836	852,057	727,098
Total equity	**1,311,575**	1,134,423	1,090,623	951,844	727,098
FINANCIAL INDICATORS					
Earnings per share (sen)	**31.46**	17.74	16.03	16.17	14.83*
Net assets per share (RM)	**2.44**	2.21	2.11	2.02	2.15
Gross dividend per share (sen)	**16.00**	8.50	8.25	7.50	8.00
Dividend yield (%)	**9.0**	6.1	4.9	4.9	5.3
Return on equity (%)	**14**	8	8	9	8
Return on total assets (%)	**5**	4	4	4	4
Gross gearing ratio (%)	**63**	56	50	40	44

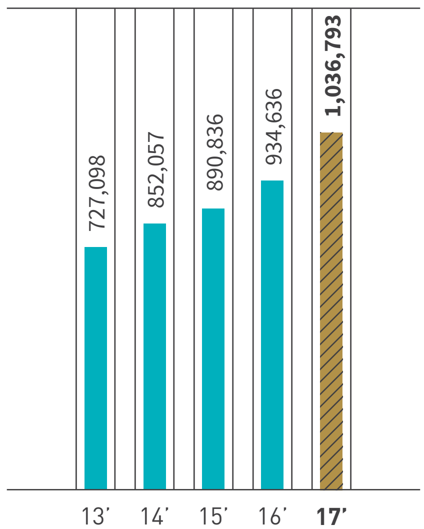
* The comparative figures have been restated to reflect the adjustment arising from the rights issue completed during the financial year 2014.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

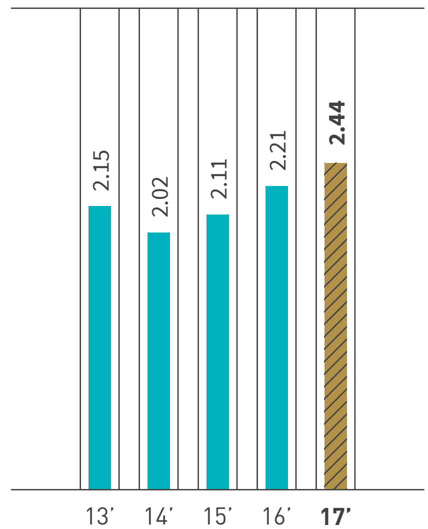
REVENUE (RM'000)



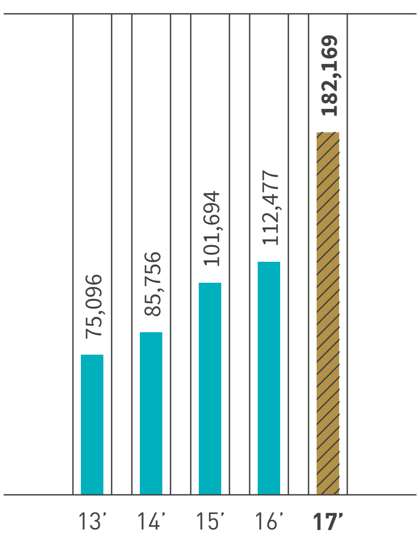
SHAREHOLDERS' EQUITY (RM'000)



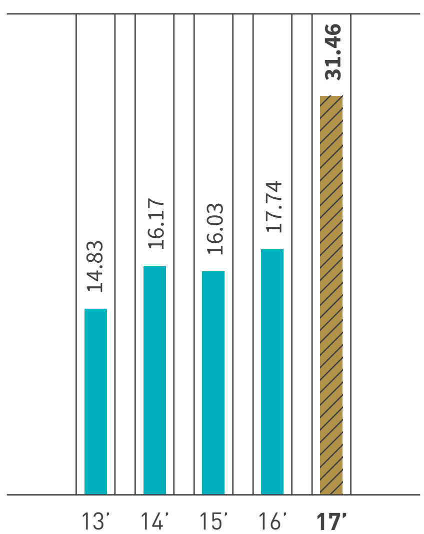
NET ASSETS PER SHARE (RM)



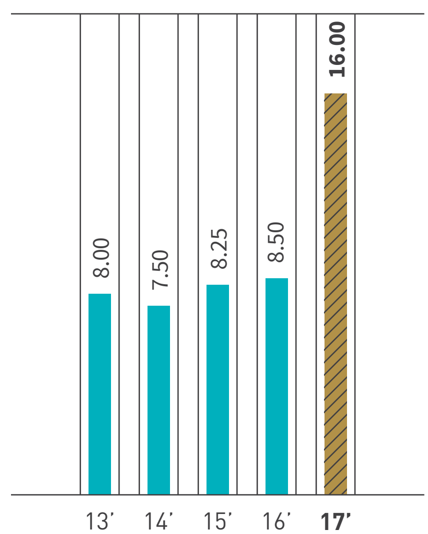
PROFIT BEFORE TAX (RM'000)



EARNINGS PER SHARE (SEN)



GROSS DIVIDEND PER SHARE (SEN)



SUSTAINABILITY STATEMENT

Since our inception, Paramount Corporation Berhad (**Paramount** or **the Company**) and its subsidiaries (**the Group**) have always been committed to operating in a manner that leaves a positive impact on our stakeholders. Our footprint in the property development and education sectors is testament to this as we seek to create a lasting legacy of socio-economic development while preserving our rich natural heritage.

In 2017, the Board of Directors of Paramount revisited the Group's vision and mission as part of its continuous efforts to ensure that we remain on track towards greater growth and progress. Within this context, the vision and mission was also assessed in terms of its effectiveness in embedding sustainability within the Group, given the growing relevance of Economic, Environmental and Social (**EES**) developments which may potentially impact Paramount.

With this, the Group has developed a new vision while further strengthening its mission statement with the addition of two new pillars. Our TRIBE values have been retained towards supporting the new vision and strengthened mission in the cultivation of a desired sustainability mind-set and culture.

We have related our sustainability journey with the 5 Pillars (**5P**) of Sustainability i.e. People, Planet, Prosperity, Partnership and Peace, in line with the Sustainable Development Goals (**SDGs**)[1] of the United Nations (**UN**). This Sustainability Statement (**Statement**) has been prepared in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Malaysia**). It provides a view of our sustainability efforts and achievements and the overall progress made in 2017.

SCOPE AND MATERIAL BOUNDARY

The scope of this inaugural Statement covers the Group's corporate office and its two business divisions, Paramount Property and Paramount Education. It does not include the Group's value chain consisting of third party contractors, suppliers and vendors.

The Statement focusses on the most pertinent projects, initiatives and activities of the Group rather than every aspect of operations. Progressively, we will endeavour towards providing more comprehensive disclosure going forward.

Unless stated, our reporting period is from 1 January 2017 to 31 December 2017.

Reporting period:

1 January 2017 to 31 December 2017

Reporting Cycle:

Annually

Principal Guidelines:

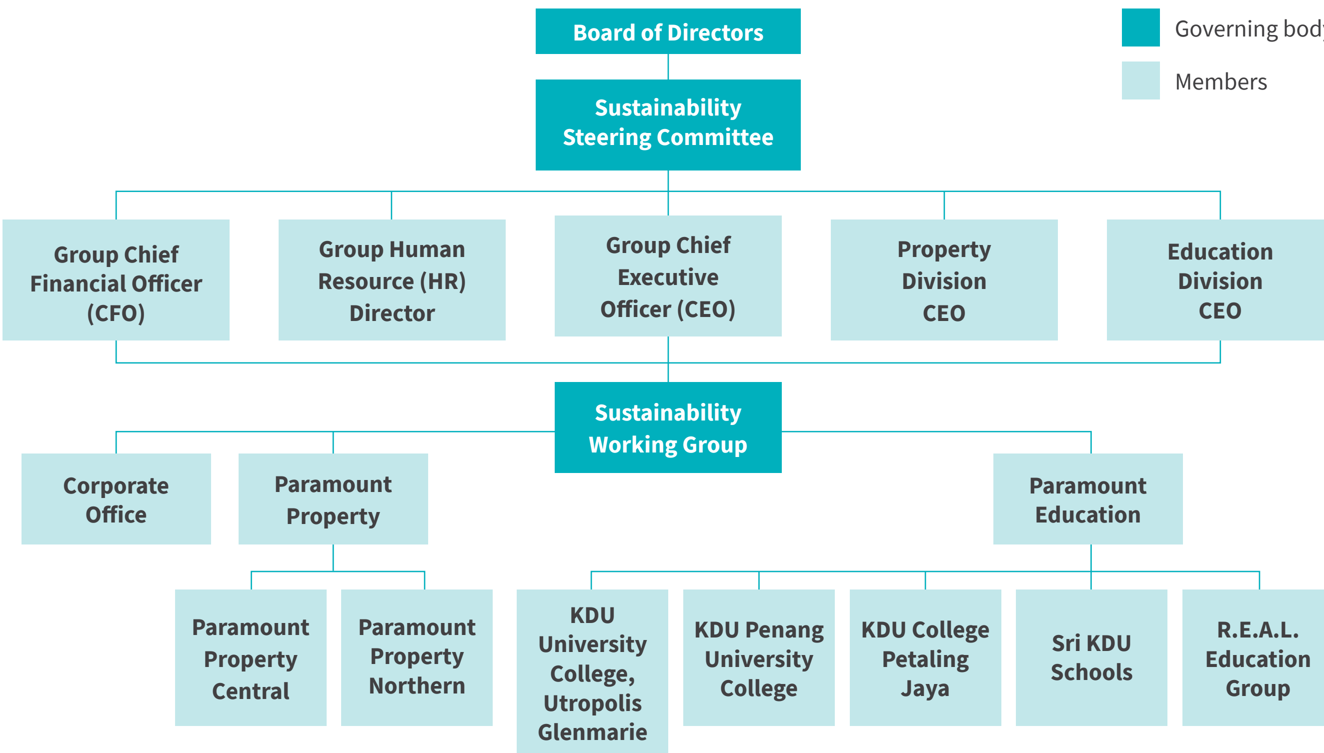
Bursa Malaysia's Main Market Listing Requirement Practice Note 9 Article 6.

[1] In 2015, 193 countries including Malaysia adopted the 2030 Agenda for Sustainable Development of the UN and its 17 SDG's. By doing so, governments, businesses and civil society together with the UN are mobilising efforts to achieve this Sustainable Development Agenda by 2030.

SUSTAINABILITY STATEMENT

GOVERNANCE & FRAMEWORK

A two-tier sustainability governance structure drives Sustainability within the Group. The first tier consists of the Sustainability Working Group (**SWG**) followed by the Sustainability Steering Committee (**SSC**). The SWG reports to the SSC, and in turn, the SSC is accountable to the Company's Board of Directors (**the Board**). Clear lines of responsibility have been established to operationalise sustainability across the Group as shown below:



SUSTAINABILITY STEERING COMMITTEE

- Comprises the Group CEO, CEOs of the Property and Education Divisions, Group CFO and Group HR Director
- Reviews and approves the sustainability strategy and ensures that they are aligned with the Company's vision and mission
- Prioritises strategies based on available budgets
- Ensures that executed sustainability projects are aligned with approved sustainability strategies
- Reviews and recommends sustainability statement/reports to the Board for approval
- Provides advice and guidance on business and operational functions directly related to sustainability strategies and initiatives
- Endorses sustainability targets for the forthcoming years
- Oversees, reviews and evaluates sustainability performance against the defined metrics

SUSTAINABILITY WORKING GROUP

- Comprises representatives responsible for sustainability strategies and projects
- Executes approved sustainability projects
- Monitors the progress of projects and progress to the SSC
- Tracks the data and ensures that all outlined activities achieve defined targets
- Recommends sustainability related projects to the SSC

SUSTAINABILITY STATEMENT

During the year, two (2) meetings were held to deliberate management's approach to sustainability issues, objectives and targets. During these meetings, the following were discussed: the Group's sustainability governance structure including reporting structures, sustainability policies and strategies, the results of the conducted materiality assessment and stakeholders engagement exercises.

On 27 February 2018, the Sustainability Statement was tabled to the Board for review and was approved on the same day.

STAKEHOLDER ENGAGEMENT

The Group is of the view that stakeholders' views are essential to ensuring the robustness of our sustainability strategy and efforts. Stakeholders are defined as those who are impacted by the Group's business presence and activities, or have the potential to impact or influence the Group's operational and / or financial performance as well as overall brand perception.

The various departments represented in the SWG have identified and prioritised our key stakeholders whom we regularly engage with through meetings, workshops, site visits and other forms of active communication. The following table lists out our stakeholder engagement activities in 2017:

Stakeholder Engagement Table

STAKEHOLDER	ISSUES OF CONCERN	FORM OF ENGAGEMENT
Employees	• Employee wellbeing, health and safety • Succession planning	• Evaluation of employees' benefits and compensation package • Employee health and wellness activities • Induction for newly recruited employees • Town hall meetings • Circulation of HR policies • Skills development programmes • Talent management programmes • Sport club activities
Certification Bodies	• Green Building Certification • Conformance to International Organisation for Standardisation (**ISO**) 9001, 14001 and OHSAS 18001 Standards	• Ad-hoc meetings • On-site inspections • Compliance site visits • Update and networking sessions
Investors / Shareholders	• Group's financial and operating performance • Corporate governance • Dividend and capital appreciation	• Annual General Meetings • Quarterly results announcements • 'Investor Relations' page on the Company's website • Investor briefings – ongoing engagement sessions with analysts and shareholders • Annual reports

SUSTAINABILITY STATEMENT

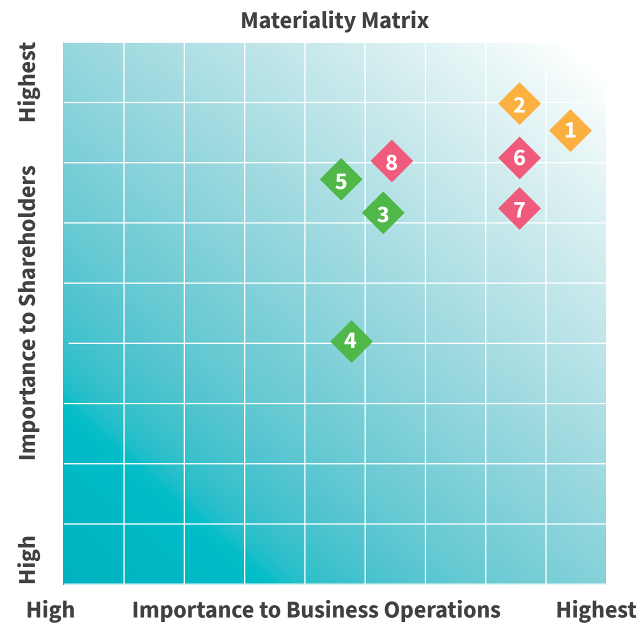
STAKEHOLDER	ISSUES OF CONCERN	FORM OF ENGAGEMENT
Regulators	• Approval and permit • Compliance with regulatory requirements of Bursa Malaysia, Companies Commission of Malaysia, Ministry of Health, Ministry of Housing (**MOH**), local authority, Construction Industry Development Board (**CIDB**), Department of Safety and Health (**DOSH**), Department of Environment (**DOE**), Ministry of Education (**MOE**), Ministry of Higher Education (**MOHE**) and Malaysian Qualifications Agency (**MQA**).	• Regular discussions and meetings with authorities • Public consultations with residents' association and local authorities • Site inspections • Seminars, briefings and training
Community	• Environmental and social impact • Community engagement • Management of properties	• Corporate social responsibility activities • Community engagement and outreach programmes • Strategic partnerships
Customers	• Support services • Product quality • Latest announcements on project releases • Timely delivery • Product/service pricing and packages	• Customer call centres • Websites/social media • Consumer surveys • Sales promotions • Student portals • School visits/ talks/ workshops • Events and activities
Vendors / Suppliers	• Service delivery • Service scope and payment schedule • Pricing of services and product/service quality	• Business communication on a daily basis • Vendor/supplier registration • Performance evaluation • Contract negotiation • Purchasing contracts • Site visits and meetings
Media	• Company reputation	• Regular engagement sessions • Press releases
Bankers	• Breach of covenants • Negative public perception	• Business communication such as email • Face to face meetings • Quarterly reporting

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT & MATRIX

Having engaged with multiple key stakeholders and drawing from our own internal insights and perspectives, the Group held its first materiality assessment workshop on 18 September 2017. The workshop saw participation from senior management as well as key management staff (i.e. Heads of Department or Strategic Business Units). The findings from the materiality assessment workshop was submitted for final deliberation by the SSC and subsequently the Board of Directors. From this, Paramount identified eight key materiality matters, which have been plotted on the matrix on the right based on order of significance and impact to the Group. Each has been mapped with the corresponding UN SDG's and categorised under the respective EES perspectives.

Economic Indicators | Environmental Indicators | Social Indicators



	MATERIAL SUSTAINABILITY MATTER	RELEVANT SDG	5 PILLARS OF SUSTAINABILITY
Economic			
1	Product and Service Quality		
2	Ethics and Integrity / Corporate Governance		
Environment			
3	Waste Management, Energy and Water Conservation		
4	Green Building and Design		
5	Recycling & Environmental Awareness		
Social			
6	Occupational Health and Safety		
7	Talent Retention & Development & Succession Planning		
8	Community Development & Enrichment		

The rest of this Statement provides a narrative on the Group's management approach in addressing these materiality matters as well as reports on progress made and areas for further improvement.

SUSTAINABILITY STATEMENT

PEOPLE	PLANET	PROSPERITY	PARTNERSHIP	PEACE
Caring for the safety and health of our people, and developing their talents through empowerment and enabling them to maximise their potential	Identifying, managing and minimising the environmental impact of our business operations	Delivering superior products and services that benefit society and growing our business to deliver sustainable shareholder return	Developing and enhancing partnerships that will advance our sustainability aspirations and performance	Fostering peaceful relations throughout the organisation and the community at large

4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Paramount is a pioneer in both property and education concepts. We believe in continuously exploring new ways to deliver better living and teaching environments for the communities in which we operate, which will in turn create new opportunities for growth.

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls
We engage in community efforts to support women within vulnerable communities, and provide opportunities to women in our workplace, universities and schools, so as to ensure their full and effective participation at all levels of decision-making.

8 DECENT WORK AND ECONOMIC GROWTH

Promote inclusive and sustainable economic growth through full and productive employment and decent work for all
We brought sustainable economic growth to the local communities by creating more job opportunities and supporting local businesses. We recruit and develop our people on merit, and we provide opportunities for capacity building and development to them. We believe in long-term goals, built on high levels of performance and corporate reputation to execute our growth as well as our profit strategies and targets.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote sustainable industrialisation and foster innovation
A variety of environmental friendly and innovative concepts have been designed and built into the exteriors, fixtures and fittings of our properties and schools. We continuously challenge the status quo and embrace new ideas and concepts that ultimately lead to improved products, services and businesses.

11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable
Whether homes, offices, schools, shops or green spaces, we recognise that the built environment contributes to improving the quality of life of a community. We engage with vulnerable communities through our outreach programmes with the aim of helping them strengthen and build resilience.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
We have policies and procedures in place to mitigate corruption and bribery, and to encourage effective, accountable and transparent business transactions. We also ensure responsive, inclusive, participatory and representative decision-making at all levels.

SUSTAINABILITY STATEMENT

ECONOMIC

ENVIRONMENTAL

SOCIAL

ECONOMIC

This section provides insights into our interactions with the marketplace and outlines how our business activities influence the economic conditions of various stakeholders.

PRODUCT AND SERVICE QUALITY

Quality is key in meeting customer satisfaction, enhancing brand reputation and ensuring value for customers. The pursuit of quality is essentially a commitment towards sustainability, as the ultimate outcomes are repeat buyers, strong customer satisfaction, enhanced brand goodwill and ultimately sustainable revenue and profits.

Quality also means that our products and services must be safe for both people and the environment. The following principles define our approach to quality excellence:

- Quality should be backed by key standards and industry recognised benchmarks
- Excellent quality must be assured at every stage of the production cycle or value chain, not just focussed at the end-product / service delivery stage

SUSTAINABILITY STATEMENT

- Quality is defined in the eyes of the customers, not merely based on our own standards and assumptions, i.e. quality equates to customer satisfaction
- Quality excellence should also include intangibles, i.e. service delivery and the human touch.

Excellent Quality via Industry Benchmarks & Standards

Testament to our commitment to quality, our property division, stringently adheres to the requirements of CIDB's Construction Industry Standard (**CIS**) 7:2006 for quality assurance at construction sites. It has also been certified under the ISO9001 standards on Quality Management System (**QMS**).

Our education division has received the following industry recognition in 2017:

- International Schools Quality Mark (**ISQM**) Gold Accreditation

  The ISQM verification inspection by the Centre For British Teachers Education Trust (**CfBT**) provides objective assurance that Sri KDU International School (**SKIS**) meets rigorous quality standards. Gold accredited status, which is the highest level attainable, is awarded when the school is outstanding in the following three sections:

  - Standards and achievement
  - Teaching and learning
  - Leadership and management

- World Wide Fund (**WWF**) Eco School - Green Flag Award

  The Green Flag Award was awarded to SKIS for their environmental work under the Eco-Schools Programme in Malaysia. Only six schools nationwide, including SKIS, have received this prestigious award.

- A member of the Federation of British International Schools in Asia (**FOBISIA**) (membership attained in December 2016 and retained in 2017).

  Sri KDU retained its prestigious memberships in FOBISIA in 2017. SKIS gained entry to this prestigious organisation after an extremely rigorous assessment procedure to confirm that it has met with the high standards expected of British International Schools in the region.

- 5-Star (Excellent) rating under by the Malaysia Quality Evaluation System for Private Colleges or MyQUEST 2016/2017.

  KDU College was awarded a 5-Star MyQUEST 2016/2017 rating by MQA. Held biennially since 2011, MyQUEST is a MOHE developed rating system for assessing the quality of private colleges in Malaysia. Colleges are rated from a scale of 1 to 5 stars.

- Tier 4 (Very Good) in SETARA 2017 by MQA

  KDU University College was awarded a Tier 4 (Very Good) status in the rating system for higher education institutions in Malaysia by MQA within the purview of the MOHE.

  The SETARA rating system is a basis for quality assurance of higher education and the reference point for the criteria and standards of academic qualifications offered at universities and university colleges in Malaysia.

SUSTAINABILITY STATEMENT

Setting Quality Benchmarks

Under the industry recognised Quality Assessment System in Construction (**QLASSIC**), Paramount Property continues to set new benchmarks for quality excellence.

QLASSIC is a system adopted by CIDB to evaluate the workmanship quality of a building's construction based on the CIS 7:2006. It is an independent method of quantifying and evaluating quality in workmanship and construction based on approved standards.

PROJECT	QLASSIC SCORE
Phase 1 of Sejati Residences	81%
Sekitar26 Business	79%
Pangsapuri Kemuning Aman, Kemuning Utama	77%
KU Suites, Kemuning Utama	72%
Utropolis Suites @ Utropolis Glenmarie	74%
Lifestyle Suites @ Utropolis Glenmarie	76%
Phase 2, Bukit Banyan	77%
Phase 3, Bukit Banyan	75%

Quality through Customer Satisfaction

In 2017, Paramount Property continued to embellish its proud record of accomplishment by ensuring buyers receive their keys on or ahead of time.

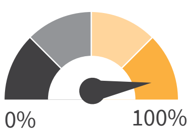
PROJECT	DELIVERY
Utropolis Glenmarie	Phase 1 – Utropolis Suites: handed over five months ahead of schedule Phase 2A – Lifestyle Suites: handed over one week ahead of schedule
Sejati Residences	Phase 2A handed over three months ahead of schedule Phase 3C handed over six months ahead of schedule
Bukit Banyan	Phase 1 and 2 handed over to buyers six and four months ahead of schedule, respectively Phase 3 handed over three months ahead of schedule
Sekitar26 Business	Handed over six months ahead of schedule

Measuring Quality through Customer Satisfaction

Measuring our customer satisfaction is essential to help us continuously improve our product and service quality. Paramount Property has developed its internal Customer Satisfaction Index (**CSI**) to assess buyers' quality perception of Paramount Property's products and overall service experience.

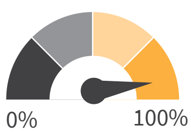
CSI Results

Sekitar26 Business



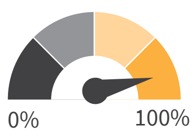
Excellent rating
87%

Bukit Bayan Phase 3



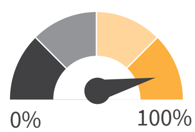
Excellent rating
86%

Utropolis Suites @ Utropolis Glenmarie



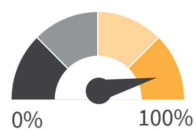
Excellent rating
84%

Bukit Bayan Phase 2



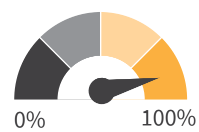
Excellent rating
83%

Lifestyle Suites @Ultropolis Glenmarie



Excellent rating
83%

Sejati Residences



Excellent rating
81%

Measuring Quality through Service

We have invested considerable resources and effort to ensure that our customer service meets and exceeds expectations. Launched in July 2016, the Paramount Property Customer Servicer Charter serves as the defining guide in educating employees on the importance of good customer service and engagement.

PARAMOUNT PROPERTY CUSTOMER SERVICE CHARTER (CSC)

At Paramount Property, we view customer engagement as the key to our success – a privilege and a responsibility which we wholly embrace.

We will strive to continually earn our customers' trust and confidence in us.

The CSC is further supported by the following core competencies or parameters to ensure the delivery of excellent customer service:

CORE COMPETENCY	DESCRIPTION
Exceeding expectations	• Ability to deliver excellent customer service that will grow our customer base. • Ability to identify ways that add value to customer relations and exceed expectations.
Ability to address customers' concerns	• Ability to address customers' concerns professionally and effectively allay those concerns.
Emotional intelligence	• Ability to identify different personalities and adopt different approaches to engage with them.
Good listening skills	• Ability to listen to the customers' needs and wants to ensure that their expectations are met.
Effective frontline skills	• Ability to use good communication skills to maintain good rapport with prospects.

The CSC was cascaded across the entire organisation through the following processes:

STEP 1:
Group HR rolled out customer service initiatives supported by a set of core competencies

STEP 2:
Training programmes for frontline staff, sales & marketing and site personnel

STEP 3:
Development of Paramount Property's CSC and Blueprint

STEP 4:
To continually enhance the CSC

Customer Service Excellence Programme (Property Division)

Step 1:
Commencement of the Customer Service Programme

STEP 2:
Upon completion of the programme, key areas of the Customer Service Philosophy are developed

STEP 3:
Workshop with key stakeholders to develop the Customer Service Philosophy

STEP 4:
Launching of the CSC

STEP 5:
Realignment workshop for all staff. All new hires will be trained on the new Customer Service Philosophy

STEP 6:
An online Learning Module for Customer Service will be provided for all new hires

STEP 7:
Mystery shopping exercises will be conducted from time to time to ensure that the Customer Service Standards are maintained

SUSTAINABILITY STATEMENT

Paramount Property Core Values for Excellent Customer Service

SERVICE DELIGHT	CUSTOMER FIRST	MAKE IT CONVENIENT FOR CUSTOMERS	CREATE INFORMED CUSTOMERS	FIND A YES FOR CUSTOMERS
Service comes in the extra effort we put in. That's how we win the hearts and minds of our customers. We will Create Delight by doing little things that matter most to our customers.	Customers are the focus of our activities and we are always there for them.	We will continuously innovate our processes to ensure our customers' journeys are enjoyable. In fact they will find it easy to do business with us.	Knowledge, wisely used will gain customer confidence and reduce anxiety. We will constantly provide information and update our customers through all communication channels.	We acknowledge that we do slip up in our quest to deliver positive customer experience. We understand and feel our customers' disappointment. Therefore, we will double our effort to regain our customers' trust and confidence. More importantly, we will learn from our mistakes.

These values will exemplified in all interactions with our customers from the moment they encounter with our Paramount Property brand or products.

Producing Employable Graduates

We take pride in Paramount Education's legacy of producing skilled knowledge workers and talents who are employable in the job market. This is a critical success factor and a testament to the relevance of our courses and programmes in meeting today's needs for talent, more so when there is a high level of unemployed graduates in the market.

More importantly, we are proud to have not just produced employable graduates, but have indirectly contributed to nation building and also in uplifting the socio-economic status of our graduates and their families while helping them realise their full potential.

ETHICS & INTEGRITY

The Group has always emphasised the need for strong corporate values and principles to guide its actions. Ethics and integrity serve as pillars upon which the Group may avoid bad business practices while creating a positive impact and influence on the economy, environment and society.

All new employees are inducted on the Code of Business Conduct and Ethics so that they are aware of expected behaviours and norms within the Group.

Testament to the Group's commitment to upholding high standards of ethics, integrity and corporate governance, Paramount clinched the Minority Shareholders Watchdog Group's Excellence Award for Overall Corporate Governance & Performance for the mid-market capitalisation category in 2017.

The Group's Whistleblower Policy allows for anyone to have a confidential, safe and secure channel to voice any potential wrongdoings, incidents of fraud, or harassment. The Policy outlines the mechanism by which such concern(s) can be raised while protecting the identity of the whistleblower, thus removing the fear of victimisation or reprisal.

Contents of the Whistleblower Policy can be viewed at our corporate website. Those who wish to make a report under the policy can email to whistleblower@pcb.my or fax to 03 7712 3344.

There were no reported incidents of fraud, harassment or discrimination in 2017.

SUSTAINABILITY STATEMENT

ENVIRONMENT

We are committed to identifying, managing and minimising the impact of our business operations to the environment.

Our commitment to environmental sustainability is a natural extension of our mission statement, which is to grow our businesses while continuing to protect and preserve the environment.

Given the nature of our business activities, which is property development and provision of education services, there is a disparity between the two in terms of environmental footprint and impact. The former is certainly more likely to have a greater exposure to environmental issues. Nevertheless, we have undertaken various strategies within both business divisions to create meaningful positive impact on the environmental landscape. Our Corporate office has also initiated various measures to reduce its impact on the environment.

The Group's property development activities are ISO 14001:2015 certified, and the status of such certifications are as follows:

Entity	Certification
Paramount Property Northern	
Paramount Construction (PG) Sdn. Bhd.	ISO 14001:2015 Valid until April 2020
Paramount Property Utara Sdn. Bhd.	ISO 14001:2015 Valid until December 2020
Paramount Construction Sdn. Bhd.	ISO 14001:2015 Valid until April 2020
Paramount Property Central	
Paramount Property Development Sdn. Bhd.	ISO 14001:2015 Valid until September 2020
Paramount Property Construction Sdn. Bhd.	ISO 14001:2004 Valid until March 2020

For development projects that fall within the list of Prescribed Activities under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, we strictly comply with the regulations by conducting Environmental Impact Assessments and Environmental Management Plans to manage our construction sites according to the conditions stipulated by the Department of Environment (**DOE**).

WASTE MANAGEMENT (CONSTRUCTION)

Management of Construction Waste

In common construction practice, most of the construction waste goes into landfills, which increases the burden on landfill loading and operation. Therefore, we segregate and recycle them as much as possible to conserve raw materials and reduce construction waste that ends up in landfills.

Our Initiatives to Reduce Construction Waste

1. Designating a recycling collection area at every project site.
2. Sending recyclable timber and rebars to recyclable centres.
3. Reusing materials that can be recycled directly in current or future construction projects.
4. Drawn up policies to reduce waste output from our construction sites.

Waste Management (Laboratory waste)

Laboratory waste accumulated at the Group's university college campuses are managed in accordance with the 'Disposal of Chemical Wastes from Laboratory' Guidelines published by the DOE.

We are registered with DOE for scheduled waste disposal and have outsourced the management of scheduled waste to a DOE-certified and compliant waste management contractor under the Environment Quality Regulation.

SUSTAINABILITY STATEMENT

EMBRACING GREEN BUILDING DEVELOPMENT

Since 2016, the Group has voluntarily committed itself to promoting sustainability in the built environment, and has worked towards higher conformance to the Green Building Index (**GBI**) promoted by the Malaysian Institute of Architects in association with the Association of Consulting Engineers Malaysia.

This resulted in the Utropolis Glenmarie campus of KDU University College (**KDUUC**), garnering a provisional GBI certification in 2017.

Green Building Features (Energy Consumption Reduction) at Utropolis Glenmarie campus of KDUUC

GREEN BUILDING FEATURES (CARBON FOOTPRINT REDUCTION) AT THE KDU UNIVERSITY COLLEGE, UTROPOLIS GLENMARIE CAMPUS

- Energy-efficient centralised chilled water air conditioning system
- Digital power meters to track energy consumption for reporting and improvement
- Naturally ventilated courtyard and corridors
- Building automation system to monitor energy usage
- Educational displays showing real time energy performance of the buildings
- More than 30% of the campus is well-lit by natural day light
- Energy-efficient artificial lighting design and fittings
- Demand-controlled ventilation control system using CO_2 sensors for lecture theatres
- Advance Building Management System with scheduling capabilities to programme the usage of all air-conditioning and lighting systems according to class schedules
- Good passive cooling technique design with Overall Thermal Transfer Value (OTTV) of less than the minimal solar heat gain of 45 w/m^2

SUSTAINABILITY STATEMENT

BUILDING FEATURES THAT REDUCE CARBON FOOTPRINT

Achieved 16.3% of green footprint (above the local authority minimum requirement of 10%)

Tobacco smoke free campus

Dedicated preferred car park for green vehicles

Reduction in electricity consumption which will in turn reduce the generation of electrical power and emission of CO_2

Green Building Features (water consumption reduction) at KDU University College, Utropolis Glenmarie

- Harvested rainwater used for landscape irrigation and cooling towers
- Water efficient sanitary fittings
- Water leak detection system for conservation of water

We continue to improve our building designs and layouts by incorporating green features and innovations as much as possible. The following is a summary of our efforts and progress in this area:

Development / Building	Green features incorporated
Paramount Property Northern Corporate Office and Sales Gallery	• Designed to be compliant with GBI or GreenRE (promoted by the Real Estate and Housing Developers' Association of Malaysia) certification requirements. • Energy efficient and eco-friendly features such as Industrialised Building System (**IBS**), motion sensors, energy-saving lifts and Variable Refrigerant Volume (VRV) air-conditioning system will be used.
Bukit Banyan, Bandar Laguna Merbok & Atwater	Engaged GBI facilitators to assist in meeting 6 key criteria of the GBI certification, i.e. energy efficiency, indoor environmental quality, sustainable site planning & management, material and resources management, water efficiency and innovation.

SUSTAINABILITY STATEMENT

RECYCLING & ENVIRONMENTAL AWARENESS

Reflecting on our commitment to building an innovative organisation, we have undertaken various recycling projects, the most prominent of which was our award-winning Chengal House project at the Sejati Residences development.

Chengal House is the country's first purpose-built structure that features roof trusses and columns made from upcycled 200-year-old chengal wood salvaged from a 70-year old factory owned by Paramount Property.

Eco-Friendly Innovation

- Rainwater harvesting for landscape irrigation.
- Well-insulated and ventilated roof space to reduce heat gain.
- Heat resistant paint for exterior walls.
- Intelligently designed window placement for well-shaded living areas and good cross-ventilation.
- High energy-saving hybrid direct current hot water systems.
- Water-saving tap aerators and dual flush toilet system.

Awards Won:

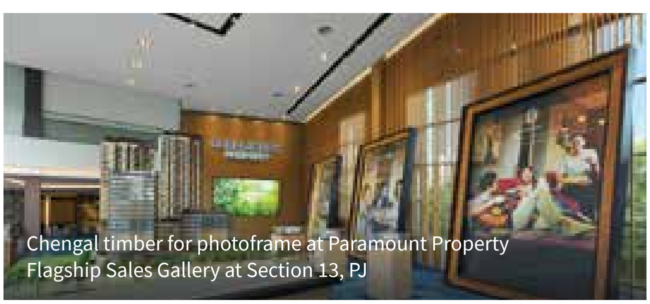
- FIABCI International Property Award 2017, Purpose-Built Category (Silver)
- StarProperty.my Awards 2017, Earth Conscious category
- Malaysian Wood Awards 2017, Chengal Award Public/Commercial Category
- FIABCI-Malaysia Property Awards 2016, Purpose-Built Category
- GreenRE Gold Award, Residential Category
- Malaysian Construction Industry Excellence Award (MCIEA) 2015 - The Best Project Award in the Small Project, Building Development category for pushing construction boundaries in the use of reclaimed timber with the construction and completion of Chengal House
- MCIEA 2015 - The Green Construction Special Award in recognition of Chengal House's green construction concepts and practices as well as environmental impact
- 8th Malaysia Landscape Architecture Awards 2015 - An Honour Award in recognition of Chengal House's landscape concept
- Property Insight's Prestigious Developer Award 2015 - Best Boutique Development Award for Sejati Residences

SUSTAINABILITY STATEMENT


Chengal timber for dining table at Paramount Corporation Berhad's boardroom

Today, Chengal House serves as a Paramount Corporation Berhad brand ambassador and stands proudly as the clubhouse of Sejati Residences. It is visited by students and the public during their study tours or educational visits. The clubhouse has also received much media attention. We have also continued to find means to incorporate the Chengal wood across our footprint.


Chengal timber in Co-labs at Utropolis Marketplace, Glenmarie


Chengal timber for photoframe at Paramount Property Flagship Sales Gallery at Section 13, PJ


Chengal timber in Food Park at Utropolis Marketplace, Glenmarie

In 2016, we used our Chengal timber to enhance the interior design of the Co-Labs and Food Park at Utropolis Marketplace and the sales gallery of Atwater, Paramount's latest flagship integrated development in Section 13, PJ, Selangor. We have also used the wood for the Paramount Corporation Berhad boardroom dining table.

SUSTAINABILITY STATEMENT

Promoting Native Species within Our Developments

Another key initiative is the introduction of native plants into our developments as part of our commitment to preserve Malaysia's rich and diverse flora.

Over the years, there has been an emphasis on using aesthetically pleasing foreign species for landscaping whether in towns and, cities, along highways or in residential areas. The use of native plants is, however, currently viewed as a better approach.

As such going forward, Paramount will introduce the concept of planting rainforest saplings and vegetation at its various landed developments. These designated areas will then be transformed into public education areas on local flora – serving to promote greater awareness of the environment among the local communities.

Separation of Waste Via Bins

KDUUC and KDU Penang University College (**KDU PG UC**) have long adopted the practice of segregating their recyclable and non-recyclable waste, and designating specific recycling areas for the collection of recyclable waste.

Our Education Division has also achieved various environmental accolades and achievements such as the following:

First Runner Up of Low Carbon Building Award 2017 by the Shah Alam City Council

Category : Commercial and Institution
Institution : KDUUC

Most Sustainable Brand Award 2017 by The Brand Laureate

Category : Education – Private University College
Institution : KDUUC

Green Flag Award by WWF Eco School (December 2016)

Category : Education and Learning
Institution : SKIS

Promoting Green Awareness to Stakeholders

Similarly, Paramount Education has launched various environmental awareness activities at our schools and institutions with the aim of educating our younger generation of stakeholders to be more conscious of environmental sustainability issues.

One of such activities is the implementation of a Sustainability Day at KDUUC on every 1st Wednesday of the month, where staff and students are encouraged to use the stairs, as all elevators and lifts will be switched off for the whole campus throughout the day.

Other initiatives include:

- A ban on the use of plastic bags and polystyrene containers by all vendors throughout the campus.
- KDU Environment Day with activities such as exhibitions and talks to create awareness among students about the importance and need for sustainability efforts.

SUSTAINABILITY STATEMENT

SOCIAL

To build community resilience and promote sustainable development within the larger society

Beyond building goodwill and relationships, our sustainability focus with regard to community relations is to create a lasting legacy that delivers mutually beneficial outcomes across generations of stakeholders. Our strategies, action plans and desired results must echo across time and continue to enrich people irrespective of social, cultural and ethnic backgrounds.

More importantly, we believe in reaching out to the marginalised, the underprivileged and those left out of the mainstream of development through our business footprint of property development and provision of education services.

OCCUPATIONAL HEALTH AND SAFETY

In FY2017, Paramount Property achieved a Health, Safety and Environment (**HSE**) track record of 44.41 million cumulative manhours without a Lost Time Incident (**LTI**). The number is an aggregate score derived from all on-going construction projects.

No.	Projects	Man Hours	(LTI)
1	Sejati Residences, Cyberjaya	1,843,588	0
2	Atwater, Section 13 PJ	9,100	0
3	Utropolis, Shah Alam	3,128,626	0
4	Greenwoods, Salak Tinggi	200,970	0
5	Sekitar 26, Shah Alam	129,940	0
6	Bukit Bayan, Sg. Petani	30,278,406	0
7	Utropolis, Batu Kawan	8,821,296	0

While there were some near misses and minor incidents, none of them led to any major injuries or disruption to the overall construction activities. Incorporating the lessons learnt from these incidents, Paramount Property has implemented the following initiatives:

1) Requiring all third-party contractors to comply with standard operating procedures, guidelines and work instructions.
2) Conducting HSE inductions, toolbox meetings & implementing more effective daily HSE briefings to mitigate substandard acts and substandard conditions, potential hazards, and risks.
3) Increase inspection of machineries and tools, work practices, work conditions, work site, etc.
4) Implementing periodic site safety meetings involving all parties.

The status of our Occupational Health and Safety Assessment Series OHSAS 18001:2007 and MS 1722:2011 (certification for Paramount Property) is displayed in the table below.

Entity	Certification
Paramount Property Northern	
Paramount Construction (PG) Sdn. Bhd.	OHSAS 18001:2007 Valid until April 2020 MS 1722:2011 Valid until April 2020
Paramount Property (Utara) Sdn. Bhd.	OHSAS 18001:2007 Valid until December 2020
Paramount Construction Sdn. Bhd.	OHSAS 18001:2007 Valid until April 2020 MS 1722:2011 Valid until April 2020
Paramount Property Central	
Paramount Property Development Sdn. Bhd.	OHSAS 18001:2007 Valid until September 2020
Paramount Property Construction Sdn. Bhd.	OHSAS 18001:2007 Valid until March 2020

SUSTAINABILITY STATEMENT

Occupational Safety and Health (OSH) Committees

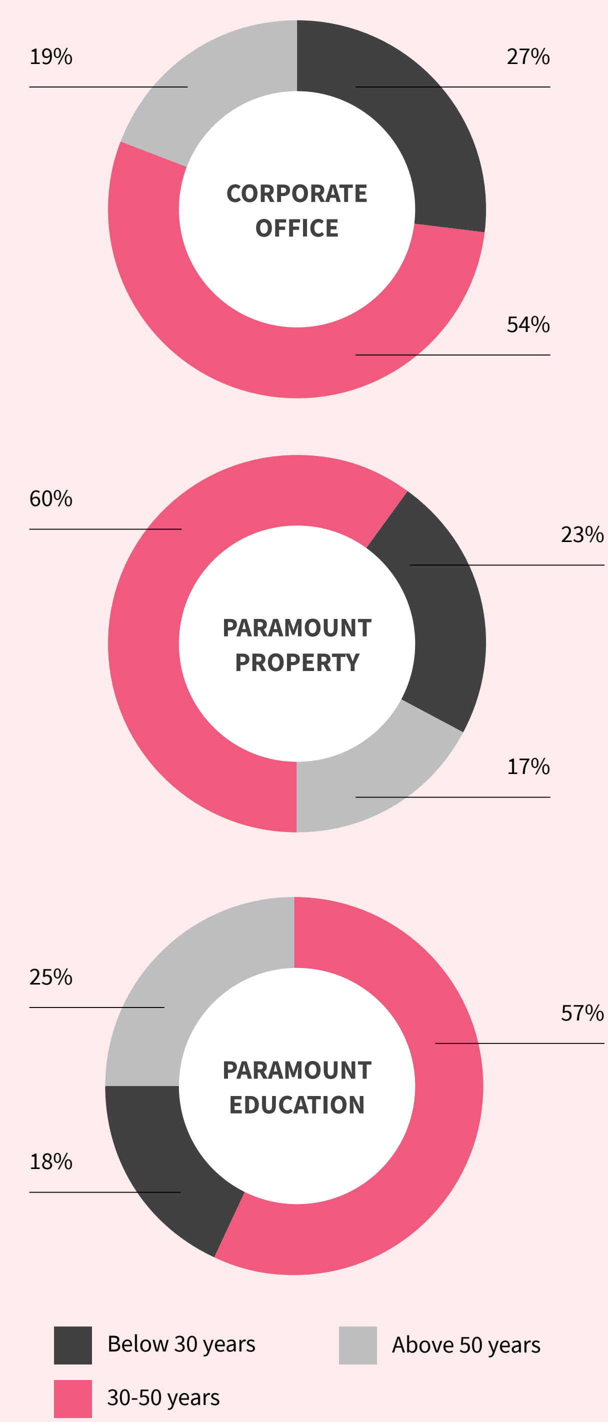
Our Group places significant emphasis on our employees' health and safety. Hence, we have established Occupational Safety and Health (**OSH**) Committees at our Property and Education divisions to maintain a safe work environment by minimising the risk of accidents, injury and exposure to health hazards. Currently, OSH Committees have been established at Paramount Property's central and northern offices, Sri KDU Schools, KDUUC, KDU PG UC and KDU College. Regular safety and health training covering new-hire induction, periodic refresher training and drills have also been conducted to instil safe work practices and attitude among employees.

TALENT RETENTION & DEVELOPMENT

Talent is a crucial component to the Group, more so in today's competitive environment. Our talent strategy is essentially simple, i.e. to retain our present workforce, develop their competencies and to attract new high-calibre potentials to join the Paramount family.

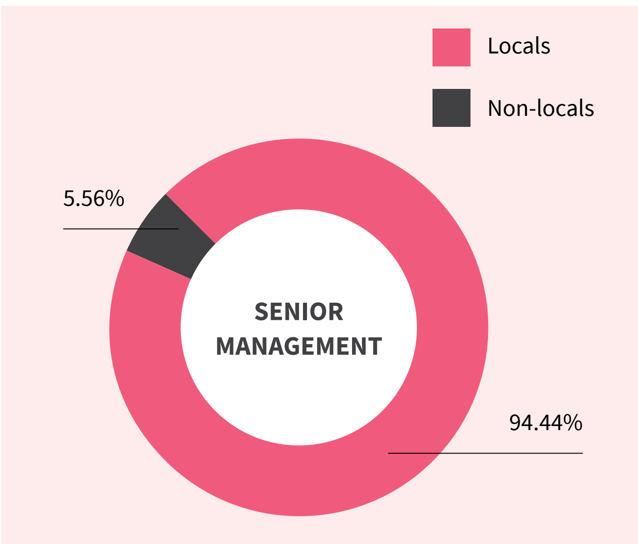
In cultivating talent, we believe that organisational culture is key, so is understanding the different aspirations of the varying demographics within the Group. Gen Y employees may have different requirements to older employees and vice versa. Non-executive staff may have differing priorities compared to Executive or Management personnel.

Hence, our approach to talent retention and development is to first identify the different talent groups across the organisation. Naturally, the nature of operations within each division would, to a certain extent, dictate the composition of each segment. We are pleased to report that we have a healthy balance of employees across all age brackets with the majority within the 30-50 age bracket.



Talent Recruitment

The Group adopts a policy of recruitment by merit, where new hires are selected based on their abilities, achievements, experiences and qualifications as the main criteria. Where possible, the Group believes in hiring Malaysians. This is especially reflected in the hiring of senior management. At present, 94.44% of our senior management constitutes Malaysians.



Rewarding Talent

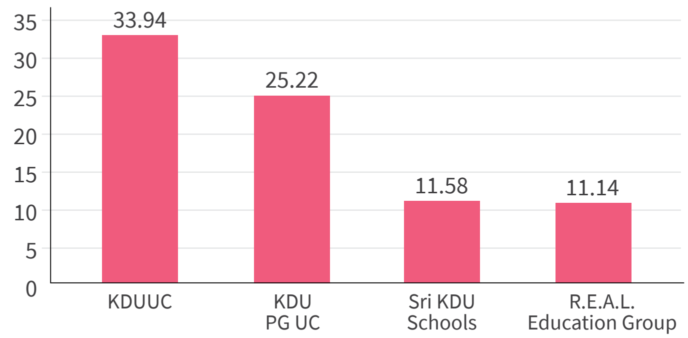
Members of our senior management and selected employees recognised for their contribution to the Group's growth are rewarded via the Company's Long term Incentive Plan (LTIP).

Talent Development

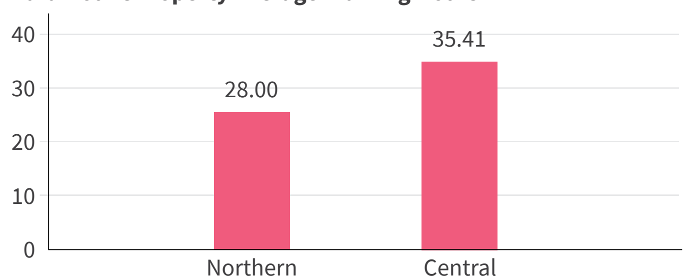
In 2017, the average training hours per employee at our corporate office with a staff strength of 41 employees was 12.47. The average training hours per employee for our Education and Property Divisions are represented in the following tables:

TALENT RETENTION & DEVELOPMENT

Paramount Education Average Training Hours



Paramount Property Average Training Hours



In continuing to develop the competency and knowledge of our staff, a wide range of internal and external training programmes were offered to relevant personnel at no cost to them. The following is a list of training programmes provided to our staff in 2017:

Division	Programmes
Corporate Office	Enterprise Risk Management Innovation Awareness Workshops Finance / Accounting: • National Goods and Services Tax (GST) Conference 2017 • Association of Chartered Certified Accountants (ACCA) Annual Conference 2017 Internal Audit: • Effective Ways to Improve Performance and Results for Internal Audit • Internal Audit's Role in Information Technology (IT) Development to Drive Business Innovation Human Resource: • Employee Benefits Asia 2017 • Training and Development Asia 2017

SUSTAINABILITY STATEMENT

Division	Programmes
Paramount Property	Customer Service: • Customer Service Excellence Series • Customer Service Bootcamp for Key Stakeholders Environment, Safety & Health: • First Aid Training Workshop • 9th Occupational Safety & Health Conference 2017 • Total Chemical Safety Management Finance & Accounting: • Guided Approach to Deferred Taxation Series • The Fintech Future Workshop • Income Tax and GST Implication • Recent GST Changes & Analysis of GST Audit File • Regime & Malaysian Private Entities Reporting Standards for Accounting Staff Innovation: • Innovation Awareness Workshops Property Project & Construction Management: • Smart Strata 2017 • Modern Construction Technologies • Strata Management Dialogue 2017 • Qlassic Training Quality, Risk Management, Business Continuity & Sustainability: • Regional Economic & Business Outlook Conference 2017 • DATUM Green KL 2017 Compliance: • ISO Awareness Programmes • Practical Solutions to Legal Problems Sales & Marketing: • Digital Marketing Malaysia 2017 • Sales Series Programme Other Programmes: • 10th Malaysian Property Summit • The Global Leadership Summit 2017 • World Class Sustainable Cities 2017

Division	Programmes
Paramount Education	**Training Programmes for Teaching Staff** Environment, Safety & Health: • Occupational Safety & Health Conference 2017 • Manage & Design Fire Evacuation Plan Workshop • First aid, Cardiopulmonary Resuscitation and Automatic External Defibrillator Finance & Accounting: • Withholding Tax in Malaysia • Capital Goods Adjustment Seminar • ACCA Annual Conference 2017 • Accounting for Deferred Taxation Human Resource: • Malaysian Employers Federation (MEF) Taxation & Employers Seminar 2017 • MEF - Hours of Work, Overtime & Holidays Seminar • Talent Ecosystem Conference 2017 • Strategic Compensation & Benefits Management Conference • 13th MECA Industrial Relations Convention Quality, Risk Management, Business Continuity & Sustainability: • Institute of Enterprise Risk Practitioners - Enterprise Risk Global Conference 2017 • Risk Assessment Workshop for School of Engineering Staff Sales & Marketing: • Intensive Telemarketing & Sales Training • Mastering Facebook Advertising • Social Media Analytics Workshop IT: • Cyber Risks & Impact on the Organisation Workshop • Pin & Pay Awareness Workshop Android Application Development Essential Training Customer Service: • Delivering Service Quality • Handling Difficult Customers

SUSTAINABILITY STATEMENT

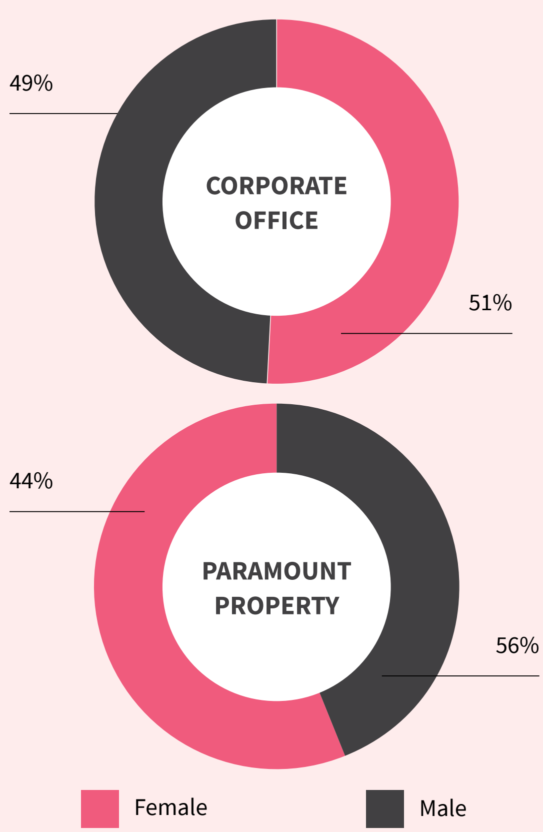
WORKFORCE DIVERSITY

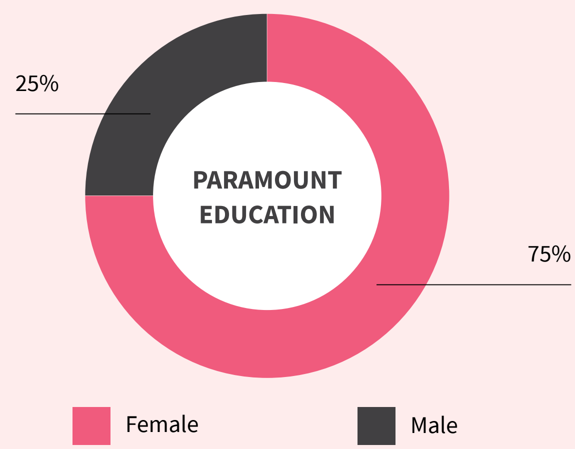
The promotion of gender balance serves as one of our main priorities, especially increasing our women employees in leadership positions at management levels.

In 2017, the Board of Directors has set a target of 30% female representation on the Board by 2020. At present, Paramount has one female Director serving as an Independent Non-Executive Director.

As of September 2017, women constitute 48.57% of our senior management across all divisions. At the corporate office, there is a balance of men (49%) and women (51%) employed. Naturally, certain sectors may see a gender imbalance but this is expected given the nature of certain industries.

At Paramount Property, men represent 56% of the total employees while at the Education Division, women form a significant majority of 75%.





Corporate Office
Senior Management: 28.5%

Paramount Property Central
Head of Department: 64%
Management Team: 54%

Paramount Property Northern
Head of Department: 33%
Management Team: 25%

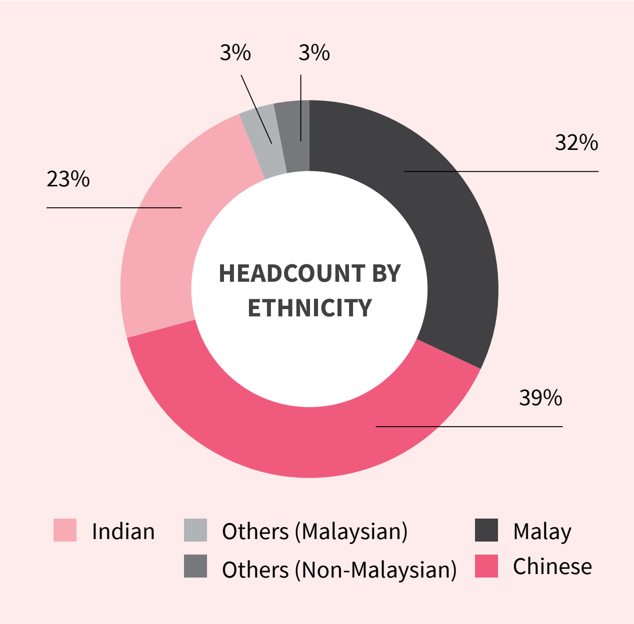
Paramount Education
Senior Management: 60%

As a whole, the Group has a healthy balance between male and female employees across all levels of the organisation. We are cognisant of the fact that we can improve further in this area.

Promoting an Ethnically Diverse Workforce

As we champion gender equality, we also continue to pursue a policy of unity in diversity, where we hire talent irrespective of race, religion or their social and cultural backgrounds. We encourage multi-culturalism in the working environment and continue working towards creating an equal opportunity workplace.

SUSTAINABILITY STATEMENT



SUCCESSION PLANNING

In ensuring the long-term sustainability of the Group, management has invested in the development of its leadership bench; the next echelon of Senior Managers and Managers across the Group.

This is essential in ensuring a seamless succession and to preserve the values and culture of Paramount and its brand. More importantly, we are not merely grooming leaders for the Group, but also for the respective industries in which we operate.

Hence, the Group has initiated three succession planning programmes targeted at senior management, middle management and executive-level employees.

Thus far, over 114 candidates have been selected to participate in these programmes.

Succession Planning Programme	Targeted Employee Level	Training Provided in 2017	No. of participants
Sustainable Talent Acceleration and Retention Strategy (STARS)	Senior management	• Leadership Coaching • Global Transformation Forum • Innovation and Design Thinking	38
Leading with Energy and Passion (LEAP)	Middle management	• Strategic Thinking • Change Management • Developing Business Acumen	Batch 1: 41 (36 completed) Batch 2: 19 (ongoing)
Emerging Leaders in Transition (ELITe)	Executive-level employees	• Communicating and Managing Up • Conflict Management	16 (ongoing)

SUSTAINABILITY STATEMENT

COMMMUNITY DEVELOPMENT

Re-development of SJK (C) Khe Beng at Kemuning Utama

Given our established presence in the Kota Kemuning enclave, it was appropriate that we undertake community development projects for the local populace. Leveraging on our construction expertise and given our focus on education, it made perfect sense for us to assist in a school related project.

SJK (C) Khe Beng was facing an acute problem of space constraint with overcrowded and cramped classrooms, and teachers having to hot-desk i.e. share tables and chairs in the staff room.

Paramount Property worked closely with the Selangor state government and the local school authority to assist in alienating a four-acre piece of land to the school for its expansion plans.

The same school was also hit by a thunderstorm, and Paramount Property came to the rescue by providing manpower and expertise for the repairs to the classrooms and school facilities.

Setting up of OSH School Committee

On 9 January 2018, Paramount Property Northern Region met with the local district education authority to discuss the introduction of a health and safety programme for schools in Sungai Petani. On 25 January 2018, we were invited to participate in the first HSE meeting of Sekolah Kebangsaan Laguna Merbok, a school that was adopted by Paramount Property as part of an initiative to inculcate a safety-first mindset and culture among students. There will be periodical monitoring to ensure that the school stays on track in this initiative.

In Support of Penan Women via the Woven Bag Campaign

We strongly believe in reaching out and supporting small or challenged communities who may not have been fully integrated into or benefitted from the mainstream of development. Hence, in collaboration with the 10Ringgit Club, in May 2017, we supported the hard-working ladies of the indigenous Penan community from the Borneo rainforests.

Essentially, we procured 816 bags woven by these ladies to support them financially.

The bags were given out as part of the handover kit to our property buyers. The bags will go a long way in helping these Penan women send their children to school and to put food on the table. For more information, please visit: www.pcb.my/penanwomenproject

Community Engagement Programmes

Paramount Division	Community Programmes
Paramount Property	**Participation in the Klang City Rejuvenation (KCR) Committee:** With Paramount Property's Chief Operating Officer sitting on the Board of the Klang City Rejuvenation Committee, Paramount Property continues to support efforts in the makeover of Klang town. In 2017, we participated actively in various KCR activities and provided sponsorship for the 'We love Klang Amazing Treasure' and 'Klang Heritage Fest programmes'. This is a long-term project and one which we remain resolute to pursue in the best interest of the Klang community.

Paramount Division	Community Programmes
Paramount Education	**KDUUC and KDU College**

Student Alumni Centre

Institut Onn Ja'afar Programmes

- **Buku Jalanan:** A weekly volunteering programme in which 8 of our student volunteers share their knowledge with underprivileged children.
- **Jom Sahur:** 40 of our students participated in this volunteer programme to provide breakfast to the underprivileged for Sahur during the fasting month.
- **Jom Bekpes:** In 2017, 30 of our students participated in this volunteer programme to provide breakfast and food to underprivileged students and the homeless at Hang Lekiu, Jalan Tunku Abdul Rahman and Pusat Transit. This is an ongoing collaboration that helps inculcate the spirit of helping others and learning the values of charity amongst our students.
- **Buku Jalanan:** In 2017, our students volunteered to help the less fortunate children in their studies. This is an on-going collaboration where our students provide tuition and mentorship in subjects such as English, Mathematics and Science.

KDUUC's School of Hospitality, Tourism and Culinary Arts (SHTCA)

CSR Project with the Emirates House of Satun, Haatyai, Thailand: In 2017, our SHTCA students organised sponsorship for items such as toiletries, towels, bathrobes for the orphanage.

Level Up at School: In May 2017, our School of Computing and Creative Media collaborated with the Malaysia Digital Economy Corporation and the State Educational Technology Division to conduct the 'Level Up at School' programme to foster interest and develop skills in game development. More than 11 selected schools were invited to participate in this programme, with students and teachers exploring game development.

KDU College's School of Pre-University Studies (SPUS)

Children Cancer Charity (PPUM): This is an annual event organised by SPUS and involves various activities to raise funds for the children's cancer ward of PPUM. Apart from cash, SPUS also donated medical supplies to PPUM in 2017.

KDU PG UC

"Start Today, Save Tomorrow" Mud Ball Project: KDU PG UC collaborated with the Junior Chamber International (JCI) Batu Kawan to organise the "Start Today, Save Tomorrow" Mud Ball Project held at Sungai Junjung on 14 October 2017. Lecturers and staff of KDU PG UC hosted workshops for a week at 9 secondary schools in Seberang Perai Selatan on topics related to environmental protection and river pollution awareness. The preparation of mud balls involved about 600 teachers and students as well as parents. The main objective of this project is to create awareness amongst students on the importance of maintaining clean and healthy rivers.

Development programme for secondary school teachers: In October 2017, lecturers from KDU PG UC's School of Engineering, Computing and Built Environment conducted a staff development programme for 200 staff (both academic and non-academic) of Chung Ling High School. The teachers will benefit by gaining exposure to the latest 21st century teaching & learning techniques as well as Information and Communication Technology expertise from KDU PG UC.

SUSTAINABILITY STATEMENT

Paramount Division	Community Programmes
Paramount Education	**Formed a disaster relief team:** In November 2017, KDU PG UC together with Asia-Pacific University (APUCEN), formed a disaster relief team consisting of 250 volunteers to help the flood victims in Penang. KDU PG UC deployed 50 staff and students to the flood affected areas and collected cleaning materials and food for the flood victims. About 30 homes were cleaned by the relief team. **Development programme for school scouts:** In June 2017, KDU PG UC was invited by Chung Ling High School to conduct an environmental awareness workshop for boy scouts. The objective of the workshop was to nurture young scouts on their role in preserving the environment. **Sri KDU Schools** In 2017, the Sri KDU Schools donated RM112,375.90 in total to various charities, organisations, homes and foundations, including the National Cancer Society of Malaysia, Pride Foundation, WWF- Malaysia, Women's Aid Foundation, Trinity Community Children's Home, Pertubuhan Kebajikan Thangam Illam, Persatuan Penyayang Nur Iman Kuala Lumpur dan Sela and PAWS Animal Shelter. **The HOPE Ripples project** initiated by Sekolah Sri KDU Primary School received unanimous support from all staff, students and parents. The cumulative amount totalling RM60,125.00 was donated to Pertubuhan Kebajikan Thangam Illam and Persatuan Penyayang Nur Iman, both homes for under privileged children, which were in need of funds for maintenance of their homes. **Fundraising for Dignity School:** In February 2017, RM12,924.00 was raised through the 'ReadATon' project at SKIS, which sum was donated to Dignity School via the Dignity for Children Foundation for the acquisition of a new library. **International Baccalaureate Programme (IB):** 918 IB students from academic years 2015-2017 visited orphanages and refugee centres to provide English and Mathematics tuition to Myanmarese (Burmese) children. A few of them undertook voluntary community work for non-profit organisations and animal shelters. **R.E.A.L. Education Group** **Show Heart and Compassion:** In July 2017, the staff and Parents Support Group (PSG) of R.E.A.L Kids SS19, Subang Jaya organised a visit to Ephrata Home in Rawang, Selangor. This community outreach event was aimed at spreading the spirit of goodwill and compassion amongst the 107 children and adults who were present at the event. The SS19 team raised and donated RM3,700 to the Home in addition to a generous amount of groceries sponsored by parents from R.E.A.L Kids SS19.

03 HOW WE ARE GOVERNED

BOARD OF DIRECTORS

ONG KENG SIEW
Independent
Non-Executive Director

QUAH POH KEAT
Independent
Non-Executive Director

DATUK SERI MICHAEL YAM KONG CHOY
Senior Independent
Non-Executive Director

DATO' ROHANA TAN SRI MAHMOOD
Independent
Non-Executive Director

DATO' TEO CHIANG QUAN
Chairman & Executive Director

JEFFREY CHEW SUN TEONG
Group Chief Executive Officer & Executive Director

QUAH CHEK TIN
Independent Non-Executive Director

TAN SRI JAMES FOONG CHENG YUEN
Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATO' TEO CHIANG QUAN

Age
68

Gender
Male

Nationality
Malaysian

Position
Chairman & Executive Director

Committee
Remuneration Committee (Member)

Appointed
19 January 1977

Qualification
Hon Doc Middlesex University, United Kingdom

Dato' Teo joined the Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount**) on 19 January 1977, and was appointed as Chairman of the Board on 8 June 2015. He is also a member of the Remuneration Committee.

Dato' Teo has been playing an active role in the management of Paramount and its group of companies (**the Group**) since he first served as the Chief Executive of the Group's insurance division in 1981.

In a span of 26 years, Dato' Teo has held the positions of Group Managing Director & Group Chief Executive Officer (**CEO**) and Deputy Chairman of the Board, and has been instrumental in shaping Paramount into a reputable and financially sound diversified Group. The Group has benefitted tremendously from his relentless drive to push for more innovative ideas, such as the strength-through-synergy strategy, that has propelled the Group to another level of growth.

Currently, as Chairman of the Board, he provides leadership in the effective functioning of the Board and the boards of the Company's subsidiaries within a robust framework of corporate governance. He also provides guidance to management in the formulation of the Group's long-term strategic plans and ensures effective communication with all stakeholders.

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

BOARD OF DIRECTORS' PROFILE

JEFFREY CHEW SUN TEONG

Age
52

Gender
Male

Nationality
Malaysian

Position
Group Chief Executive Officer
& Executive Director

Committee
Nil

Appointed
8 June 2015

Qualification
- Fellow of the Association of Chartered Certified Accountants (**ACCA**), United Kingdom
- Fellow of the Asian Institute of Chartered Bankers (**AICB**)
- Member of the Malaysian Institute of Accountants

Jeffrey joined Paramount on 1 July 2014 as the Group CEO, and was appointed to the Board on 8 June 2015.

Jeffrey began his career at PricewaterhouseCoopers and thereafter, at Citibank Berhad (**Citibank**) where he undertook various roles over 12 years, including in customer relationship management, risk management, international offshore banking and product management. His last position in Citibank was as General Manager of Commercial Banking.

He then joined OCBC Bank (Malaysia) Berhad (**OCBC**) in April 2003 as its Head of SME Businesses, and was subsequently promoted to Head of Business Banking. He was then appointed as a Director and CEO of OCBC in August 2008, and helmed the position for six years. During his tenure at OCBC, he also served as a Director of Pacific Mas Berhad, Credit Bureau (Malaysia) Sdn Bhd, Credit Guarantee Corporation Malaysia Berhad and OCBC Al-Amin Bank Berhad.

Jeffrey served on the Advisory Committee of ACCA Malaysia up to 2017, and he is currently a council member of AICB. He is also an Independent Director of the Asian Banking School and a member of the Small Debt Resolution Committee of Bank Negara Malaysia.

As Group CEO, Jeffrey is responsible for the management of the Group's businesses, formulating strategy proposals including annual, medium and long-term plans for the Board's consideration.

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

BOARD OF DIRECTORS' PROFILE

DATO' ROHANA TAN SRI MAHMOOD

Age
63

Gender
Female

Nationality
Malaysian

Position
Independent Non-Executive Director

Committee
Board Risk Management Committee (Chairman)

Appointed
28 July 1997

Qualification
- B.A. (Hons) Politics, University of Sussex, United Kingdom
- Masters in International Relations, University of Sussex, United Kingdom

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

Dato' Rohana is the Chairman and founder of RM Capital Partners (**RMCP**), 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. Ethos Capital successfully ended in November 2012. She sits on all RMCP's investee companies.

She is the Chairman of the Advisory Council and a 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 a member of the APEC Business Advisory Council, a distinguished fellow and board member of the Institute of Strategic and International Studies (ISIS) Malaysia and a member of the Malaysia Committee of the Council for Security Cooperation in Asia Pacific (CSCAP) of which ISIS Malaysia is a regional member. Prior to joining ISIS Malaysia, Dato' Rohana was attached to the Ministry of Foreign Affairs.

Dato' Rohana is a member of the Global Council of Asia Society, New York.

Other than Paramount, Dato' Rohana is also a Senior Independent Non-Executive Director of Sime Darby Property Berhad.

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

BOARD OF DIRECTORS' PROFILE

DATUK SERI MICHAEL YAM KONG CHOY

Age
64

Gender
Male

Nationality
Malaysian

Position
Senior Independent Non-Executive Director

Committee
- Nominating Committee (Chairman)
- Remuneration Committee (Member)

Appointed
18 February 2010

Qualification
- Fellow of the Royal Institution of Chartered Surveyors
- Fellow of the Chartered Institute of Building

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

Datuk Seri Michael had an illustrious career spanning more than 35 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 early 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, 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 currently appointed on the boards of various government incorporated and non-government organisations serving as the Chairman of InvestKL Corporation and as a director of the Construction Industry Development Board as well as Kwasa Land Sdn Bhd, a subsidiary of the Employees Provident Fund. He is also the Immediate Past President and Patron of the Real Estate and Housing Developers' Association of Malaysia and a trustee of the Standard Chartered Foundation, a charity body.

Other than Paramount, Datuk Seri Michael's directorship in public companies include Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad, Malaysia Airports Holdings Berhad, Sunway Berhad, and Cahya Mata Sarawak Berhad.

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

BOARD OF DIRECTORS' PROFILE

ONG KENG SIEW

Age
61

Gender
Male

Nationality
Malaysian

Position
Independent Non-Executive Director

Committee
Audit, Nominating and Board Risk Management Committees (Member)

Appointed
14 November 1994

Qualification
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants

KS Ong joined the Board of Paramount on 14 November 1994 and was re-designated as an Independent Non-Executive Director on 14 August 2014. He is also a member of the Audit, Nominating and Board Risk Management Committees.

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

In 2002, he attended the Berkeley Executive Programme from University of California Berkeley. Subsequently in 2009, he was accepted to Wharton Advanced Management Program. He was one of a selected group of executives to participate in this exceptional senior management development experience.

KS 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, he retired as the Managing Director & CEO of Paramount.

Other than Paramount, KS Ong is also an Independent Non-Executive Director of United Malacca Berhad.

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

BOARD OF DIRECTORS' PROFILE

QUAH CHEK TIN

Age
66

Gender
Male

Nationality
Malaysian

Position
Independent Non-Executive Director

Committee
- Remuneration Committee (Chairman)
- Audit and Board Risk Management Committees (Member)

Appointed
6 February 2007

Qualification
- 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

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

He 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, CT Quah's directorship in public companies include Genting Malaysia Berhad, Genting Plantations Berhad and Batu Kawan Berhad.

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

BOARD OF DIRECTORS' PROFILE

TAN SRI JAMES FOONG CHENG YUEN

Age
72

Gender
Male

Nationality
Malaysian

Position
Independent Non-Executive Director

Committee
Audit and Nominating Committees (Member)

Appointed
25 May 2016

Qualification
- LL.B. (Hons), University of London
- Doctorate of Laws, University of the West of England

Tan Sri James Foong joined the Board of Paramount on 25 May 2016. He is also a member of the Audit and Nominating Committees.

He graduated from the University of London with LL.B. (Honours) in 1969, and was called to the English Bar by the Honourable Society of the Inner Temple in 1970. Subsequently, he was called to the Malaysian Bar as an advocate and solicitor in 1971. In 2009, he was made Bencher of the Honourable Society of the Inner Temple, London, and in 2011, he was conferred an honorary Doctorate of Laws degree by the University of the West of England.

From 1971 to 1990, Tan Sri James was engaged in private legal practice in both criminal and civil law, majoring in insurance law. While in private practice, he acted as a legal adviser to numerous guilds and associations in Malaysia, and was also a commissioner for oath and a notary public.

In 1990, he was appointed as a Judicial Commissioner, and was elevated to the High Court Bench in 1992. He then served as a High Court Judge at the Kuala Lumpur (Criminal Division), Johor Bahru, Shah Alam, Kuala Lumpur (Civil Division), Ipoh, and Kuala Lumpur (Family Division and Civil Division) Courts. He was elevated to the Court of Appeal in 2005 and subsequently to the Federal Court (Malaysia Supreme Court) in 2009. As a Federal Court Judge, he was made a Managing Judge of the Civil Division of the High Court in Kuala Lumpur and of the High Court and Subordinate Courts in the state of Penang. He retired from the Malaysian Judiciary on 25 February 2012.

Currently, he also serves as Chairman of the Ombudsman for Financial Services, set up under the initiative of Bank Negara Malaysia.

Other than Paramount, Tan Sri James Foong's directorship in public companies include Genting Berhad and Only World Group Holdings Berhad.

Tan Sri James has attended all 4 Board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

QUAH POH KEAT

Age
65

Gender
Male

Nationality
Malaysian

Position
Independent Non-Executive Director

Committee
- Audit Committee (Chairman)
- Board Risk Management Committee (Member)

Appointed
8 June 2016

Qualification
- Fellow of the Malaysian Institute of Taxation
- Fellow of the Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Chartered Institute of Management Accountants

PK Quah joined the Board of Paramount on 8 June 2016. He is also the Chairman of the Audit Committee and a member of the Board Risk Management Committee.

PK Quah was a partner of KPMG Malaysia since 1 October 1982 and was the Senior Partner of the firm from 1 October 2000 until 30 September 2007. Prior to taking up the position of Senior Partner, he was in-charge of the Tax Practice and the Japanese practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council, a governing body within KPMG International that oversees all Japanese practices in the KPMG world. He also served as a member of the KPMG Asia Pacific Board and KPMG International Council during his tenure as Senior Partner of the firm. PK Quah retired from KPMG Malaysia on 31 December 2007.

He had served as an Independent Non-Executive Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment to the position of Deputy CEO of Public Bank from 1 October 2013 to 31 December 2015. Prior to that, he was an Independent Non-Executive Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Other than Paramount, PK Quah's directorship in public companies include Public Mutual Berhad, Kuala Lumpur Kepong Berhad, Lonpac Insurance Berhad, LPI Capital Berhad and Malayan Flour Mills Berhad.

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

None of the Directors have any family relationship with any Director and/or major shareholder, nor conflict of interest with Paramount. None of the Directors have been convicted of any offence within the past five years nor have they received any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

JEFFREY CHEW SUN TEONG

Group Chief Executive Officer & Executive Director

- Fellow of the Association of Chartered Certified Accountants (**ACCA**), United Kingdom
- Fellow of the Asian Institute of Chartered Bankers (**AICB**)
- Member of the Malaysian Institute of Accountants

Jeffrey, a Malaysian, aged 52, male, joined Paramount Corporation Berhad (**Paramount**) on 1 July 2014 as the Group Chief Executive Officer (**CEO**), and was appointed to the Board on 8 June 2015.

The detailed account of Jeffrey's working experience can be found on page 69 of this annual report.

As the Group CEO, Jeffrey is responsible for the management of the Group's businesses, formulating strategy proposals including annual, medium and long-term plans for the Board's consideration. He leads the management team in ensuring that the Group's businesses deliver shareholder value and he is supported by the key senior management team in the management of the day-to-day business operations of the Group.

FOONG POH SENG

Chief Financial Officer

- Associate Member of the Chartered Institute of Management Accountants
- Member of the Malaysian Institute of Accountants

Foong, a Malaysian, aged 52, male, has more than 26 years of experience in financial management, during which time he formed sound relationships with the financial community.

Foong joined Paramount in 1989 as an Accounts Trainee and rose through the ranks to become Finance Manager of the property division when the Group expanded into the Klang Valley. He returned to the corporate office as Financial Controller before being appointed as Paramount's Chief Financial Officer (**CFO**) for the Group on 1 January 2014.

His role as CFO covers three core areas of governance in the Group i.e. accurate and timely reporting of financial information; treasury and capital structure management; and reporting on financial efficiency and opportunities.

He also oversees all finance related initiatives such as financial risk management, financial planning and budgeting, fund raising and record-keeping, forecasting, reporting, deal analysis and negotiations, and partner compliance.

KEY SENIOR MANAGEMENT PROFILE

DATIN TEH GEOK LIAN

Chief Executive Officer of Paramount Education

- B.Sc in Engineering Sciences (Chemical) from Yale University

Datin Teh, a Malaysian, aged 59, female, was appointed CEO of Paramount Education in June 2011.

Datin Teh has had a diverse education experience abroad, both at tertiary and school levels. She graduated from Yale University under a Yale scholarship and also spent a year as a high school foreign exchange student in the United States (U.S) under the American Field Service (AFS) programme. She spent the first part of career in the oil and gas industry working in various departments within the Esso Group of Companies before joining Paramount in 2004 as a Special Assistant (Education) to the Company's CEO.

Her role in these two functions includes driving growth and expansion of the Sri KDU and KDU education brands, benchmarking and establishing quality standards across all such institutions within the Group and exploring synergies between Paramount Education and Paramount Property to enhance the growth of the Group.

BEH CHUN CHONG

Chief Executive Officer of Paramount Property Division

- Bachelor's Degree in Civil Engineering from University Teknologi Malaysia

Beh, a Malaysian, aged 47, male, is an experienced hand in the property and construction industry. An engineer by training, he has spent 20 years in various Malaysian companies helming a diverse portfolio of projects ranging from infrastructure, commercial, retail, hospitality to high-end residential. His experience includes all aspects of the industry, from project development, design management to construction and post-development management.

Prior to joining Paramount Property in June 2014, he was the Chief Operating Officer of Ireka Development Management Sdn Bhd.

His mandate includes setting Paramount Property's overall strategic and business direction; monitoring the overall performance of the division and leading efforts to fullfill the division's objective of creating more design and value added driven developments for the Group.

His responsibilities include ensuring timely delivery of quality projects that meet established building standards with cutting-edge innovative sales and marketing support and within agreed budgets.

KEY SENIOR MANAGEMENT PROFILE

TAY LEE KONG

Special Projects Director of Paramount and Executive Director of R.E.A.L. Education Group Sdn Bhd

- Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators

Tay, a Malaysian, aged 58, female, has a career spanning more than 25 years in the property development and education industries. She worked with two public listed companies prior to joining Paramount in 1991, serving in the Company Secretarial department before assuming the role of Corporate Affairs Director in 2001 and subsequently promoted to the position of Group Chief Operating Officer (**COO**) of Paramount. As COO, she was overseeing the company secretarial, legal, corporate communications and risk management functions of the Group.

Effective 18 September 2017, Tay assumed a new dual role as Special Projects Director of Paramount and Executive Director of R.E.A.L. Education Group Sdn Bhd (**R.E.A.L.**). Her key responsibilities in these roles are to ensure the successful post acquisition integration of R.E.A.L. and its subsidiaries into maximizing the synergistic potential between R.E.A.L. and the other strategic business units within the Group, and to oversee the growth of R.E.A.L. as well as its expansion opportunities into new markets, both locally and regionally.

BENJAMIN TEO JONG HIAN

Chief Executive Officer of Paramount Property Development Sdn Bhd

- B.A. (Hons) in Politics and Sociology, University of Nottingham, United Kingdom

Benjamin, a Malaysian, aged 29, male, was appointed as Director of Innovation (Property) on 1 May 2015.

Benjamin joined Paramount in 2012 as a management executive and rose up the rank to become Director of Innovation in 2015 and as CEO of Paramount Property Development Sdn Bhd (**PPD**) effective 1 March 2018. His experience spans from marketing, project management, sales, operations and property investment across Paramount Group's two businesses in property development and education.

In his capacity as Director of Innovation, Benjamin was responsible for researching into the use of innovative concepts to add value to Paramount Property's product offerings. One of which was the establishment of Paramount Co-Labs, a coworking outfit cum incubator at Utropolis Marketplace, Paramount Property's first retail mall in Glenmarie, Shah Alam. Currently, as CEO of PPD, he oversees the development of Atwater, Paramount's latest flagship project in Section 13, Petaling Jaya, Selangor.

Save for Mr Benjamin Teo Jong Hian who is the son of Dato' Teo Chiang Quan, the Chairman & Executive Director and a major shareholder of Paramount, none of the members of the key senior management have any family relationships with any Director and/or major shareholder of Paramount, nor conflict of interest with Paramount. None of them have been convicted of any offence within the past five years nor have they received any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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 of Paramount (**the Board**) 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 activities.

This Statement on Corporate Governance provides insights into Paramount's corporate governance processes with reference to the best practices promulgated in the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) for the financial year ended 31 December 2017 (**FY2017**).

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board is collectively responsible for the overall corporate governance of the Company and the strategic direction of the Group. In 2017, the Board conducted a review of the Company's objectives, goals and values to ensure that the Group is well positioned for its next phase of growth that caters to a new generation of stakeholders in a digitally enhanced economy. Thus, the Company's vision, mission and core values have been redefined to reflect this progression.

Although the Board confers some of its authorities to the Board Committees and delegates the day-to-day management of the Group's business operations to the key 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 (**Bursa Malaysia**)
- Dividend payments
- Changes in the Board composition and principal officers
- Board and senior management remuneration
- Board and senior management succession planning

In discharging its fiduciary duties and leadership function, the Board exercised oversight on the Group's businesses and affairs through the following activities, amongst others, that were carried out by the Board in the year under review:

- Provided strategic guidance to management
- Monitored the implementation of strategic initiatives set out in the Group's 5-year Strategic Plan, 2015-2019 (**5-Year Plan**)
- Monitored management's performance in meeting the growth targets set out in the 5-Year Plan
- Approved the Group's 2017 Budget and Business Plan, and monitored operational performance against the budget
- Reviewed and approved corporate and business proposals submitted by management, which included the proposed acquisition of a 66% equity interest in R.E.A.L. Education Group Sdn Bhd and the proposed sale and leaseback of the Sri KDU school campus in Kota Damansara, Selangor to a real estate investment trust as well as land banking transactions
- Approved the award of new Paramount shares to employees pursuant the Company's Long Term Incentive Plan (**LTIP**)

STATEMENT ON CORPORATE GOVERNANCE

In addition, the Board had, in the first quarter of 2018, undertaken the following activities to strengthen the Group's governance structure:

- Adopted strategies on economic, environmental and social governance that underpin sustainability
- Upgraded the Group's internal control framework by adopting the principles of internal controls prescribed by the Committee of the Sponsoring Organisation of the Treadway Commission, USA (**COSO**)
- Updated the Board Charter, including the Terms of Reference of the Board Committees, and several Board Policies with reference to the MCCG 2017
- Firmed up steps and milestones for board succession and gender diversity planning

DEMARCATION OF RESPONSIBILITIES

In addition to outlining the role and duties of individual Directors, the Board Charter, which was adopted by the Board in 2013 and reviewed once in every three years, provides clear demarcation of responsibilities between the Board, the Board Committees, the Senior Independent Non-Executive Director, the Chairman, and the Group Chief Executive Officer (**CEO**).

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 as determined by the Board and set out in the Board Charter. 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 the Board meetings.

The functions, activities and composition of the Board Committees in the year under review are described below.

AUDIT COMMITTEE

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for timely and accurate financial reporting and the development of sound internal controls. A detailed report on the activities of the Audit Committee in FY2017 is presented on pages 96 to 98 of this annual report. Currently, the Audit Committee comprises exclusively Independent Non-Executive Directors (**INED**), namely Mr Quah Poh Keat (as Chairman), Mr Quah Chek Tin, Mr Ong Keng Siew and Tan Sri James Foong Cheng Yuen.

NOMINATING COMMITTEE

The primary function of the Nominating Committee is to consider and recommend to the Board new nominees for appointment to the Board, the re-election of Directors, and to assess the independence of INED's. It also conducts yearly assessment of the effectiveness of the Directors, the Board, the Board Committees, the Chairman and the Group CEO in fulfilling their respective duties. The following activities were carried out by the Nominating Committee in FY2017:

- Reviewed the outcome of the assessment of individual Directors, the Board, the four Board Committees, the Chairman and the Group CEO, and recommended remedial actions where applicable
- Reviewed the continuous professional development (**CPD**) programmes attended by the Directors, and discussed the Directors' CPD needs for the ensuing year
- Reviewed the Declaration of Independence signed by all INED's
- Assessed the eligibility of Directors for re-election at the 47th Annual General Meeting (**AGM**) of the Company
- Reviewed the Directors' Assessment Policy and Board Diversity Policy

STATEMENT ON CORPORATE GOVERNANCE

Subsequent to the year-end, the Nominating Committee firmed up steps and milestones for board succession and gender diversity planning. Currently, the Nominating Committee comprises exclusively INED's, namely Datuk Seri Michael Yam Kong Choy who is the Senior INED (as Chairman), Mr Ong Keng Siew and Tan Sri James Foong Cheng Yuen.

REMUNERATION COMMITTEE

The primary function of the Remuneration Committee is to assess and recommend to the Board the remuneration packages of Executive Directors, including the Group CEO, and senior management personnel to ensure that their remuneration commensurate with their responsibilities and contribution to the Group's performance, and are adequate to retain these key personnel for the future growth of the Group. The Remuneration Committee also recommends to the Board the policy and framework for determining Directors' fees and benefits, and has, since March 2015, assumed the role as the committee to implement and administer the Company's LTIP. The following activities were undertaken by the Remuneration Committee in FY2017:

- Reviewed bonus payments and salary increments to the Executive Directors, including the Group CEO
- Reviewed bonus payments and salary increments to senior management personnel
- Reviewed Directors' fees and Board Committee fees
- Reviewed the award of Paramount shares under the 2017 LTIP Grant and the vesting of Paramount shares pursuant to the 2015 and 2016 LTIP Grants
- Reviewed the Board Remuneration Policy

Currently, the Remuneration Committee comprises a majority of INED's, namely Mr Quah Chek Tin (as Chairman) and Datuk Seri Michael Yam Kong Choy, together with Dato' Teo Chiang Quan who is an Executive Director. Notwithstanding this composition, the Remuneration Committee has adopted the practice of requiring all Executive Directors to take leave of the meeting when the committee proceeds with its review of the remuneration of these directors.

BOARD RISK MANAGEMENT COMMITTEE

The primary function of the Board Risk Management Committee (**BRMC**) is to assist the Board in fulfilling its duty to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The following activities were undertaken by the BRMC in FY2017:

- Reviewed the Top Corporate Risks and monitored the effectiveness of the risk management action plans identified by the Executive Risk Management Committee (**ERMC**)
- Monitored the implementation status of the Business Continuity Management Plan drawn up by the ERMC

Currently, the BRMC comprises exclusively INED's, namely Dato' Rohana Tan Sri Mahmood (as Chairman), Mr Quah Chek Tin, Mr Ong Keng Siew and Mr Quah Poh Keat.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The role of the Senior INED as a sounding board for the Chairman, an intermediary for other Directors, and as the point of contact for shareholders and other stakeholders is also defined in the Board Charter. In addition to holding the position as Chairman of the Nominating Committee, Datuk Seri Michael Yam Kong Choy, the Senior INED of the Company, has been tasked by the Board to lead in the development of the Board succession plan, including the position of Chairman and CEO.

STATEMENT ON CORPORATE GOVERNANCE

CHAIRMAN

To ensure separation of powers between the Chairman and the Group CEO, the Board has stipulated in the Board Charter that the Chairman is responsible for the effective leadership, operation and governance of the Board. To this end, the Chairman of the Board works with the Group CEO and the Company Secretary to set the agenda for Board meetings, and he ensures timely provision of accurate and relevant information to all Directors prior to the meetings. He leads the Board in all Board discussions and ensures that all members of the Board continue to contribute effectively to the development of the Company's strategies and policies. The Chairman also presides over all board meetings of the Company's subsidiaries, and he ensures that the boards of the subsidiaries conform to the high standards of governance that are practised by the Board.

GROUP CEO

The Group CEO is responsible for the management of the Group's businesses, formulating strategy proposals including annual and medium-term plans on the delivery of such strategies for the Board's consideration. He keeps the Board apprised of the Group's financial and operational performance and all other matters that materially affect the Group. The Group CEO leads the management team in ensuring that the Group's businesses deliver shareholder value. It is also the responsibility of the Group CEO to ensure that adequate, well motivated and incentivised management resources are available, succession plans for senior management and appropriate business processes are put in place. The Group CEO is supported by the key senior management team in the management of the day-to-day business operations of the Group. In addition, four management committees have been established to monitor adherence to the Group's internal control and risk management framework. They are the Tender Committee, the ERMC, and the Finance Committees of the two divisions. These committees meet on a quarterly basis or when required, and the meetings of which are chaired by the Group CEO.

COMPANY SECRETARY

All Directors have unrestricted access to the Company Secretary, who plays an advisory role to the Board in relation to the Board policies and procedures, compliance with applicable laws, rules and regulations and codes. The Secretary supports the Board in the discharge of its duties by monitoring the status of adherence to corporate governance best practices, and ensuring that all information and materials that are required for the Board's consideration are provided to the Directors expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to the respective members of the management team for their necessary action. The duties of the Secretary also include managing the processes pertaining to the Company's AGM's and maintenance of the Group's statutory records. Additionally, the Secretary keeps the Directors updated on new statutory and regulatory requirements, and attends to the sourcing of CPD programmes for the Directors.

PROMOTION OF GOOD BUSINESS CONDUCT

DIRECTORS' CODE OF ETHICS AND CODE OF BUSINESS CONDUCT & ETHICS

The Board has adopted a Directors' Code of Ethics and a Code of Business Conduct & Ethics to ensure that high standards of governance, ethical, prudent and professional behaviour are embedded in the Board's activities and management practices across the Group. These codes are reviewed by the Board once in every three years. The Directors also adhere to the practice of declaring their interests, if any, in transactions that are submitted to the Board or Board Committees for approval, and abstaining from deliberation and voting on transactions in which they have an interest. There were no reported conflict of interest during the year under review or during the period from 1 January 2018 to the date of publication of this statement.

STATEMENT ON CORPORATE GOVERNANCE

INSIDER TRADING

In efforts to prevent insider trading in the Company's shares and to maintain the confidentiality of price sensitive information, the Board has adopted 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 or during the period from 1 January 2018 to the date of publication of this statement.

WHISTLEBLOWING POLICY

In promoting a culture of high integrity and greater transparency, the Board has adopted a Whistleblowing Policy which is reviewed once in every three years. This policy provides employees of the Group and stakeholders an avenue to raise concerns regarding suspected fraud, wrongdoings and malpractices without being subject to victimization, 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 by which employees and any member of the public can confidently and anonymously voice concerns to the Chairman of the Audit Committee or the Head of the Internal Audit Department (**IAD**) at whistleblower@pcb.my.

Upon the receipt of complaints, the Head of IAD will investigate and keep a record of all evidence gathered from the investigation, and recommend to the Audit Committee the course of action in a fair manner. The Audit Committee will then recommend the appropriate disciplinary action to the Board for decision. If the Board is satisfied that there are substantive evidence to confirm that the disclosed conduct has occurred, it will instruct the Human Resource Department to proceed with the procedures for disciplinary action whilst ensuring that the principles of natural justice is followed. All details pertaining to the whistle-blower will be kept strictly confidential throughout the investigative proceedings. There were no concerns reported in FY2017 or during the period from 1 January 2018 to the date of publication of this statement.

BOARD COMPOSITION

The current Board composition of Paramount reflects diversity in expertise and provides objectivity in the Board's decision-making process. The wealth of experience of the Board members in finance, banking, property development, legal, marketing and management allows for effective oversight of the Group's businesses based on diverse perspectives and insights, and the composition of 75% INED's provides independent judgement to the Board's decisions. The profiles of the current Board members are set out on pages 68 to 75 of this annual report.

STATEMENT ON CORPORATE GOVERNANCE

Two Directors, namely Mr Quah Chek Tin and Dato' Rohana Tan Sri Mahmood, have served as INED's for more than nine years, and the Board shall be seeking shareholders' approval at the 48th AGM for these Directors to remain in office as INED's for another year. The Nominating Committee has assessed the independence of Mr CT Quah and Dato' Rohana based on the Declaration of Independence made by them as at the end of 2017 and the rating of more than 4.4 points (from a scale of 1 to 5) received by these two Directors for 'taking strong constructive stands at Board or Board Committee meetings' in the 2017 Directors' Self and Peer Assessment exercise. The Nominating Committee, being satisfied with the outcome of this assessment, concluded that the independence of Mr CT Quah and Dato' Rohana has not been impaired, and it has recommended that these two Directors be allowed to continue in office as INED's up to the 49th AGM of the Company.

GENDER DIVERSITY

The Paramount Group adheres to the practice of non-discrimination with regard to gender, and ensures that the selection of a candidate for directorship or employment is based on merit, in the context of skills and experience. Currently, Paramount has one woman Director on its Board. The Board has, on the recommendation of the Nominating Committee, set a target of achieving 30% women representation on the Board by 2020, and it has tasked the Nominating Committee to propose a list of suitable women candidates for consideration by the Board. Out of the Group's current total workforce of 2,669 employees, women constitute approximately 69.9%, and 52.9% of the Group's senior management team comprises women employees, holding positions as Head of Division/Department in the strategic business units (**SBU**) and corporate functions.

EVALUATION OF BOARD EFFECTIVENESS

BOARD OPERATIONS

The Board's activities were mostly conducted at the Board and Board Committee meetings held during the year. The meetings were scheduled in advance at the beginning of the year to enable the Board members to plan ahead for the meetings. In the intervals between the meetings, matters that required urgent decisions from the Board or the Board Committees were sought through circular resolutions, which were supported by information and explanations required for informed decisions 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, were forwarded to the Directors three to five business days prior to the meetings. The Chairman chaired all Board meetings held in the year, and the meetings of the Board Committees were chaired by their respective Chairmen who updated the Board on the activities of the committees at the nearest Board meeting. All Directors participated actively in the Board deliberations, with no individual or group of individuals dominating the decision-making process of the Board or Board Committees. Deliberations and decisions made at such meetings were recorded in the minutes of the meetings, which were then tabled for confirmation at the next Board or Board Committee meeting.

STATEMENT ON CORPORATE GOVERNANCE

The Directors' attendance at the Board and Board Committee meetings held in FY2017 were as follows:

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee	BRMC
Dato' Teo Chiang Quan	4/4	-	-	3/3	-
Jeffrey Chew Sun Teong	4/4	-	-	-	-
Dato' Rohana Tan Sri Mahmood	4/4	-	-	-	2/2
Datuk Seri Michael Yam Kong Choy [(1)]	4/4	-	1/1	1/1	1/1
Ong Keng Siew [(2)]	4/4	4/4	-	-	2/2
Quah Chek Tin [(3)]	4/4	4/4	1/1	3/3	2/2
Tan Sri James Foong Cheng Yuen [(4)]	4/4	2/2	-	-	-
Quah Poh Keat [(5)]	4/4	2/2	-	-	1/1
Dato' Md Taib Bin Abdul Hamid [(6)]	2/2	2/2	1/1	2/2	1/1

Notes:

(1) Appointed as a member of the Remuneration Committee and ceased to be a member of the BRMC in the second half of FY2017 (**2H17**)

(2) Appointed as a member of the Nominating Committee in 2H17 and as a member of the BRMC in 2H17

(3) Ceased to be a member of the Nominating Committee in 2H17

(4) Appointed as a member of the Audit Committee and as a member of the Nominating Committee in 2H17

(5) Appointed as a member of the Audit Committee and as a member of the BRMC in 2H17

(6) Retired on 18 May 2017

BOARD ASSESSMENT

The Directors undertook their annual Directors' Self and Peer Assessment exercise in November 2017, and the results were reviewed by the Nominating Committee in January 2018. The assessment was based on the performance of each of the Directors, the Board as a whole, the four Board Committees, the Chairman and the Group CEO. The criteria used in the assessment of the Board included 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 were similarly applied to the assessment of the Board Committees. The individual Directors were 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 Chairman was assessed based on his leadership role and his impartiality in overseeing the deliberation and decision-making process of the Board whilst the assessment of the Group CEO was co-related to the execution of the Group's strategic plans by management and the achievement of performance targets set by the Board. In addition to this assessment, all INED's were required to sign a Declaration of Independence to re-confirm their status of independence. All Directors, the Board, the Board Committees, the Chairman and the Group CEO attained above average ratings of between 4.0 and 4.5 points (based on a scale of 1 to 5) in the 2017 Directors' Self and Peer Assessment exercise.

STATEMENT ON CORPORATE GOVERNANCE

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 and for succession planning. The Nominating Committee leverages on the Directors' wide network of professional and business contacts as the primary source for Board candidacies, and would refer to external consultants if this source has been exhausted. The Board feels that the existing Directors who are industry leaders in their respective fields are able to identify suitably qualified candidates for the Board.

The Nominating Committee's recommendations are based on its assessment of the expertise, skills and attributes of the current Board members and the needs of the Board taking into account the diversity approaches set out in the Boardroom Diversity Policy, the Group's future business direction, the tenure of service, contribution and commitment of each Board member whilst supporting healthy Board rejuvenation.

In assessing and selecting new directors, attributes such as character, integrity, competence, experience and a commitment to serve the Company with diligence 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 INED will be evaluated based on the 'independent' test as stipulated in the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia and the candidate's ability to discharge such responsibilities as are expected of an independent director. In making its recommendations to the Board, the Nominating Committee will also assess the Board structure, as a whole, to ensure that the necessary skill sets are relevant to the Group's strategic direction. The Board is of the opinion that its current composition is able to serve the Company and the Group well. As such, there were no appointment of new directors in FY2017.

RE-ELECTION OF DIRECTORS

The Company's Articles of Association provide that at each AGM, one-third of the Directors or if their number is not three or multiples of three, then the number nearest to but not less than one-third shall retire from office, and are eligible for re-election. Retiring Directors are selected on the basis of those who have been longest in office since their last re-election.

The Nominating Committee is tasked with the function of evaluating the eligibility of Directors who are standing for re-election at the Company's AGM's. The evaluation is conducted based on a set of criteria, which include the Directors' Self and Peer Assessment results, attendance at Board and Board Committee meetings, participation in CPD programmes and the Director's interface with management.

The Nominating Committee had, in January 2018, conducted its evaluation of the eligibility of three Directors, namely Datuk Seri Michael Yam Kong Choy, Mr Ong Keng Siew and Mr Jeffrey Chew Sun Teong for re-election at the forthcoming 48th AGM, with the interested Directors abstaining from deliberation on their own evaluation.

In assessing the eligibility of the Directors for re-election, the Nominating Committee has taken into consideration the Directors' ability to exercise objective judgment, contribute positively to the Board and the Board Committees on which they serve to facilitate sound decision-making, and to act in the best interest of the Company with unfettered independence. The Nominating Committee was satisfied with the evaluation results, and has recommended all of the abovementioned Directors for re-election at the 48th AGM of the Company.

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' CONTINUOUS DEVELOPMENT PROGRAMME

The Board Charter requires all Directors to attend CPD programmes to keep abreast of regulatory changes pertaining to the functions of the Board as well as to be updated on relevant technical and industry related issues. The Secretary, acting under the instruction of the Nominating Committee, compiles CPD programmes that are available to the Directors for their selection. The Secretary also attends to internally organised CPD programmes whereby industry experts are invited to update the Directors on industry related issues and share insights about the latest economic and industry outlook as well as market trends. In addition, the Secretary, the Chief Financial Officer and the external auditors regularly update the Board on changes and amendments to legislative and regulatory provisions.

In FY2017, all Directors of Paramount attended at least six CPD programmes each a wide range of topics under the following key areas:

Corporate Governance

- Breakfast Talk with ACGA (Asian Corporate Governance Association): "Corporate Governance Watch 2016-Ecosystems Matter" by The Iclif Leadership and Governance Centre
- Corporate Governance Breakfast Series with Directors: "Integrating an Innovation Mindset with Effective Governance" by Bursa Malaysia
- Corporate Governance Breakfast Series with Directors: "Thought Leadership Session for Directors – Leading Charge @ The Brain" by Bursa Malaysia
- Briefing on the MCCG 2017 by PricewaterhouseCoopers
- Advocacy session on corporate disclosure for directors and principal officer of listed issuer by Bursa Malaysia
- Focus Group Session on the proposed revision of the Corporate Governance Guide by Bursa Malaysia
- Corporate Governance Breakfast Series for Director: "Leading a volatile, uncertain, complex and ambiguous world" by Bursa Malaysia
- Release of the MCCG 2017 by the Securities Commission
- "The Essence of Independence" by Bursa Malaysia

Legal & Regulatory Updates

- The Anatomy of a Case: "A Study of a Clinical Negligence Action" by the Kuala Lumpur Regional Centre For Arbitration
- The One Road One Belt: "Legal Aspect of Doing Business in China" by Legal Plus Sdn Bhd
- The Holiday Law Conference by Legal Plus Sdn Bhd
- 2nd Maritime Law Conference by the International Malaysia Society of Maritime Law
- Program Latihan Pengarah Badan-Badan Berkanun by Bursatra Sdn Bhd

Finance & Risk Management

- "A New Era of Auditor Reporting - Insights for Investors" by the Malaysian Institute of Accountants in collaboration with the Minority Shareholders Watchdog Group and supported by Bursa Malaysia
- Audit Committee Institute Breakfast Roundtable 2017 by KPMG
- The 2018 Budget talk by Deloitte Tax Services Sdn Bhd
- 9th International Conference on Financial Crime & Terrorism Financing 2017 by the Asian Institute of Finance
- Construction Contract Management Conference 2017: "Construction Dispute Avoidance - The First Line of Defence in Contractual Dispute Management & Resolution" by the Chartered Institute of Building
- "Director guide to crisis management and leadership during crisis" by the Institute of Enterprise Risk Practitioners Training Centre

- "Fintech: Opportunities for the Financial Services Industry in Malaysia" by FIDE FORUM
- Tax Seminar 2017 by BDO Chartered Accountants
- Breakfast Roundtable 2017 by the Audit Committee Institute Malaysia

Leadership & Strategy Management

- ASEAN Real Estate Network Alliance Convention & Exhibition: "Making Friends, Connecting Business"
- Forbes Global CEO Conference: "The Next Century" by FORBES
- Sustainability Forum for Directors/CEO: "The Velocity of Global Change & Sustainability, the New Business Model" by Bursa Malaysia
- 30% Club Business Leaders Roundtable Meeting by the Securities Commission
- Sustainability Engagement Series for Director/CEO 2017 by Bursa Malaysia
- Sustainability CEO Roundtable by Korn Ferry Digital
- Sustainability Reporting Awards Luncheon by the Association of Chartered Certified Accountants Malaysia
- In-House Workshop on Vision, Mission, Values and Culture
- "Efficient Inefficiency: Making Boards Effective in a Changing World" by Professor Sample by FIDE FORUM

Economic, Industry and Market Trends

- Capital Market Directors Programmes - Module 3 and 4 by the Securities Commission
- Asia Pacific Economic Cooperation (**APEC**) Business Advisory Council I and II Meetings in Bangkok and Seoul
- KLBC Diplomat Dialogue Series: "The Changing Landscape of Business in Asia" by the Institute of Strategic and International Studies Malaysia
- APEC Cross Border E-Commerce Conference by the Ministry of International Trade and Industry (**MITI**)
- Singapore Regional Business Forum: "21st Century Maritime Silk Road" by the Singapore Business Federation
- Khazanah Megatrends Forum 2017
- ASEAN Circle: Briefing Session on Regional Comprehensive Economic Partnership by MITI
- Implications of Trump on the Asian Supply Chain and Investment Environment by Tan Sri Panglima Andrew Sheng
- Boards in the Digital Economy by the Securities Industries Development Corporation (**SIDC**)
- Asia Pacific Real Estate Market Outlook Malaysia & Opportunities in the New Normal - Trends, Opportunities & Strategies for Competing in the New Soft Market by CBRE/WTW
- Malaysian Annual Real Estate Convention 2017: "Transforming Your Real Estate Business in a Change Era" by the Malaysian Institute of Estate Agents
- Specialised Building Materials Supply Chain Conference 2017: "Local Supplies Capabilities" by the Malaysian Investment Development Authority
- Tax Free World Association Asia Pacific Exhibition & Conference 2017: "The Duty Free & Travel Retail Asia Pacific Summit" by TFWA
- "Revisiting the New Economics Model – Lags & Prospects" by the Jeffrey Cheah Institute on Southeast Asia and the Malaysian Economic Association
- REDHA Institute CEO Series: "Developing Malaysia as an Attractive International Real Estate Investment Destination"
- "Top of Mind: What the World's Best CEO's Need for the Future" by Linkage Asia Sdn Bhd
- 2017 Economic Outlook in Global Treasury & Global Transaction Banking by OCBC Bank
- Brexit Talk on the Implications for Malaysia after UK's exit from the European Union by KDU Management Development Centre
- "Integrity: The Game Changer" by the Malaysia Institute of Accountants
- 4th Institute of Enterprise Risk Practitioners Global Conference 2017
- "Global Business Insight: Embracing Paradoxes" by Professor Salvatore Cantale from SIDC

STATEMENT ON CORPORATE GOVERNANCE

In assessing the CPD needs of the Directors, the Nominating Committee has agreed that the above topics were all relevant and useful in providing the Board with a broad range of information to facilitate informed decision-making.

SUCCESSION PLANNING

Apart from board succession, the Board takes a pivotal role in ensuring continuity in leadership for senior management, particularly CEO positions. To this end, the Board has, through the Nominating Committee and the Group Human Resource Department, developed a comprehensive management succession plan. The plan entails the identification of three different levels of successors at different levels of readiness for each senior management position. Since 2016, the identified successors have participated in a series of group-wide talent management training programmes, such as the STARS (Sustainable Talent Acceleration & Retention Strategy) and LEAP (Leading with Energy and Passion) programmes that were specifically designed to develop the management capabilities and leadership skills of the candidates, and to prepare them for senior management roles in the Group. The Head of the Group Human Resource Department keeps the Nominating Committee apprised of the progress of this succession plan annually.

REMUNERATION

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board has, since 2014, adopted a Board Remuneration Policy that sets out the manner in which the remuneration of Directors are determined, which policy is reviewed by the Remuneration Committee and the Board once in every three years. The total remuneration, comprising salaries, bonuses and benefits of Executive Directors and senior management are reviewed annually by the Remuneration Committee based on the guidelines set out in the Board Remuneration Policy. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalisation. Salary increments to the two Executive Directors and senior management personnel for FY2017 were determined by the Remuneration Committee after taking into consideration of the Group's performance for FY2016, prevailing market conditions, the employee's performance, level of responsibility and contributions to the Group's performance, and taking into account the need to align the remuneration structure of all key employees to the long-term objectives of the Group.

The Group's annual bonus scheme is designed to encourage and reward Executive Directors and employees for their achievement and betterment of challenging financial and business targets, set in the annual budget adopted by the Board at the beginning of each financial year. Bonuses are not contractual and are paid on the basis of the Group's performance and the employee's contribution to that performance. In addition, senior management personnel and employees with line of sight contribution to the Group's financial performance are eligible to participate in the Company's LTIP based on a set of eligibility criteria determined by the Remuneration Committee.

All Directors are entitled to Directors' fees, which are benchmarked against fees paid by comparable public listed companies in Malaysia. In reviewing the benchmarking results and taking into consideration that the Directors' fees have not been increased since in 2013, the Board has, upon the recommendation of the Remuneration Committee, proposed that the fees payable to the Directors in respect of FY2017 be increased by not more than 50%.

STATEMENT ON CORPORATE GOVERNANCE

Details of the remuneration of the Directors and key senior management of the Company for FY2017 are as follows:

	Salary RM	Bonus RM	Directors and Board Committee Fees RM	Benefits in kind RM
Company and Group				
Executive Directors				
Dato' Teo Chiang Quan	1,500,000.00	1,875,000.00	115,000.00	74,780.82
Jeffrey Chew Sun Teong	1,434,300.00	860,580.00	70,000.00	123,600.00
Non-Executive Directors				
Dato' Rohana Tan Sri Mahmood	-	-	100,000.00	-
Tan Sri James Foong Cheng Yuen	-	-	100,616.44	-
Company only				
Non-Executive Directors				
Dato' Md Taib Bin Abdul Hamid [(1)]	-	-	49,369.85	-
Datuk Seri Michael Yam Kong Choy	-	-	98,527.40	-
Ong Keng Siew	-	-	101,993.16	-
Quah Chek Tin	-	-	121,719.17	-
Quah Poh Keat	-	-	93,801.37	-
Group				
Key Senior Management (in aggregate)	2,206,720.00	1,105,700.82	-	134,400.00

[(1)] *Retired from the Board on 18 May 2017*

The number of Directors whose remuneration for FY2017 fall within the respective bands are as follows:

Range of Remuneration	Number of Directors
Executive Directors	
RM2,500,001 – RM3,000,000	1
RM2,000,001 – RM2,500,000	1
Non-Executive Directors	
RM100,001 – RM150,000	3
RM50,001 – RM100,000	3
RM50,000 and below	1

In addition to the above, the Directors have the benefit of a Directors and Officers Liability Insurance (**D&O Insurance**) in respect of liabilities arising from civil claims against the Directors for alleged wrongful acts committed in their capacity as Directors of the Company. The D&O Insurance, however, does not indemnify a Director if it is established, in the final adjudication, that the Director has committed a criminal act or has obtained any profit or personal gain from the transaction or event.

STATEMENT ON CORPORATE GOVERNANCE

EFFECTIVE AUDIT AND RISK MANAGEMENT

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit Committee of Paramount comprises entirely INED's, and is led by Mr Quah Poh Keat who is not a Chairman of the Board or any other Board Committees. This composition reinforces the independence of the Audit Committee. A majority of the members of the Audit Committee, namely Mr Quah Poh Keat, Mr Quah Chek Tin and Mr Ong Keng Siew, are members of professional accounting bodies such as the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants. Their qualifications and extensive experience in the area of financial reporting and the management of internal controls provide assurance to the Board that the committee is well equipped with the necessary expertise and skills to oversee the financial reporting processes of the Company and the internal control governance of the Group. In addition, the appointment of Tan Sri James Foong Cheng Yuen who has served in the Malaysian Judiciary for 22 years provides diversity of views to strengthen the quality of deliberations at the Audit Committee meetings. The profiles of the members of the Audit Committee are set out on pages 72 to 75 of this annual report.

To further strengthen the independence of the Audit Committee, the Board has adopted MCCG 2017's recommendation of requiring a former key audit partner of the Company's external auditors to observe a cooling-off period of at least two years before being appointed to the Audit Committee, and hence, the Terms of Reference of the Audit Committee was updated in the first quarter of 2018 to formalise this decision.

The Audit Committee has adopted the following practices in the discharge of its duties:

- **Review of Financial Reporting**

  The Audit Committee requires management to disclose to the committee all relevant financial and operational information that is needed by the committee to facilitate its review of the Group's quarterly reports to Bursa Malaysia and the Company's financial statements for each financial year. The Audit Committee also assists the Board in monitoring management's performance through a set of financial key performance indicators that are tabled for review and deliberation at all four Audit Committee meetings held in a year. The external auditors are invited to attend all four meetings of the Audit Committee to ensure that the auditors are kept informed of the committee's views and concerns, if any, with regard to the Group's financial matters.

- **Evaluation of External Auditors**

  The Audit Committee discusses with the external auditors before the commencement of each audit, the scope of the audit, the areas of audit emphasis with reference to compliance with the applicable accounting standards in Malaysia, the resource capacity of the auditors, the terms of engagement of the auditors, and the proposed audit fees for the year. Upon conclusion of the audit, the Audit Committee meets with the external auditors together with management to review the Company's financial statements and to discuss the key audit matters highlighted by the auditors. Another two meetings are held in a year without the presence of executive Board members and management to discuss concerns that the external auditors may have arising from the audit. Significant concerns are communicated to management for remedial actions and highlighted to the Board for its attention.

STATEMENT ON CORPORATE GOVERNANCE

The Audit Committee conducts a yearly assessment of the suitability and independence of the external auditors prior to the submission of any recommendation to the Board on the re-appointment of the auditors for the ensuing year. The suitability of the external auditors is conducted through a questionnaire with feedback from the Chief Financial Officer on the professional conduct, performance, skills, knowledge, experience, manpower strength, quality control in audit reviews and timeliness of the auditors in conducting the audit of the Group. In assessing the independence of the external auditors, a written confirmation is required from the external auditors on their independence and their assurance that no incidence of conflict of interest will arise from their provision of any non-audit services to the Group. The Audit Committee also considers whether the fees payable to the external auditors are commensurable with the extent of the audit and the non-audit services rendered to the Group.

- **Oversight of the Internal Audit Function**

  The Audit Committee has direct and full access to IAD to ensure effective oversight of the Company's internal audit function, which plays an important role in testing the integrity of the Group's internal control system. The Head of IAD is required to report directly to the Audit Committee, and the performance of IAD is evaluated by the committee annually. The Audit Committee also reviews the internal audit plans and determines the budget for the internal audit function to ensure that IAD has adequate and quality resources to execute its plans effectively.

- **Review of Related Party Transactions**

  All related party transactions (**RPT**) are subject to the prior approval of the Audit Committee, and IAD has been tasked to verify whether the terms of the RPT's are fair and at arms' length before any submission thereof to the Audit Committee for its consideration. IAD is also required to highlight to the Audit Committee should there be any non-adherence to the procedures put in place to monitor RPT's. All recurrent RPT's are submitted to the Audit Committee for its review on a quarterly basis.

A detailed report on the activities of the Audit Committee for FY2017 can be found in the Report of the Audit Committee on pages 96 to 98 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

RISK MANAGEMENT

In 2015, the Group upgraded its risk management framework by adopting the ISO 31000:2009 Enterprise Risk Management methodology. The initial stage of the upgrade involved the formulation of a set of Risk Parameters and a Risk Appetite Statement that define Paramount's approach in mitigating the various risks that are inherent in the Group's businesses. Subsequently in 2017, Key Risk Indicators were introduced for better tracking of the effectiveness of the control measures and risk management action plans that were identified and implemented by management.

During the year under review, the Board, through the BRMC, continued to monitor the Group's risk exposure, and was regularly updated on the implementation progress of the risk management action plans to mitigate those risks. The reporting process involves the monthly monitoring of the risk status by the risk owners in the SBU's, who submit their findings to the ERMC for its review on a quarterly basis, which in turn, submits its report to the BRMC on a half-yearly basis.

STATEMENT ON CORPORATE GOVERNANCE

The identified key risks are grouped into the following five categories according to the various nature of the Group's business activities:

- **Strategic Risks**

  Strategic risks are risks that may arise due to potential market uncertainties and in the course of executing the Group's strategies in arriving at certain business decisions and/or participation in strategic investment opportunities. The Group may have exposure to potential negative impact that can inhibit or prevent the Group from achieving its strategic objectives. They include market volatility risk, project investment risk, product development risk, business sustainability risk, and human capital risk. To manage these risks, the Group has implemented the following measures:

  - Putting in place robust strategic planning processes
  - Closely monitoring the marketplace for any signs of threats to the achievement of the strategic objectives
  - Tracking the expected deliverables identified under the Group's 5-Year Plan, annual business plans and budgets
  - Conducting feasibility studies and due diligence exercises to ensure that investment decisions are made based on the viability of the projects and their ability to fulfil the objectives and goals of the Group
  - Continue to explore and introduce new and innovative products, services and sales packages to meet the evolving needs of customers

- **Operational Risks**

  Operational risks are risks that may be encountered in the Group's day-to-day business operations in the event of a breakdown in internal control processes and systems or a change in the people structure of the Group.

  Given that the Group's Property Division is a major contributor to the Group's revenue and profits, the risks faced by this division, such as escalation in material costs, shortage of skilled site workers, quality risk, the risk of delay in the receipt of approvals from the authorities for project launches, may have a significant impact to the Group's performance.

  To manage the risk of escalating material costs, the Group practises bulk purchasing of key materials and continues to maintain good relationship with vendors and keeps abreast of the price movements of such key materials. In addition, the Group continues to review and enhance its internal policies and procedures to ensure robustness, and devise ways to increase operational efficiency and productivity. In this regard, contractors who are found to be non-performing will be barred from further participation in tenders called by the Group.

  In view of the ever evolving and rapidly changing landscape of the education industry, the Group's Education Division continues to keep track of the risk of new competitors entering the market and the expansionary plans of existing competitors.

  To address this inadvertent risk, the Education Division remains cautious and continues to focus on improving its business development and marketing strategies to grow its revenue, and at the same time, monitor its costs structures to ensure that the entire business remains resilient. The division also continues to review and improve its facilities and learning resources to ensure its operations achieve academic quality excellence in line with the standards set by the Ministry of Education and the Ministry of Higher Education.

- **Finance-related Risks**

  The Group is exposed to finance-related risks, such as liquidity risk, interest rate risk, financial strength and capital risks. To address these risks, prudent funding and treasury policies with regard to the Group's business operations are adopted to minimise the potential adverse impact that such risks could have on the financial performance of the Group. The Group also continues to maintain an optimal liquidity position against volatilities in the global and local economies and fluctuations in interest rates.

- **Compliance Risks**

  The Group's businesses are governed by various relevant legislations, regulations, industry codes, standards as well as internal policies and corporate governance principles. The Group constantly reviews its operational processes and ensures there are no breaches of applicable laws, regulations, government policies or contractual obligations that may have a material and adverse impact on the financial prospects of the Group. The Board is leveraging on the expertise of the management team to ensure that these risks are identified, monitored and managed effectively. Regular communication on compliance matters is conducted to bring a higher degree of awareness to the employees involved. Employees receive training to keep abreast of the latest applicable requirements and regulations.

- **Reputational Risks**

  The reputation of the Group and its brand is one of the most important assets, and it forms the basis upon which the long-term business success of the Group is anchored. To this end, the Group continues to ensure the delivery of high quality products and services to meet the evolving expectations of customers. The Group also engages with stakeholders, such as employees, the media, investors and bankers in a constant and constructive manner to preserve the Group's reputation.

INTERNAL CONTROL

To further enhance the Group's system of internal controls, the Board has, upon the recommendation of the Audit Committee, upgraded the Group's internal control framework by adopting the principles prescribed in the COSO Internal Control Integrated Framework. A steering committee, comprising members of the management team, led by the Group CEO and facilitated by the Head of IAD, would be established to evaluate the adequacy of the Group's existing internal control policies and procedures, and to identify areas that need improvement, if any, under the new framework.

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors, and presented on pages 99 to 102 of this annual report, provides a detailed report on the Group's level of risk management and internal controls for the year under review.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONS WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

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 Company's AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the MMLR.

STATEMENT ON CORPORATE GOVERNANCE

Twice a year, the Company holds scheduled company briefings, coinciding with the half-year and full-year quarterly release to Bursa Malaysia, to analysts and fund managers. Together with the quarterly reporting to Bursa Malaysia, the Company also attaches a slide presentation on the quarterly and year-to-date performance for posting on Bursa Malaysia's website. In addition, a media briefing is held upon conclusion of the Company's AGM for the benefit of potential investors as well as shareholders who are unable to attend the meeting. The Company also obliges the requests of analysts, fund managers and the media for company visits, briefings and interviews outside the scheduled briefing and interview dates.

The presentation slides and press releases provided to analysts and the media at these briefings are available on the Company's website. The Company's website is constantly updated with information pertaining to the Group's business activities and corporate affairs for dissemination to all stakeholders in a timely manner.

The Board Charter, Directors' Code of Ethics, Code of Business Conduct & Ethics, Whistleblowing Policy, Boardroom Diversity Policy and excerpts of the following policies are also available on the Company's website at www.pcb.my to provide further information to all stakeholders on the corporate governance structure of Paramount:

Directors Assessment Policy
Succession Planning Policy
Insider Dealing Policy
Board Remuneration Policy
Investor Relations Policy
Related Party Transaction Policy

CONDUCT OF GENERAL MEETINGS

The Company's AGM, in addition to dealing with the formal business of the Company, 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 2016 was presented to shareholders at the 47th AGM held on 18 May 2017. Shareholders were invited to raise whatever queries they had with regard to the Company's performance. In this respect, the Board is pleased to report that all questions raised by shareholders at the 47th 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. The minutes of the Company's AGM's are available on the Company's website at www.pcb.my.

Voting on all resolutions proposed in the Notice of the forthcoming 48th AGM and Extraordinary General Meeting to be held on 30 May 2018 will be by poll, and Paramount has appointed Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator whilst Asia Securities Sdn Bhd shall be the Scrutineer to validate the votes cast at the meeting.

COMPLIANCE STATEMENT

As at the date of publication of this statement, the Company has adopted all applicable corporate governance best practices promulgated in the MCCG 2017 save for the practice of limiting the tenure of INED's to nine years or re-designating INED's who have served for more than nine years as Non-Independent Directors. Nevertheless, the Board has adopted the best practice of seeking shareholders' approval, on an annual basis, for INED's to continue in office as INED's after the ninth year, and adhering to the two-tier voting process for INED's who have served for more than twelve years or re-designating such INED's as Non-Independent Directors.

AUDIT COMMITTEE REPORT

The Board of Directors (the Board) of Paramount Corporation Berhad (**Paramount** or **the Company**) is pleased to present the Audit Committee Report for the financial year ended 31 December 2017 (**FY2017**).

In performing its duties and discharging its responsibilities, the Audit Committee (**the Committee**) is guided by its Terms of Reference which are available in the Corporate Governance section of the Company's website at www.pcb.my.

COMPOSITION AND MEETINGS

The Audit Committee comprises four (4) members, all of whom are Independent Non-Executive Directors and are appointed by the Board. The Board, through the Nominating Committee, reviews the terms of office and performance of the Audit Committee and that of each member of the Committee annually to determine whether the Audit Committee and its members have carried out their functions, duties and responsibilities in accordance with the Committee's Terms of Reference.

The Audit Committee met four times in FY2017, and the attendance of its members at the four meetings were as follows:

Name of Directors	Number of Meetings	
	Held	Attended
Quah Poh Keat (Chairman) – appointed on 18 May 2017	2	2
Quah Chek Tin (as Chairman until 18 May 2017)	4	4
Ong Keng Siew	4	4
Tan Sri James Foong Cheng Yuen – appointed on 18 May 2017	2	2
Dato' Md Taib Bin Abdul Hamid - retired on 18 May 2017	2	2

The Group Chief Executive Officer (**CEO**) and the Chief Financial Officer were invited to attend all the above meetings to facilitate direct communication between the Audit Committee and management as well as to provide clarification on audit issues and the operations of the Paramount Group (**the Group**). The Head of Internal Audit and the Company Secretary who is also the secretary to the Audit Committee attended the meetings. The relevant members of the management team who are responsible for the respective auditable units were invited to attend the meetings where matters pertaining to their respective units were tabled before the Committee for review and deliberation. Representatives of the external auditors were also present by the invitation of the Committee at all of above meetings.

The Chairman of the Audit Committee reported the activities and concerns, if any, of the Committee to the Board at the nearest Board meeting after each Committee meeting for the information and attention of the Board.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the Audit Committee had carried out the following activities in the discharge of its functions and duties:

1. FINANCIAL REPORTING

a. Reviewed and recommended the four quarterly financial reports and the consolidated financial statements of the Company for FY2017 to the Board for approval.

AUDIT COMMITTEE REPORT

b. Reviewed and highlighted to the Board significant matters raised by the External Auditors including financial reporting issues, significant judgements made by management, significant events or transactions, and received updates from management on actions taken for improvement.

c. Deliberated significant changes in relevant regulatory requirements, accounting and auditing standards that affect the Group, and the adoption of such changes by management.

2. EXTERNAL AUDIT

a. Reviewed the External Auditors' Audit Plan, which includes the scope and timeline of their annual audit, prior to the commencement of audit.

b. Deliberated and reported the results of the annual statutory audit to the Board.

c. Obtained written assurance from the External Auditors to the Audit Committee that, in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for FY2017.

d. Undertook an annual assessment of the performance of the External Auditors which encompassed the quality of communications with the Audit Committee and the Group, their independence, objectivity and professionalism. Assessment questionnaires were used as a tool to obtain input from Paramount personnel who had substantial contact with the external audit team.

   The Audit Committee was satisfied with the suitability of the External Auditors based on the quality of service and sufficiency of resources they provided to the Paramount Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee took note of the openness in communication and interaction with the audit engagement partner and engagement team leader, which demonstrated their independence, objectivity and professionalism.

   The above outcome of the performance assessment of the External Auditors for FY2017 supports the Audit Committee recommendation to the Board of their re-appointment and remuneration.

e. Met with the External Auditors on 8 February 2017 and 9 November 2017 without the presence of Executive Board members and management to review and discuss key issues within their duties and responsibilities. There were no major concerns raised by the External Auditors at the meetings.

3. INTERNAL AUDIT

a. Reviewed and approved the Internal Audit Department's (**IAD**) staffing requirements, budget and annual audit plan to ensure adequacy of resources, competencies and coverage.

b. Reviewed internal audit reports for subsidiaries and key functional units issued by IAD on the adequacy and effectiveness of governance, risk management, operational and compliance processes.

c. Reviewed the adequacy of corrective actions taken by management on all significant audit issues raised including status of completion achieved.

d. Assessed the IAD's quarterly audit progress report and approved the revised audit plan to ensure the plan continues to remain relevant in consideration of the changes in business environment.

e. Met with the Head of Internal Audit on 16 May 2017 and 9 November 2017 respectively without the presence of the Executive Board members and management.

AUDIT COMMITTEE REPORT

4. RELATED PARTY TRANSACTIONS

a. Reviewed related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions to ensure:

(i) that such transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Company or its minority shareholders;

(ii) adequate oversight over the internal control procedures with regards to such transactions.

5. ANNUAL REPORTING

a. Reviewed the Audit Committee Report, Summary of Activities of the Internal Audit Function, Statement on Risk Management and Internal Control before submission to the Board for approval and for inclusion in the 2017 Annual Report.

6. OTHERS

a. Reviewed and revised its terms of reference for compliance with the new amendments to the Listing Requirements affecting the Audit Committee, for recommendation to the Board for its approval.

b. Reviewed the COSO Internal Control Integrated Framework for adoption by the Group, and recommended the framework to the Board for its approval.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by IAD in the discharge of its duties and responsibilities. IAD is independent of operations and reports functionally to the Audit Committee and administratively to the Group CEO. The primary responsibility of IAD is to provide reasonable assurances to the Audit Committee on the effectiveness of the governance, risk management and internal control processes within the Company and the Group.

All internal audit activities of the Group are guided by the Internal Audit Charter. An annual risk-based internal audit plan is presented by IAD to the Audit Committee for approval after having reviewed the adequacy of the scope, functions and resources of IAD as well as the competency of the internal auditors. IAD adopts a risk-based approach and prepares its plan based on the risk profiles of the auditable units in alignment with the strategic objectives of the Group.

During the financial year under review, IAD conducted assurance engagements in accordance with its revised internal audit plan, and conducted follow-up audits on management remedial actions on a quarterly basis. The keys areas reviewed include procurement, finance, governance, information and communication systems, human resources, the vesting of shares pursuant to the Company's Long Term Incentive Plan, sales and marketing, customer care, academic operations, compliance, project management and implementation, environmental, safety, health and security.

Internal Audit reports were issued to management and they contained key operational analysis, insights, improvement opportunities, audit findings, management response, corrective and preventive actions as well as the targeted date of completion of those actions. Issues that required significant improvement were highlighted to the Audit Committee for deliberation. The IAD provided quarterly updates to management and the Audit Committee regarding the progress and status of the corrective actions.

A majority of IAD's staff are members of relevant professional bodies. The internal auditors are encouraged to enhance their knowledge, skills and competencies through a combination of external and in-house training.

Costs amounting to RM1,002,409 were incurred by IAD in discharging its functions and responsibilities for FY2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Principles as stipulated in the Malaysian Code on Corporate Governance 2017 (**the Code**). The statement is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers for the financial year under review.

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' investment and the Group's assets.

The Board continually reviews the adequacy and integrity of the Group's risk management and internal control system, which has been embedded in all aspects of the Group's activities, and its alignment with business objectives. In view of the limitations inherent in any system of risk management and internal control, the Board recognises that such a system can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

The Board has established an ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in the achievement of its business objectives. This process has been in place for the year under review up to the date of approval of this Statement. The Board also evaluates the risks relating to new businesses and major investments during the year.

The Statement on Risk Management and Internal Control does not cover associate companies and a joint-venture company which the Group does not have any direct operational control. Nevertheless, board representation in associate companies and the joint-venture company does provide vital information necessary for decisions on the investment and 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 of the Group's strategic planning and business operations. The salient features of the risk management are as follows:

Enterprise-Wide Risk Management Programme (EWRM)

The Board affirms the establishment of an EWRM to provide a standardised approach in identifying, assessing, evaluating, managing, monitoring and reporting the key risks of the Group and keeps abreast of its development. The programme is benchmarked against the Code and ISO31000 Risk Management – Principles and Guidelines.

Risk Management Policy

The Group has in place a formal risk management policy approved by the Board that describe the risk management philosophy, framework and processes. During the financial year, the Group constantly reinforced its risk management framework and policy to ensure that its practices remained relevant and effective under the present economic and business environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Roles and Responsibilities

The Group has a well-defined structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and strategic business units (**SBU's**).

- **Board Risk Management Committee (BRMC)**

  The BRMC is established by the Board, and governed by clearly defined terms of reference and authority for areas within their scope. The committee is made up of four (4) independent non-executive directors. The BRMC assists the Board to fulfill its risk management and statutory responsibilities to manage the key risk exposure of the Group. Further details on the BRMC are set out in the Statement on Corporate Governance. The BRMC meets at least twice a year to review and deliberate all top risks identified by management and the SBU's.

- **Executive Risk Management Committee (ERMC)**

  The Board via the BRMC has assigned the Group's risk oversight function to the ERMC, which is chaired by the Group Chief Executive Officer (**GCEO**). The ERMC comprises members of the Group's senior management and is primarily responsible for driving Enterprise-Wide Risk Management, ensuring SBU's commit sufficient resources to the programme, implementing the Group's risk management activities systematically, monitoring risks, reviewing the progress of mitigation plans implemented and evaluating post-implementation effectiveness across the Group. The ERMC reports to the BRMC on a half yearly basis where all key risks faced by the Group and mitigating actions are presented to the BRMC for deliberation.

- **Corporate Risk Management Department (CRM)**

  The BRMC and the ERMC are assisted by the CRM in discharging their risk management responsibilities. Amongst others, the CRM is responsible for assisting in the development and continual enhancement of the risk management framework, policies, processes and procedures; and monitoring SBU's compliance with the Group's policies and procedures. CRM maintains regular communication and consultation with management and facilitates the quarterly risks reviews. It also conducts periodic follow-up on the updating of risk profiles and the implementation of key risk treatment measures by management.

- **SBU's**

  SBU's are tasked with reporting major risks on a quarterly basis to the ERMC. The respective SBU's being risk owners are responsible for the effective management of risks including conducting reviews and updates of risk profiles, identification of emerging risks, development and implementation of risk mitigation strategies/controls, where relevant, for restoration and recovery in the event of hazards and damaging incidents. Any event that may materially impact the Group's corporate objectives and financial position will be escalated by the SBU's to the ERMC and the BRMC for their deliberation.

Key Risk Management Initiatives

- **Risk Awareness and Training**

  Continuous risk awareness and refresher sessions for management staff were conducted throughout the year as part of the Group's efforts to instill a proactive risk management culture and implement a robust risk management mechanism. This is to enable the Group to respond effectively to changing business environment and competition, which are critical to the Group's sustainability and the enhancement of shareholders' value.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Risk Appetite Statement and Risk Tolerance**

  A statement on the Group's risk appetite and the Group's risk tolerance based on measurable parameters that may impact the achievement of corporate objectives have also been established. This is to ensure a consistent understanding of risk exposures which are acceptable or unacceptable to the Group.

  Management is responsible to continually review, communicate and reinforce the Group's risk appetite and monitors business activities for consistency with acceptable risk appetite and risk tolerance.

INTERNAL CONTROL

The Board through the Audit Committee reviews and monitors the adequacy and integrity of internal controls. The internal control system covers policies, procedures, day-to-day activities and the governance of the Group.

The internal control processes are reviewed and revised from time to time to ensure that they are relevant and effective in responding to changing business and operational needs, whenever practical.

The salient features of the internal control system are as follows:

- 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.

- Business plans which include a 5-year strategic plan, an annual business plan and annual budgets are prepared by the SBU's. The plans are presented and approved by the Board.

- Various reports on key financial data, key performance indicators, and status updates on business plans, are submitted by the SBU's on a quarterly basis. The reporting mechanism is to enable matters that require the Board's and management's attention are highlighted for review, deliberation and timely decision making. All members of the Board are provided with unrestricted flow of information for their high-level performance review.

- The Board has adopted a Code of Business Conduct and Ethics with the objective of upholding the highest standards of honesty, integrity, ethical, and legal behavior in the conduct of all business operations of the Group.

- 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.

- Well-established and documented policies and procedures which are aligned with business objectives and goals within the Group are continuously reviewed and updated.

- An effective management tender committee ensures that a proper procurement process for material purchases of goods and services is in place.

- A whistleblowing policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner and to enable staff and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Succession planning is designed to ensure that the Group identifies and develops a talent pool of staff through mentoring and training for high-level management positions. This is to ensure the Group's continuity in leadership for key positions.

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

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

Group Internal Audit

The Audit Committee endorsed and approved the scope of work of the internal audit function through a review of 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. Quarterly progress reports on internal audit plan and summary of activities undertaken by the internal audit function are tabled to the Audit Committee. The details of the activities are highlighted in the Audit Committee Report.

The internal audit function submits regular audit reports to the Audit Committee, management and external auditors for review, and conducts follow-up actions with management on audit recommendations and matters highlighted by the Audit Committee. The audit reports and the status of corrective actions are submitted to enable the Audit Committee to have an overview of the state of internal controls in the Group.

SBU's that are accredited with ISO certifications are audited as scheduled by auditors of the relevant certification bodies. Audit results are reported to management for improvement purposes.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for the financial year ended 31 December 2017.

Based on their review, they have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes that the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system.

CONCLUSION

The Board has received assurance from both the GCEO and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively in all material aspects for the financial year ended 31 December 2017 and up to the date of this Statement.

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. There were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

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

04 FINANCIALS

DIRECTORS' REPORT

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 2017.

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.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	150,279	214,834
Attributable to:		
Owners of parent	146,688	214,834
Non-controlling interests	3,591	-
	150,279	214,834

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 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Final single tier dividend of 6.00 sen on 424,295,920 ordinary shares, declared on 25 April 2017 and paid on 15 June 2017	25,458
In respect of the financial year ended 31 December 2017:	
Interim single tier dividend of 2.50 sen on 424,295,920 ordinary shares, declared on 16 August 2017 and paid on 28 September 2017	10,607
	36,065

DIRECTORS' REPORT

On 27 February 2018, the Company has declared a single tier special dividend of 7.50 sen per share, in respect of the financial year ended 31 December 2017 on 428,271,920 ordinary shares, amounting to a dividend payable of RM32,120,000 will be payable on 28 March 2018.

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2017 on 428,271,920 ordinary shares, amounting to a dividend payable of RM25,696,000 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the proposed special and final dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS OF THE COMPANY

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Teo Chiang Quan *
Ong Keng Siew
Dato' Rohana Tan Sri Mahmood *
Datuk Seri Yam Kong Choy
Quah Chek Tin
Chew Sun Teong *
Tan Sri Foong Cheng Yuen *
Quah Poh Keat
Dato' Md Taib bin Abdul Hamid (Resigned on 18 May 2017)

* These directors are also directors of a subsidiary or subsidiaries of the company.

DIRECTORS' REPORT

DIRECTORS OF THE SUBSIDIARIES

The names of the directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already listed above are:

Beh Chun Chong
Tay Lee Kong
Foong Poh Seng
Benjamin Teo Jong Hian
Wang Chong Hwa
Datin Teh Geok Lian
Ahmad Subri bin Abdullah
Selvarajoo Esther Majella
Ong Guan Siew
Ooi Hun Peng
Aziz bin Bahaman
Liew Yin Chew
Ee Ching Wah
Chin Mei Kheng
Sim Quan Seng

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 39 to the financial statements.

DIRECTORS' INDEMNITY

The Company maintained a Directors' and Officers' Liability Insurance ("D&O Insurance") of RM10.0 million in respect of liabilities arising from civil claims against the directors and officers for alleged wrongful acts committed in their capacity as directors and officers while holding office for the Company and the Group. The total amount of insurance premium paid for the D&O Insurance as at the financial year end was RM16,030. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' REPORT

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				
	At 1 January 2017	Bought	LTIP Shares Vested	Sold	At 31 December 2017
The Company					
Direct Interest					
Dato' Teo Chiang Quan	5,610,500	-	-	-	5,610,500
Ong Keng Siew	3,987,700	-	-	-	3,987,700
Datuk Seri Yam Kong Choy	132,500	-	-	-	132,500
Chew Sun Teong	323,300	-	315,500	-	638,800
Deemed Interest					
Dato' Teo Chiang Quan	111,033,500	2,410,500	-	-	113,444,000
Quah Poh Keat	956,800	-	-	-	956,800

	Number of ordinary shares under the LTIP			
	At 1 January 2017	Granted	Vested	As at 31 December 2017
The Company				
Chew Sun Teong	3,055,000	1,958,600	(315,500)	4,698,100

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

The other directors in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

ISSUANCE OF SHARES

On 20 March 2017, 613,600 and 748,900 new ordinary shares in the Company were allotted and issued pursuant to the second vesting of restricted shares ("RS") under the 2015 RS Grant and the first vesting of RS under the 2016 RS Grant of the Company's Long Term Incentive Plan ("LTIP"), respectively.

DIRECTORS' REPORT

EMPLOYEE SHARE SCHEME

On 17 September 2013, the company implemented the LTIP which involves the allotment and issuance of new ordinary shares in the Company to eligible employees and executive directors of the Group and of the Company, provided that the total number of shares so allocated shall not at any time exceed ten centum (10%) of the total number of issued shares in the Company ("LTIP shares").

During the year, the Company made its third award of up to 7,456,600 LTIP shares, comprising 2,440,400 RS Grant under 2017 RS Grant and up to 5,016,200 performance-based shares ("PS") under the 2017 PS Grant.

The LTIP shares were awarded, without any cash consideration, to those who have attained the identified performance objectives of the Group and the Company. It serves to attract, retain, motivate and reward valuable employees of the Group and of the Company.

Details of LTIP shares granted to a director are disclosed in the Directors' Interests section in this report.

The fair values of the LTIP shares granted are estimated at the grant dates using a Monte Carlo Simulation pricing model, taking into account the terms and conditions upon which the instruments were granted.

Further information on LTIP shares is disclosed in Note 35 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Notes 12, 17 and 35 to the financial statements.

SUBSEQUENT EVENT

Significant event subsequent to the end of financial year is disclosed in Note 45 to the financial statements.

AUDITORS

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

Auditors' remuneration are disclosed in Note 8 to the financial statements.

There was no payment made or insurance effected to indemnify the auditors during the financial year and the period from 1 January 2018 to the date of this report.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2018.

Dato' Teo Chiang Quan　　　　Chew Sun Teong

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Dato' Teo Chiang Quan and Chew Sun Teong, 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 116 to 211 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2018.

Dato' Teo Chiang Quan

Chew Sun Teong

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

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 116 to 211 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 30 March 2018

Foong Poh Seng

Before me,

Commissioner for Oaths
NG SAY HUNG
No. B185
No. 69A, Jalan SS21/37
Damansara Utama (Uptown)
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PARAMOUNT CORPORATION BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 211.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Acquisition of R.E.A.L. Education Group Sdn Bhd ("REAL Group") – purchase price allocation

On 11 January 2017, the Group acquired 66% equity interest in REAL Group for a total purchase consideration of RM192 million. As part of the purchase price allocation ("PPA") exercise performed by management, this amount has been allocated to the fair value of identifiable assets acquired and liabilities assumed. We focused on this area due to significant management judgement and estimates involved in the PPA exercise, particularly on the identification and fair valuation of the tangible and intangible assets.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PARAMOUNT CORPORATION BERHAD

We have reviewed the sale and purchase agreement to obtain an understanding of the transaction. We have involved our internal valuation specialists to review the appropriateness of methodologies applied by management in measuring the fair value of identifiable assets and liabilities assumed, including the identification and valuation of tangible and intangible assets acquired.

For fair valuation of intangible assets, we have considered historical accuracy of management's estimates of profits and the resulting cash flows to derive at fair value of the intangible assets. We have assessed the key assumptions applied in determining the fair value, which comprise the revenue growth rates, gross margins, royalty rates and terminal growth rates, are reasonable by making comparisons to historical trends, taking into consideration the current and expected outlook of economic growth. We also assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.

For fair valuation of tangible assets, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparables used.

The Group's disclosures on acquisition of the subsidiary are included in Note 17 to the financial statements.

Recognition of revenue and cost on property development projects

The revenue and cost of property development projects contributed approximately 64% and 60% respectively of the Group's revenue and cost, which were mainly computed based on stage of completion method. Stage of completion is determined by the proportion of property development cost incurred for work performed to date, to the estimated/budgeted total property development cost. We focused on this area because management made significant judgement in determining the stage of completion, the extent of the property development cost incurred and the estimated/budgeted total property development cost.

We have assessed and tested the design and operating effectiveness of the management's budgeting process. In addition, we have reviewed management's workings on the computation of revenue and cost. Our audit procedures included, amongst others, reviewing the approved budget by agreeing the estimated sales to the signed sales and purchase agreements for sold units and the selling prices for the remaining unsold units, agreeing the estimated construction cost to the awarded contracts, and agreeing the estimated borrowing costs to the bank loan agreements. We have also assessed the completeness of the cost incurred by vouching to the latest progress claims from the contractors, and performed re-computation of the stage of completion. We observed the progress of the projects by performing site visits.

The Group's disclosures on property development activities are included in Note 13(b) to the financial statements.

Impairment review of intangible assets

The Group is required to perform annual impairment test of cash generating unit ("CGU") to which the goodwill has been allocated and intangible assets with indefinite useful life. The Group estimated the recoverable amounts of its CGUs based on either the estimated value-in-use ("VIU") or the fair value less cost to sell ("FVLCTS") of the respective CGU, whichever is higher. The aforementioned impairment review did not give rise to any impairment loss.

The areas that involved significant audit effort and judgement were the possible variations in the basis and assumptions used by the management and valuer in deriving the VIU and FVLCTS of the CGU respectively.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PARAMOUNT CORPORATION BERHAD

In reviewing the VIU of the CGU, we have obtained an understanding of the relevant internal controls over estimating the VIU of the CGU. Our procedures included, amongst others, reviewing the appropriateness of the methodology and approach applied, including historical accuracy of management's estimates of profits (and the resulting cash flows). We have assessed the key assumptions applied in determining the VIU which comprise the revenue growth rates and gross margins are reasonable by making comparisons to historical trends, taking into consideration the current and expected outlook of economic growth. We also assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.

In reviewing the FVLCTS of the CGU, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparables used.

The Group's disclosures on impairment assessment of intangible assets are included in Note 16 to the financial statements.

Impairment review of property, plant and equipment ("PPE")

The Group is required to perform impairment test of CGU whenever there is an indication that the CGU may be impaired. As at 31 December 2017, the Group's subsidiaries, KDU University College Sdn Bhd ("KDUUC") and KDU College (PJ) Sdn Bhd ("KDUPJ") were in loss-making position, thereby indicated potential impairment on their PPE. The PPE of KDUUC and KDUPJ, which mainly consists of the land and buildings, contributed approximately 37% of the Group's PPE. The Group estimated the recoverable amounts of the CGUs based on fair value less to sell. Fair value of the respective CGU is obtained from valuation reports performed by an independent third party valuer. The aforementioned impairment review did not give rise to any impairment loss.

The areas that involved significant audit effort and judgement were the assessment of possible variations in the basis and assumptions used by the valuer in deriving at the fair value of the respective CGU.

In reviewing the FVLCTS of the CGU, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparables used.

The Group's disclosures on PPE are included in Note 12 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PARAMOUNT CORPORATION BERHAD

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PARAMOUNT CORPORATION BERHAD

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Ng Yee Yee
AF: 0039	No. 03176/05/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
30 March 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Revenue	4	758,325	573,141
Other income		110,388	40,590
Property development costs		(339,367)	(247,936)
Construction contract costs		(619)	(5,732)
Employee benefits expense	5	(177,013)	(129,257)
Depreciation and amortisation		(27,458)	(20,812)
Other expenses		(123,111)	(89,587)
Finance costs	7	(18,857)	(7,643)
Share of results of associates		(74)	(287)
Share of results of a joint venture		(45)	-
Profit before tax	8	182,169	112,477
Taxation	9	(31,890)	(23,804)
Profit after tax		150,279	88,673
Profit attributable to:			
Ordinary equity holders of the Company		133,409	75,016
Holders of Private Debt Securities ("PDS") of the Company		13,279	13,657
Non-controlling interest		3,591	-
		150,279	88,673
Earnings per share ("EPS") attributable to ordinary equity holders of the Company (sen)			
- Basic	10(a)	31.46	17.74
- Diluted	10(b)	30.35	17.32

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
Profit net of tax	150,279	88,673
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	(32)	355
Total comprehensive income	150,247	89,028
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	133,377	75,371
Holders of PDS of the Company	13,279	13,657
Non-controlling interest	3,591	-
	150,247	89,028

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment	12	624,924	436,186
Land held for property development	13(a)	800,238	870,967
Investment properties	14	204,787	177,750
Intangible assets	16	163,822	15,674
Investments in associates	18	9,907	10,220
Investment in a joint venture	19	-	45
Other investments	20	310	340
Deferred tax assets	32	31,670	22,611
		1,835,658	1,533,793
Current assets			
Property development costs	13(b)	182,109	76,957
Inventories	21	26,374	28,789
Trade receivables	22	132,323	54,259
Other receivables	23	35,961	16,550
Other current assets	24	140,310	143,269
Tax recoverable		8,177	8,964
Other investments	20	10,047	288
Cash and bank balances	27	141,409	149,176
		676,710	478,252
Non-current assets held for sale	15	5,732	6,666
		682,442	484,918
Total assets		2,518,100	2,018,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Current liabilities			
Borrowings	28	161,170	207,864
Trade payables	29	82,222	80,670
Other payables	30	201,999	103,536
Tax payable		5,058	1,994
Other current liabilities	31	65,131	56,631
		515,580	450,695
Net current assets		166,862	34,223
Non-current liabilities			
Borrowings	28	662,662	428,690
Deferred tax liabilities	32	28,283	4,903
		690,945	433,593
Total liabilities		1,206,525	884,288
Equity			
Share capital	33	305,215	211,467
Reserves		731,578	723,169
Private debt securities	34	199,787	199,787
Non-controlling interest		74,995	-
Total equity		1,311,575	1,134,423
Total equity and liabilities		2,518,100	2,018,711

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Non-distributable			→	Distributable			
	Share capital RM'000	Share premium RM'000	Employee share reserve # RM'000	Translation reserve RM'000	Retained earnings (Note 36) RM'000	Non-controlling interest RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2017	211,467	91,771	4,271	87	627,040	-	199,787	1,134,423
Total comprehensive income	-	-	-	(32)	133,409	3,591	13,279	150,247
Transactions with owners								
Vesting of LTIP shares on 20 March 2017 (Note 35)	1,977	-	(1,977)	-	-	-	-	-
Award of LTIP shares to employees (Note 35)	-	-	4,845	-	-	-	-	4,845
Private debt securities distribution (Note 34)	-	-	-	-	-	-	(13,279)	(13,279)
Dividends (Note 11)	-	-	-	-	(36,065)	-	-	(36,065)
Dividends paid to non-controlling interest	-	-	-	-	-	(3,052)	-	(3,052)
Acquisition of a subsidiary (Note 17)	-	-	-	-	-	74,456	-	74,456
Total transactions with owners	1,977	-	2,868	-	(36,065)	71,404	(13,279)	26,905
	213,444	91,771	7,139	55	724,384	74,995	199,787	1,311,575
Transfer pursuant to S618(2) of CA 2016 *	91,771	(91,771)	-	-	-	-	-	-
At 31 December 2017	305,215	-	7,139	55	724,384	74,995	199,787	1,311,575

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Non-distributable			→	Distributable		
	Share capital RM'000	Share premium RM'000	Employee share reserve # RM'000	Translation reserve RM'000	Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2016	211,132	91,149	1,907	(268)	586,916	199,787	1,090,623
Total comprehensive income	-	-	-	355	75,016	13,657	89,028
Transactions with owners							
Vesting of LTIP shares on 17 March 2016 (Note 35)	335	622	(957)	-	-	-	-
Award of LTIP shares to employees (Note 35)	-	-	3,321	-	-	-	3,321
Private debt securities distribution (Note 34)	-	-	-	-	-	(13,657)	(13,657)
Dividends (Note 11)	-	-	-	-	(34,892)	-	(34,892)
Total transactions with owners	335	622	2,364	-	(34,892)	(13,657)	(45,228)
At 31 December 2016	211,467	91,771	4,271	87	627,040	199,787	1,134,423

This represents reserve relating to the fair valuation of restricted shares and performance-based shares under the Long Term Incentive Plan ("LTIP").

* Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium account shall become part of share capital.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before tax	182,169	112,477
Adjustments for:		
Depreciation of property, plant and equipment	24,374	19,748
Depreciation of investment properties	1,860	1,064
Amortisation of student population	1,224	-
Property, plant and equipment written off	209	144
Impairment of asset held for sale	868	-
Additions of allowance for impairment of receivables	654	55
Reversal of allowance for impairment of receivables	(60)	(364)
Share-based payment	4,845	3,321
Bad debts written off	119	169
Gain on disposal of assets held for sale	(145)	(8,777)
Gain on disposal of property, plant and equipment	(77,863)	(298)
Unrealised foreign exchange (gain)/loss	(14)	(15)
Share of loss of associate	74	287
Share of loss of joint venture	45	-
Net derivative (gain)/loss from interest rate swap	(196)	418
Interest expense	18,857	7,643
Interest income	(3,870)	(2,720)
Operating profit before working capital changes	153,150	133,152
Increase in receivables	(89,427)	(55,337)
Decrease in development properties	64,857	51,956
Decrease/(increase) in inventories	4,161	(27,836)
Increase/(decrease) in payables	32,475	(27,269)
Cash generated from operations	165,216	74,666
Taxes paid	(61,077)	(38,954)
Interest paid	(37,851)	(26,709)
Net cash generated from operating activities	66,288	9,003

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
Cash flows from investing activities		
Acquisition of a subsidiary	(152,235)	-
Addition in course development	(67)	-
Increase in land held for development	(81,460)	(20,202)
Purchase of property, plant and equipment	(49,994)	(20,251)
Purchase of investment properties	(28,817)	(23,129)
Proceeds from disposal of property, plant and equipment	166,478	521
Proceeds from disposal of asset held for sale	211	12,650
Movement in other investments	(9,759)	(9)
Interest received	3,870	2,720
Investment in a joint venture	-	(45)
Net cash used in investing activities	(151,773)	(47,745)
Cash flows from financing activities		
Dividends paid	(36,065)	(34,892)
Dividends paid to non-controlling interest	(3,052)	-
Payment of PDS distribution	(13,279)	(13,657)
Proceeds from issuance of Islamic Medium Term Notes ("iMTN")	30,000	-
Drawdown of borrowings	303,974	115,675
Repayment of borrowings	(183,162)	(55,460)
Placements in banks restricted for use	(17,949)	(2,300)
Net cash generated from financing activities	80,467	9,366
Net decrease in cash and cash equivalents	(5,018)	(29,376)
Cash and cash equivalents at beginning of year	114,445	143,821
Cash and cash equivalents at end of year (Note 27)	109,427	114,445

Note:

(a) Reconciliation of liabilities arising from financing activities:

	RM'000
Borrowings (excluding overdraft)	
At 1 January 2017	607,573
Proceeds from issuance of iMTN	30,000
Drawdown of borrowings	303,974
Repayment of borrowings	(183,162)
Acquisition of a subsidiary	57,164
At 31 December 2017	815,549

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Revenue	4	270,923	142,179
Other income		72	1,220
Employee benefits expense	5	(15,999)	(12,988)
Depreciation		(520)	(637)
Other expenses		(24,938)	(8,044)
Finance costs	7	(15,176)	(9,550)
Profit before tax	8	214,362	112,180
Taxation	9	472	(674)
Profit net of tax, representing total comprehensive income for the year		214,834	111,506
Total comprehensive income attributable to:			
Ordinary equity holders of the Company		201,555	97,849
Holders of PDS of the Company		13,279	13,657
		214,834	111,506

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment	12	1,420	1,827
Investment properties	14	630	645
Investments in subsidiaries	17	914,444	667,776
Investment in a joint venture	19	45	45
Due from subsidiaries	26	204,932	-
Other investments	20	165	165
Deferred tax assets	32	43	-
		1,121,679	670,458
Current assets			
Other receivables	23	4,260	411
Tax recoverable		735	-
Due from subsidiaries	26	345,367	566,478
Other investment	20	10,047	-
Cash and bank balances	27	29,111	646
		389,520	567,535
Total assets		1,511,199	1,237,993
Current liabilities			
Borrowings	28	10,000	53,842
Other payables	30	15,375	4,480
Tax payable		-	216
Due to subsidiaries	26	155,721	157,963
		181,096	216,501
Net current assets		208,424	351,034
Non-current liabilities			
Borrowings	28	138,335	-
Deferred tax liabilities	32	-	59
		138,335	59
Total liabilities		319,431	216,560
Equity			
Share capital	33	305,215	211,467
Reserves		686,766	610,179
Private debt securities	34	199,787	199,787
		1,191,768	1,021,433
Total equity and liabilities		1,511,199	1,237,993

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	← Non-distributable		→	Distributable		
	Share capital RM'000	Share premium RM'000	Employee share reserve # RM'000	Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2017	211,467	91,771	4,271	514,137	199,787	1,021,433
Total comprehensive income	-	-	-	201,555	13,279	214,834
Transactions with owners						
Vesting of LTIP shares on 20 March 2017 (Note 35)	1,977	-	(1,977)	-	-	-
Award of LTIP shares to employees (Note 35)	-	-	4,845	-	-	4,845
Private debt securities distribution (Note 34)	-	-	-	-	(13,279)	(13,279)
Dividends (Note 11)	-	-	-	(36,065)	-	(36,065)
Total transactions with owners	1,977	-	2,868	(36,065)	(13,279)	(44,499)
	213,444	91,771	7,139	679,627	199,787	1,191,768
Transfer pursuant to S618(2) of CA 2016 *	91,771	(91,771)	-	-	-	-
At 31 December 2017	305,215	-	7,139	679,627	199,787	1,191,768
At 1 January 2016	211,132	91,149	1,907	451,180	199,787	955,155
Total comprehensive income	-	-	-	97,849	13,657	111,506
Transactions with owners						
Vesting of LTIP shares on 17 March 2016 (Note 35)	335	622	(957)	-	-	-
Award of LTIP shares to employees (Note 35)	-	-	3,321	-	-	3,321
Private debt securities distribution (Note 34)	-	-	-	-	(13,657)	(13,657)
Dividends (Note 11)	-	-	-	(34,892)	-	(34,892)
Total transactions with owners	335	622	2,364	(34,892)	(13,657)	(45,228)
At 31 December 2016	211,467	91,771	4,271	514,137	199,787	1,021,433

This represents reserve relating to the fair valuation of restricted shares and performance-based shares under the LTIP.

* Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium account shall become part of share capital.

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before tax	214,362	112,180
Adjustments for:		
Depreciation of property, plant and equipment	505	622
Depreciation of investment properties	15	15
Impairment of advances to subsidiaries	11,906	-
Interest expense	15,176	9,550
Impairment of investment in subsidiaries	7,330	4,842
Unrealised foreign exchange loss	16	-
Share-based payment	2,362	1,552
Gain on disposal of property, plant and equipment	(23)	(128)
Dividend income	(229,031)	(101,501)
Interest income	(28,279)	(25,879)
Operating (loss)/profit before working capital changes	(5,661)	1,253
(Increase)/decrease in receivables	(3,849)	1,354
Increase/(decrease) in payables	10,895	(2,030)
Cash generated from operations	1,385	577
Interest paid	(15,176)	(9,550)
Net tax paid	(581)	(492)
Net cash used in operating activities	(14,372)	(9,465)
Cash flows from investing activities		
Interest received	28,279	25,879
Dividends received	229,031	101,501
Investment in an other investment	(10,047)	-
Investment in a joint venture	-	(45)
Changes in subsidiaries balances	4,498	(147,236)
Subscription of ordinary shares in subsidiaries	(10,998)	-
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	(243,000)	-
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	-	1,600
Proceeds from disposal of property, plant and equipment	96	245
Purchase of property, plant and equipment	(171)	(831)
Net cash used in investing activities	(2,312)	(18,887)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM'000	2016 RM'000
Cash flows from financing activities		
Drawdown of borrowings	154,080	35,000
Repayment of borrowings	(40,745)	-
PDS distribution	(13,279)	(13,657)
Placement in banks restricted for use	(2,173)	-
Dividends paid	(36,065)	(34,892)
Net cash generated from/(used in) financing activities	61,818	(13,549)
Net increase/(decrease) in cash and cash equivalents	45,134	(41,901)
Cash and cash equivalents at beginning of year	(18,196)	23,705
Cash and cash equivalents at end of year (Note 27)	26,938	(18,196)

Note:

(a) Reconciliation of liabilities arising from financing activities:

	RM'000
Borrowings (excluding overdraft)	
At 1 January 2017	35,000
Drawdown of borrowings	154,080
Repayment of borrowings	(40,745)
At 31 December 2017	148,335

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 30 March 2018.

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 2016 in Malaysia.

On 15 September 2016, the Companies Act 2016 was enacted and it replaces the Companies Act, 1965 in Malaysia with effect from 31 January 2017. Amongst the key changes introduced in the Companies Act 2016 which have affected the financial statements of the Group and of the Company upon the commencement of the Companies Act 2016 on 31 January 2017 are:

- the removal of authorised share capital;
- the ordinary shares of the Company will cease to have par or nominal value; and
- the Company's share premium will become part of the share capital.

The adoption of Companies Act 2016 has no financial impact on the Group and the Company for the current financial year ended 31 December 2017. The effect of adoption is mainly on the disclosures to the financial statements of the Group and of the Company.

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

2.2 Changes in accounting policies

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017
Annual Improvements to FRS Standards 2014–2016 Cycle - Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12	1 January 2017

Adoption of the above new and amended FRSs did not have any material effect on the financial performance or position of the Group and of the Company, other than as disclosed below.

FRS 107 Disclosure Initiative (Amendments to FRS 107)

The amendments to FRS 107: *Statement of Cash Flows* requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Statement of Cash Flows of the Group and the Company, the application of these amendments has had no impact on the Group and on the Company.

2.3 Standards issued but not yet effective

Malaysian Financial Reporting Standards ("MFRS Framework")

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Malaysian Financial Reporting Standards ("MFRS Framework") (Cont'd.)

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between FRS and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
(ii) Evaluation of any training requirements; and
(iii) Preparation of a conversion plan.

The Group considers the assessment and planning phase to be complete as at the date of this financial statements.

(b) Implementation and review phase

This phase aims to:

(i) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
(ii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework;
(iii) develop disclosures required by the MFRS Framework; and
(iv) develop training programs for the staff.

The Group has not completed its assessment of the financial effects of the differences between FRS and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2.4 Basis of consolidation

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

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

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

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

2.4 Basis of consolidation (Cont'd.)

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

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until that date such control ceases.

The cost of acquisition of a subsidiary consists of consideration transferred, and the amount of any non-controlling interests in the acquiree. The acquisition-related costs are recognised in profit or loss as incurred.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Uniform accounting policies are adopted in the consolidated financial statements for similar transactions and other events in similar circumstances. In the preparation of the consolidated financial statements, the financial statements of all subsidiaries are adjusted for the material effects of dissimilar accounting policies. Intragroup assets and liabilities, equity, income, expenses, unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests represent the equity in subsidiary companies not attributable, direct or indirectly, to the Group which consist of the amount of those non-controlling interests at the date of original combination, and the non-controlling interests' share of changes in the equity since the date of the combination.

Non-controlling interests are presented separately in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

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.

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

2.4 Basis of consolidation (Cont'd.)

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 Investment in subsidiaries

A subsidiary is an entity over which the Company controls and the Company has 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.

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 and joint venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, 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 or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate.

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

2.6 Investment in associates and joint venture (Cont'd.)

Under the equity method, on initial recognition, the investment in an associate or a joint venture 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 or joint venture after the date of acquisition. When the Group's share of losses in the associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The financial statements of the associates and joint venture 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.

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 and joint venture 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 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

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

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

2.7 Intangible assets (Cont'd.)

(a) Goodwill (Cont'd.)

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

(b) Brand names

Brand names acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, brand names are carried at cost less any accumulated impairment losses. Brand names, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of brand names are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(c) Student population

Student population acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, the acquired student population are carried at cost less accumulated amortisation and any accumulated impairment losses. The student population with finite lives are amortised on a striaght-line basis over their economic lives of 11 years, and assessed for impairment whenever there is an indication that the student population may be impaired.

(d) Course development

All research costs and development costs are recognised as an expense when incurred, except for development cost that is part of the cost of a recognised asset, in which case, the cost is capitalised in that recognised asset.

Following initial recognition, the development costs are carried at cost less accumulated amortisation and any accumulated impairment losses. Development costs considered to have finite lives are amortised on a striaght-line basis over their economic lives of of 5 to 10 years, and assessed for impairment whenever there is an indication that the development costs may be impaired.

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.

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

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

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 50 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 and equipment:	10 years
Furniture and fittings:	10 years
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 50 years.

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

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

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

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

2.9 Investment properties (Cont'd.)

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 Non-current assets held for sale

Non-current 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 in accordance with FRS 5: Non-current Assets Held for Sale and Discontinued Operations. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.11 Land held for property development and property development costs (Cont'd.)

(b) Property development costs

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

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

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

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

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

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

2.12 Construction contracts

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

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

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

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

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

2.12 Construction contracts (Cont'd.)

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 stationery and consumables comprise purchase price and directly attributable costs of bringing the inventories to their present location and condition and the cost is determined by using weighted average cost method. Inventories of completed properties comprise relevant cost of land, development expenditure and related interest cost incurred during development period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.14 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.15 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or 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.

Financial assets that are applicable to the Group and the Company are financial assets at fair value through profit or loss and loans and receivables, 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.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(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.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

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

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks 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.

2.19 Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.19 Financial liabilities (Cont'd.)

Financial liabilities are recognised in the statements of financial position when, and only when, the Group or 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.

(ii) Other financial liabilities

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

Trade payables, other payables and due to subsidiaries 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.

Derecognition

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.

<u>Offsetting of financial instruments</u>

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

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 or the Company incurred in connection with the borrowing of funds.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.23 Leases (Cont'd.)

(a) As lessee (Cont'd.)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefits or 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(e).

When the assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

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) Sale of goods

Sales are recognised upon delivery of goods, net of returns and trade discount. These includes sale of educational aids, books and other materials.

(c) Construction contracts

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

(d) Revenue from educational fees

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

(e) Rental income

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.24 Revenue and other income recognition (Cont'd.)

(f) Interest income

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

(g) Dividend income

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

(h) Membership fees

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

(i) Management fees

Management fees are recognised when services are rendered.

2.25 Current and non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:

(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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

2.26 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.

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

2.26 Taxes (Cont'd.)

(b) Deferred tax (Cont'd.)

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.

(c) Goods and service tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

2.27 Employee benefits

(a) Short term benefits

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

(b) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Employee benefits (Cont'd.)

(c) Employee share scheme

Employees of the Group and of the Company receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of shares that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for shares that do not ultimately vest, except for shares where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the shares do not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group, the Company or the employee, this is accounted for as a cancellation.

In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share reserve is transferred to retained earnings upon expiry of the shares. When the shares are vested, the employee share reserve is transferred to share capital if new shares are issued, or to treasury shares if the shares are satisfied by the reissuance of treasury shares.

2.28 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 ("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.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Foreign currencies (Cont'd.)

(b) Foreign currency transactions (Cont'd.)

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

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

(c) Foreign operations

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

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

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.30 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 and of the Company.

2.31 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 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 Fair value measurement

The Group measures financial instruments, such as, derivative at fair value at each reporting date.

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.)

2.32 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

2.33 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached will be met. Government grants related to assets, measured at nominal value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

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 Critical judgements made in applying accounting policies

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

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

The Group and the Company have developed certain criteria based on FRS 140: *Investment Property* 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.

(b) Useful life of brand names and student population

The brand names consist of brand name of R.E.A.L. Education Group Sdn. Bhd. ("R.E.A.L.") and Cambridge English For Life ("CEFL").

The Group considers that the brand names have indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

3.1 Critical judgements made in applying accounting policies (Cont'd.)

(b) Useful life of brand names and student population (Cont'd.)

The acquired student population is recognised separable from goodwil on acquisition of a subsidiary company. The useful life of the acquired student population is estimated to be 11 years, determined based on students study duration covering both primary and secondary education. The estimated useful life of the student population is reviewed periodically.

(c) Financial guarantee contracts

At each reporting date, the Company determines the fair value of the guarantees based on the likelihood of the guaranteed party defaulting within the guaranteed period and estimate the loss exposure (after taking into account of the value of assets pledged for the loans).

For the current financial year, the Company has assessed the financial guarantee contracts and determined that the guarantees are not likely to be called upon by the banks. Financial impact of such guarantees is not material.

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 may 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) Purchase price allocation ("PPA")

Significant estimation is involved in the PPA exercise, particularly on the identification and fair valuation of the tangible and intangible assets. In making the estimates, the Group uses all available information to make the fair value determinations.

During the year, the Group has acquired R.E.A.L. Education Group Sdn. Bhd. and the acquisition has been accounted for as business combinations as disclosed in Note 17.

(b) Property development costs

The Group recognises 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 property development costs incurred for work performed to date to the estimated total property development costs.

Significant estimate 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 estimate, the Group evaluates based on past experience and by relying on the work of specialists.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

3.2 Key sources of estimation uncertainty (Cont'd.)

(c) Impairment of goodwill and brand names

Goodwill and brand names are tested for impairment annually and at other times when indicators exists. This requires an estimation of the fair value less cost to sell ("FVLCTS") or value in use ("VIU") of the cash generating unit ("CGU") to which goodwill and brand names are allocated.

Fair value less cost to sell are undertaken for the impairment assessment. Fair value is obtained from valuation reports performed by an independent third party valuer best on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU 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 brand names, and sensitivity analysis to changes in the assumptions are disclosed in Note 16.

(d) Impairment of property, plant and equipment ("PPE")

The Group assesses whether there are any indicators of impairment for PPE at each reporting date. PPE are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group carried out the impairment test based on the fair value less cost to sell of the PPE. Fair value is obtained from valuation reports performed by an independent third party valuer based on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer. The details of the PPE are disclosed in Note 12.

4. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of properties	518,984	409,124	-	-
Construction contracts	31	9,221	-	-
Educational fees	215,830	152,411	-	-
Sales of goods	18,862	-	-	-
Club membership fee	645	701	-	-
Interest income from:				
- Deposits with licensed banks	305	405	304	402
- Advances to subsidiaries	-	-	27,975	25,477
Dividends from subsidiaries	-	-	229,031	101,501
Management fees from subsidiaries	-	-	13,585	14,747
Rental income on investment properties	3,668	1,279	28	52
	758,325	573,141	270,923	142,179

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	140,016	102,890	10,314	9,209
Contributions to defined contribution plan	16,306	12,563	1,227	1,097
Share-based payment*	4,845	3,321	2,362	1,552
Other benefits	15,846	10,483	2,096	1,130
	177,013	129,257	15,999	12,988

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM8,025,000 (2016: RM6,234,000) and RM6,161,000 (2016: RM4,839,000) respectively.

* During the financial year, the Group granted up to 7,456,600 (2016: 6,063,200) shares to employees and executive directors of the Group under the long term incentive plan ("LTIP"), comprises the restricted share incentive plan and performance-based share incentive plan. Further details are disclosed in Note 35.

6. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive:				
Salaries	2,934	2,832	2,195	2,153
Fees	185	148	185	148
Bonus and other benefits	4,211	2,696	3,286	2,129
Defined contribution plan	695	558	495	409
Executive directors' remuneration excluding benefits-in-kind	8,025	6,234	6,161	4,839
Estimated monetary value of benefits-in-kind	198	215	194	190
	8,223	6,449	6,355	5,029
Non-executive:				
Fees (Note 8)	634	512	614	487
Other emoluments	32	-	28	-
	666	512	642	487
Total	8,889	6,961	6,997	5,516
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	8,025	6,234	6,161	4,839
Total non-executive directors' remuneration excluding benefits-in-kind (Note 8)	666	512	642	487
Total directors' remuneration excluding benefits-in-kind	8,691	6,746	6,803	5,326

6. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration paid by the Group and the Company to each director who served during the financial years ended 31 December 2017 and 31 December 2016 are as follows:

	Salaries, bonus and EPF RM'000	Fees RM'000	Other emoluments* RM'000	Total RM'000
2017				
Directors of the Group				
Executive:				
Dato' Teo Chiang Quan	3,780	115	78	3,973
Chew Sun Teong	2,585	70	1,595	4,250
	6,365	185	1,673	8,223
Non-executive:				
Ong Keng Siew	-	98	4	102
Dato' Rohana Tan Sri Mahmood	-	95	5	100
Datuk Seri Yam Kong Choy	-	95	4	99
Quah Chek Tin	-	115	7	122
Tan Sri Foong Cheng Yuen	-	96	5	101
Quah Poh Keat	-	90	3	93
Dato' Md. Taib bin Abdul Hamid ^	-	45	4	49
	-	634	32	666
Directors of the Company				
Executive:				
Dato' Teo Chiang Quan	1,917	115	73	2,105
Chew Sun Teong	2,585	70	1,595	4,250
	4,502	185	1,668	6,355
Non-executive:				
Ong Keng Siew	-	98	4	102
Dato' Rohana Tan Sri Mahmood	-	85	3	88
Datuk Seri Yam Kong Choy	-	95	4	99
Quah Chek Tin	-	115	7	122
Tan Sri Foong Cheng Yuen	-	86	3	89
Quah Poh Keat	-	90	3	93
Dato' Md. Taib bin Abdul Hamid ^	-	45	4	49
	-	614	28	642

6. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration paid by the Group and the Company to each director who served during the financial years ended 31 December 2017 and 31 December 2016 are as follows (Cont'd.):

	Salaries, bonus and EPF RM'000	Fees RM'000	Other emoluments* RM'000	Total RM'000
2016				
Directors of the Group				
Executive:				
Dato' Teo Chiang Quan	2,957	88	95	3,140
Chew Sun Teong	2,190	60	1,059	3,309
	5,147	148	1,154	6,449
Non-executive:				
Ong Keng Siew	-	72	-	72
Dato' Rohana Tan Sri Mahmood	-	80	-	80
Datuk Seri Yam Kong Choy	-	78	-	78
Quah Chek Tin	-	99	-	99
Tan Sri Foong Cheng Yuen	-	41	-	41
Quah Poh Keat	-	34	-	34
Dato' Md. Taib bin Abdul Hamid	-	98	-	98
	-	502	-	502
Directors of the Company				
Executive:				
Dato' Teo Chiang Quan	1,562	88	70	1,720
Chew Sun Teong	2,190	60	1,059	3,309
	3,752	148	1,129	5,029
Non-executive:				
Ong Keng Siew	-	72	-	72
Dato' Rohana Tan Sri Mahmood	-	70	-	70
Datuk Seri Yam Kong Choy	-	78	-	78
Quah Chek Tin	-	99	-	99
Tan Sri Foong Cheng Yuen	-	36	-	36
Quah Poh Keat	-	34	-	34
Dato' Md. Taib bin Abdul Hamid	-	98	-	98
	-	487	-	487

* Included in other emoluments are allowances and benefits-in-kind.

^ This represents the remuneration paid to this Director until the expiry of his tenure as a Director on 18 May 2017.

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7. FINANCE COSTS

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense on:				
- Term loans	23,016	20,656	5,032	-
- Islamic Medium Term Notes (iMTN)	6,333	5,067	-	-
- Other borrowings	8,502	1,100	2,597	639
- Advances from subsidiaries	-	-	7,547	8,911
	37,851	26,823	15,176	9,550
Less: Interest expense capitalised in:				
- Investment properties (Note 14)	(80)	(959)	-	-
- Capital work-in-progress (Note 12(b))	(1,094)	-	-	-
- Land held for property development (Note 13)	(13,207)	(15,017)	-	-
- Property development costs (Note 13)	(4,613)	(3,204)	-	-
	18,857	7,643	15,176	9,550

8. PROFIT BEFORE TAX

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-executive directors' remuneration (Note 6)	666	512	642	487
Auditors' remuneration				
- statutory audit	620	413	110	105
Operating lease:				
- minimum lease payments for premises	8,880	2,813	852	681
- minimum lease payments for equipment	1,114	1,180	-	-
Direct operating expenses of investment properties	17	32	7	5
Impairment of assets held for sale (Note 15)	868	-	-	-
Depreciation of:				
- property, plant and equipment	24,374	19,748	505	622
- investment properties	1,860	1,064	15	15
Amortisation of intangible assets (Note 16)	1,224	-	-	-
Property, plant and equipment written off	209	144	-	-

8. PROFIT BEFORE TAX (CONT'D.)

The following items have been included in arriving at profit before tax: (Cont'd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gain on disposal of:				
- assets held for sale	(145)	(8,777)	-	-
- property, plant and equipment	(77,863)	(298)	(23)	(128)
Allowance for impairment of advances to subsidiaries (Note 26)	-	-	11,906	-
Additions of allowance for impairment of receivables (Notes 22 and 23)	654	55	-	-
Reversal of allowance for impairment of receivables (Notes 22 and 23)	(60)	(364)	-	-
Bad debts written off	119	169	-	-
Impairment of investment in subsidiaries	-	-	7,330	4,842
Bad debts recovered	(5)	-	-	-
Interest income from:				
- deposits with licensed banks	(3,870)	(2,720)	(304)	(402)
- advances to subsidiaries	-	-	(27,975)	(25,477)
Rental income	(6,723)	(7,214)	-	-
Net foreign exchange gain:				
- realised	(334)	(460)	-	-
- unrealised	(14)	(15)	(16)	-
Net derivative (gain)/loss on interest rate swaps	(196)	418	-	-

During the financial year, the Group recognised a net gain of RM196,000 (2016: net loss of RM418,000) 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 41.

9. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
Malaysian income tax	46,042	30,571	594	792
Under/(over) provision in prior years	13,483	(2,009)	(964)	(137)
Real property gains tax	7	408	-	-
	59,532	28,970	(370)	655
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(9,084)	(2,850)	(75)	(55)
(Over)/under provision in prior years	(18,558)	(2,316)	(27)	74
	(27,642)	(5,166)	(102)	19
Taxation	31,890	23,804	(472)	674

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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 2017 and 2016 are as follows:

	2017 RM'000	2016 RM'000
Group		
Profit before tax	182,169	112,477
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	43,721	26,994
Effect of share of results of associates and a joint venture	29	69
Income not subject to tax	(19,497)	(92)
Effect of utilisation of tax incentive	-	(5,000)
Effect of tax reduction on incremental business income	(1,112)	-
Effect of PDS's distribution deductible for tax purposes	(3,187)	(3,278)
Effect of income subject to real property gains tax	(28)	(1,676)
Expenses not deductible for tax purposes	14,630	9,403
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	2,409	1,709
Over provision of deferred tax in prior years	(18,558)	(2,316)
Under/(over) provision of current income tax in prior years	13,483	(2,009)
Taxation	31,890	23,804

NOTES TO THE FINANCIAL STATEMENTS
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9. TAXATION (CONT'D.)

	2017 RM'000	2016 RM'000
Company		
Profit before tax	214,362	112,180
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	51,447	26,923
Income not subject to tax	(54,979)	(24,653)
Effect of PDS's distribution deductible for tax purposes	(3,187)	(3,278)
Expenses not deductible for tax purposes	7,238	1,745
(Over)/under provision of deferred tax in prior years	(27)	74
Over provision of current income tax in prior years	(964)	(137)
Taxation	(472)	674

10. EARNINGS PER SHARE

(a) Basic

	Group	
	2017	2016
Profit attributable to ordinary equity holders of the Company (RM'000)	133,409	75,016
Issued ordinary shares at beginning of the year ('000)	422,934	422,265
Effect of vesting of LTIP shares ('000)	1,135	558
Weighted average number of ordinary shares in issue ('000)	424,069	422,823
Basic earnings per share (sen)	31.46	17.74

(b) Diluted

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the dilutive instruments of the Group.

	Group	
	2017	2016
Profit attributable to ordinary equity holders of the Company (RM'000)	133,409	75,016
Weighted average number of ordinary shares in issue ('000)	424,069	422,823
Dilutive effect on shares issued from the LTIP ('000)	15,490	10,378
Adjusted weighted average number of ordinary shares ('000)	439,559	433,201
Diluted earnings per share (sen)	30.35	17.32

NOTES TO THE FINANCIAL STATEMENTS
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11. DIVIDENDS

	Amount		Net dividends paid per ordinary share	
	2017 RM'000	2016 RM'000	2017 Sen	2016 Sen
Recognised during the year:				
For the financial year ended 31 December 2017				
Interim single tier dividend of 2.5 sen	10,607	-	2.50	-
For the financial year ended 31 December 2016				
Interim single tier dividend of 2.5 sen	-	10,573	-	2.50
Final single tier dividend of 6.0 sen	25,458	-	6.00	-
For the financial year ended 31 December 2015				
Final single tier dividend of 5.75 sen	-	24,319	-	5.75
	36,065	34,892	8.50	8.25

On 27 February 2018, the Company has declared a single tier special dividend of 7.50 sen per share, in respect of the financial year ended 31 December 2017 on 428,271,920 ordinary shares, amounting to a dividend payable of RM32,120,000 will be payable on 28 March 2018.

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2017 on 428,271,920 ordinary shares, amounting to a dividend payable of RM25,696,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2018.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Group			
Cost			
At 1 January 2016	418,664	154,351	573,015
Additions	13,099	7,152	20,251
Transfer from land held for development (Note 13(a))	961	-	961
Disposals	-	(1,847)	(1,847)
Write-off	-	(2,269)	(2,269)
At 31 December 2016	432,724	157,387	590,111
Additions	43,158	7,930	51,088
Acquisition of a subsidiary	243,110	58,652	301,762
Disposals	(100,565)	(6,059)	(106,624)
Write-off	(33)	(1,010)	(1,043)
At 31 December 2017	618,394	216,900	835,294
Accumulated depreciation and impairment			
At 1 January 2016	35,591	102,335	137,926
Depreciation charge for the year (Note 8)	6,261	13,487	19,748
Disposals	-	(1,624)	(1,624)
Write-off	-	(2,125)	(2,125)
At 31 December 2016	41,852	112,073	153,925
Depreciation charge for the year (Note 8)	8,451	15,923	24,374
Acquisition of a subsidiary	15,997	34,917	50,914
Disposals	(14,939)	(3,070)	(18,009)
Write-off	-	(834)	(834)
At 31 December 2017	51,361	159,009	210,370
Net carrying amount			
At 31 December 2017	567,033	57,891	624,924
At 31 December 2016	390,872	45,314	436,186

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

*** Land and building**

	Freehold land RM'000	Long term leasehold land and buildings RM'000	Freehold buildings RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost					
At 1 January 2016	47,887	100,802	232,867	37,108	418,664
Additions	978	-	659	11,462	13,099
Transfer from land held for development (Note 13(a))	961	-	-	-	961
At 31 December 2016	49,826	100,802	233,526	48,570	432,724
Additions	2,648	-	4,948	35,562	43,158
Acquisition of a subsidiary	72,027	83,140	86,918	1,025	243,110
Disposal	-	(100,565)	-	-	(100,565)
Write-off	-	-	(33)	-	(33)
At 31 December 2017	124,501	83,377	325,359	85,157	618,394
Accumulated depreciation					
At 1 January 2016	-	12,779	22,812	-	35,591
Depreciation charge for the year	-	1,317	4,944	-	6,261
At 31 December 2016	-	14,096	27,756	-	41,852
Depreciation charge for the year	-	1,719	6,732	-	8,451
Acquisition of a subsidiary	-	7,266	8,731	-	15,997
Disposals	-	(14,939)	-	-	(14,939)
At 31 December 2017	-	8,142	43,219	-	51,361
Net carrying amount					
At 31 December 2017	124,501	75,235	282,140	85,157	567,033
At 31 December 2016	49,826	86,706	205,770	48,570	390,872

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

Company	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Cost	
At 1 January 2016	4,206
Additions	831
Disposals	(684)
Write-off	(79)
At 31 December 2016	4,274
Additions	171
Disposals	(328)
At 31 December 2017	4,117
Accumulated depreciation	
At 1 January 2016	2,471
Depreciation charge for the year (Note 8)	622
Disposals	(567)
Write-off	(79)
At 31 December 2016	2,447
Depreciation charge for the year (Note 8)	505
Disposals	(255)
At 31 December 2017	2,697
Net carrying amount	
At 31 December 2017	1,420
At 31 December 2016	1,827

(a) The freehold land and building with carrying value of RM 228,015,000 (2016: RM207,615,000) has been pledged as security for borrowings as disclosed in Note 28.

(b) The Group's capital work-in-progress includes borrowing costs capitalised arising from borrowings drawndown 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 RM1,094,000 (2016: RM Nil).

(c) During the financial year, Sri KDU Sdn. Bhd., a wholly-owned subsidiary of the Group, disposed its leasehold land and buildings to Alpha Real Estate Investment Trust ("Alpha REIT") for a total consideration of RM165,000,000 via a sale and leaseback agreement. The disposal is deemed completed on 29 September 2017, and the leaseback commenced on 30 September 2017.

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2017 RM'000	2016 RM'000
Freehold land		
At 1 January	587,958	603,842
Additions	-	6,424
Transfer to property, plant and equipment (Note 12)	-	(249)
Transfer to investment properties (Note 14)	-	(169)
Transfer to property development costs (Note 13(b))	(69,762)	(21,890)
At 31 December	518,196	587,958
Leasehold land		
At 1 January	65,828	65,828
Transfer to property development costs (Note 13(b))	(1,988)	-
At 31 December	63,840	65,828
Development costs		
At 1 January	217,181	167,725
Costs incurred during the financial year	94,667	80,820
Transfer to property, plant and equipment (Note 12)	-	(712)
Transfer to investment properties (Note 14)	-	(517)
Transfer to property development costs (Note 13(b))	(93,646)	(30,135)
At 31 December	218,202	217,181
Carrying amount at 31 December	800,238	870,967

(b) Property development costs, at cost

	Group	
	2017 RM'000	2016 RM'000
Freehold land		
At 1 January	205,943	192,307
Transfer from land held for property development (Note 13(a))	69,762	21,890
Transfer to inventories	(438)	(8,254)
At 31 December	275,267	205,943

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

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

	Group	
	2017 RM'000	2016 RM'000
Leasehold land		
At 1 January	-	-
Transfer from land held for property development (Note 13(a))	1,988	-
Transfer to inventories	(1,988)	-
At 31 December	-	-
Cumulative property development costs		
At 1 January	1,439,879	1,254,291
Cost incurred during the year	274,790	175,035
Transfer from land held for property development (Note 13(a))	93,646	30,135
Transfer to inventories	(17,456)	(19,582)
At 31 December	1,790,859	1,439,879
Cumulative costs recognised in income statement		
At 1 January	(1,568,865)	(1,320,888)
Recognised during the financial year	(315,152)	(247,977)
At 31 December	(1,884,017)	(1,568,865)
Property development costs at 31 December	182,109	76,957

The freehold land held for property development with carrying value of RM614,977,000 (2016: RM494,815,000) has been pledged as security for term loans as disclosed in Note 28.

The Group's land held for property development and property development costs include borrowing costs arising from borrowings drawndown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under land held for property development and property development costs amounted to RM13,207,000 (2016: RM15,017,000) and RM4,613,000 (2016: RM3,204,000) respectively.

14. INVESTMENT PROPERTIES

Group	Buildings RM'000	Freehold land RM'000	Investment properties under construction RM'000	Total RM'000
Cost				
At 1 January 2016	1,382	2,835	150,143	154,360
Additions	-	-	24,088	24,088
Transfer from land held for development (Note 13(a))	-	-	686	686
Reclassification	91,514	6,436	(97,950)	-
At 31 December 2016	92,896	9,271	76,967	179,134
Additions	4,837	-	24,060	28,897
At 31 December 2017	97,733	9,271	101,027	208,031
Accumulated depreciation and impairment losses				
At 1 January 2016	320	-	-	320
Depreciation charge for the year (Note 8)	1,064	-	-	1,064
At 31 December 2016	1,384	-	-	1,384
Depreciation charge for the year (Note 8)	1,860	-	-	1,860
At 31 December 2017	3,244	-	-	3,244
Net carrying amount				
At 31 December 2017	94,489	9,271	101,027	204,787
At 31 December 2016	91,512	9,271	76,967	177,750

14. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
Cost	
At 1 January 2016/31 December 2016/31 December 2017	750
Accumulated depreciation	
At 1 January 2016	90
Depreciation charge for the year (Note 8)	15
At 31 December 2016	105
Depreciation charge for the year (Note 8)	15
At 31 December 2017	120
Net carrying amount	
At 31 December 2017	630
At 31 December 2016	645

The freehold land and buildings of the Group with carrying value of RM 69,182,000 (2016: RM148,881,000) has been pledged as security for term loans as disclosed in Note 28.

The fair value of the investment properties of the Group and of the Company were estimated based on valuation performed by independent third party valuers. Details of the fair value, valuation techniques and inputs used are disclosed in Note 41.

The Group's investment properties under construction include borrowing costs arising from borrowings drawndown specifically for the purpose of the construction of the investment properties. During the financial year, the borrowing costs capitalised amounted to RM80,000 (2016: RM959,000). The Group ceased to capitalise the borrowing costs upon substantial completion of the construction of the investment properties.

15. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent property, plant and equipment and investment properties owned by the Group and are carried at cost less accumulated impairment losses.

Group	RM'000
Carrying amount	
At 1 January 2016	10,539
Disposals	(3,873)
At 31 December 2016	6,666
Disposals	(66)
Impairment loss (Note 8)	(868)
At 31 December 2017	5,732

16. INTANGIBLE ASSETS

Group

	Goodwill RM'000	Brand names RM'000	Student population RM'000	Course development RM'000	Total RM'000
2017					
At 1 January 2017	15,674	-	-	-	15,674
Arising from acquisition of subsidiary (Note 17)	57,299	73,863	17,885	258	149,305
Additions	-	-	-	67	67
Amortisation for the year (Note 8)	-	-	(1,219)	(5)	(1,224)
At 31 December 2017	72,973	73,863	16,666	320	163,822
2016					
At 1 January 2016/ 31 December 2016	15,674	-	-	-	15,674

16. INTANGIBLE ASSETS (CONT'D.)

Impairment test on goodwill and brand names:

(1) Allocation of goodwil and brand names

Goodwill and brand names are allocated to the Group's education business segment.

(2) Key assumptions used in VIU calculation and FVLCTS of CGUs

The recoverable amounts of CGUs are determined based on the higher of VIU or FVLCTS of the respective CGUs. VIU is calculated using cash flow projections based on financial budgets approved by management covering a three-year period. FVLCTS is estimated based on the best information available in an active market to reflect the amount obtainable in an arm's length transaction, less costs to sell.

The following describes key assumptions on which management based its cash flow projections for VIU calculations or FVLCTS of the CGUs to undertake impairment test of the goodwill and brand names:

Value in use

(a) Discount rates
The discount rates used for identified CGUs reflect the specific risks relating to the relevant business segment. The post-tax discount rates, applied to post-tax cash flows, used for identified CGUs are 12.0%.

(b) Budgeted gross margin and growth rate
The basis used to determine the value assigned to the budgeted gross margin is the average gross margin and average growth rate achieved in the years before the budgeted year, adjusted for market and economic conditions and internal resource efficiency.

(c) Terminal growth rates
Terminal growth rates used for identified CGUs are based on the average anticipated growth rate of the respective economies. The range of terminal growth rate used for identified CGUs is between 1.0% to 1.5%.

Fair value less costs to sell

The fair value is estimated based on observable market prices of recent transactions of similar assets within the similar locations.

(3) Sensitivity to changes in assumptions

Management believes that no reasonably possible change in the assumptions used which would cause the carrying values of the CGU allocated to goodwill and brand names to materially exceed its recoverable amounts.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	314,349	303,351
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	702,230	459,230
Less: Declaration of surplus of assets	(35,400)	(35,400)
Less: Accumulated impairment losses	(66,735)	(59,405)
	914,444	667,776

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 at a conversion rate to be determined by the issuer.

Declaration of surplus of assets is in relation to member's voluntary winding-up of Paramount Projects Sdn Bhd and Paramount Global Assets Sdn Bhd on 12 July 2016 and 8 September 2016 respectively.

During the current financial year, the Company performed an impairment review of its investments in certain subsidiaries, where the carrying amount of investments exceeded its share of net assets in the respective subsidiary companies at the reporting date. The review gave rise to the recognition of an impairment loss of investment in subsidiaries of RM7,330,000 (2016: RM4,842,000) as disclosed in Note 8.

The unquoted shares held by the Company with carrying value of RM192,000,000 (2016: RM Nil) has been pledged as security for term loan as disclosed in Note 28.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as at 31 December 2017 and 2016 are as follows:

Name of subsidiaries	Effective interest 2017 %	Effective interest 2016 %	Share capital '000	Principal activities
Incorporated in Malaysia				
Berkeley Sdn. Bhd.	100	100	RM5,000	Investment holding and property development
Berkeley Maju Sdn. Bhd.	100	100	RM5,000	Property investment
Paramount Engineering & Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Construction Sdn. Bhd.	100	100	RM5,000	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	In the process of winding-up
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
Sri KDU Sdn. Bhd. (Formerly known as 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	In the process of winding-up
Paramount Utropolis Retail Sdn. Bhd.	100	100	RM5,000	Property investment and management
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management of educational services
Paramount Property Development Sdn. Bhd.	100	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	100	100	RM5,000	Inactive
Broad Projects Sdn. Bhd.	100	100	RM5,000	Investment holding and car park operator
KDU College (PJ) Sdn. Bhd.	100	100	RM5,000	Educational services
KDU University 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

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Effective interest 2017 %	Effective interest 2016 %	Share capital '000	Principal activities
Utropolis Sdn. Bhd.	100	100	RM1	Inactive
Paramount Property (PG) Sdn. Bhd.	100	100	RM5,000	Property development
Carp Legacy Sdn. Bhd.	100	100	RM5,000	Investment holding and car park operator
Paramount Property (PW) Sdn. Bhd.	100	100	RM5,000	Property development and investment holding
Paramount Construction (PG) Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Property (Sepang) Sdn. Bhd.	100	100	RM5,000	Property development
Paramount Education (Klang) Sdn. Bhd.	100	100	RM1,000	Inactive
Paramount Coworking Sdn. Bhd.	100	100	RM1,000	Providing co-working spaces and incubator-related services
Paramount Property (Lakeside) Sdn. Bhd.	100	-	***	Inactive
Paramount Education Sdn. Bhd.	100	-	RM10,000	Investment holding
Aneka Sepakat Sdn. Bhd.	100	-	****	Inactive
Paramount Capital Resources Sdn. Bhd.	100	-	***	Inactive
R.E.A.L. Education Group Sdn. Bhd.	66	-	RM10,813	Educational services
R.E.A.L. Kids (Ampang) Sdn. Bhd.	66	-	RM200	Educational services
R.E.A.L. Education Corporation Sdn. Bhd.	66	-	RM350	Educational services
Cambridge Education For Life Sdn. Bhd.	53	-	RM1,000	Investment holding
R.E.A.L. Education International Sdn. Bhd.	66	-	RM1,500	Inactive
Cambridge Children's House Sdn. Bhd.	66	-	*	Inactive
Cambridge English For Life Sdn. Bhd.	53	-	RM100	Educational services
Incorporated in Commonwealth of Australia				
Paramount Global Investments Pty. Ltd.	100	100	**	Investment holding
Paramount Investments & Properties Pty. Ltd.	100	100	**	Investment holding

* Share capital of RM2
** Share capital of AUD2
*** Share capital of RM100
**** Share capital of RM1
AUD Represents currency denoted in Australian Dollars

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.1 Acquisition or incorporation of subsidiary companies

(i) On 7 February 2017, the Company incorporated Paramount Education Sdn. Bhd. with a share capital of RM100 represented by 100 ordinary shares.

(ii) During the financial year, Paramount Education Sdn. Bhd., a wholly-owned subsidiary of the Group, completed the acquisition of 66% equity interest in R.E.A.L. Education Group Sdn. Bhd. ("R.E.A.L. Group") for a total acquisition cost of RM192 million. The acquisition cost comprises RM183 million paid/payable directly to the vendor and RM9 million paid to Credit Suisses (Singapore) Limited based on the payment arrangement agreed with the vendor.

The fair values of the assets and liabilities of the acquired subsidiary at the date of acquisition were as follows:

Group	RM'000
Non-current assets	251,106
- Property, plant and equipment	250,848
- Course development (Note 16)	258
Current assets	47,233
- Trade and other receivables	5,802
- Cash and bank balances	39,685
- Other current assets	1,746
Non-current liabilities	(72,051)
- Borrowings	(52,108)
- Deferred tax liabilities	(19,943)
Current liabilities	(86,939)
- Borrowings	(5,056)
- Trade and other payables	(76,487)
- Other current liabilities	(5,396)
Net assets acquired	139,349
Less: Non-controlling interest	(74,456)
Group's share of net assets	64,893
Brand names (Note 16)	73,863
Student population (Note 16)	17,885
Deferred tax effects relating to the fair value adjustments on brand names and student population	(22,020)
Goodwill on consolidation (Note 16)	57,299
Total cost of acquisition	191,920

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.1 Acquisition or incorporation of subsidiary companies (Cont'd.)

(ii) The net cash flows on acquisition were as follows:

Group	RM'000
Purchase consideration satisfied by cash	191,920
Cash and cash equivalent of subsidiary acquired	(39,685)
Net cash outflow on acquisition of subsidiary at the date of acquisition	152,235

(iii) On 13 December 2017, the Company acquired Aneka Sepakat Sdn. Bhd. with a share capital of RM1 represented by 1 ordinary share.

(iv) On 14 December 2017, the Company incorporated Paramount Property (Lakeside) Sdn. Bhd. with a share capital of RM100 represented by 100 ordinary shares.

(v) On 29 December 2017, the Company incorporated Paramount Capital Resources Sdn. Bhd. with a share capital of RM100 represented by 100 ordinary shares.

17.2 Subsidiary with non-controlling interest

The equity interests held by non-controlling interest are as follows:

	Equity interest held by non-controlling interest	
	2017	2016
	%	%
R.E.A.L. Group	34	-

Summarised financial information of the subsidiary which has non-controlling interest to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination and after modifying for fair value adjustments arising from business combination.

Group At 31 December 2017	RM'000
Non-current assets	341,858
Current assets	40,367
Non-current liabilities	(102,006)
Current liabilities	(69,446)
Net assets	210,773

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.2 Subsidiary with non-controlling interest (Cont'd.)

Group **At 31 December 2017**	**RM'000**
Equity attributable to equity holder of parent	135,778
Non-controlling interest	74,995
Total equity	210,773
Year ended 31 December 2017	
Revenue	79,108
Total comprehensive income for the year	10,193
Total comprehensive income attributable to:	
- Owners of the parent	6,602
- Non-controlling interest	3,591
	10,193
Net cash generated from:	
Operating activities	13,218
Investing activities	(18,009)
Financing activities	(828)
Net change in cash and cash equivalents	(5,619)
Dividends paid to non-controlling interest	(3,052)

18. INVESTMENTS IN ASSOCIATES

	Group	
	2017 **RM'000**	**2016** **RM'000**
Unquoted shares, at cost	10,978	10,978
Share of post-acquisition reserves	(1,071)	(758)
	9,907	10,220

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

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

	Group	
	2017 RM'000	2016 RM'000
Assets and liabilities		
Current assets, representing total assets	26,340	27,090
Current liabilities, representing total liabilities	(6,527)	(6,650)
Results		
Revenue	13	15
Loss for the year	(148)	(574)

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation loss of RM239,000 (2016: foreign currency translation gain of RM356,000).

Reconciliation of net assets to carrying amount as at 31 December:

	Group	
	2017 RM'000	2016 RM'000
Net assets	19,813	20,440
Interest in associates	50%	50%
Group's share of net assets, representing carrying amount of investment in associates	9,907	10,220

Details of the associates are as follows:

Name of associates	Effective Interest 2017 %	Effective Interest 2016 %	Share capital '000	Principal activities
Incorporated in Malaysia				
Pusat Bahasa Cambridge English For Life Sdn. Bhd.	20	-	RM50	Educational Services
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.

** Share capital of AUD2

AUD Represents currency denoted in Australian Dollars

19. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	45	45	45	45
Share of post-acquisition reserves	(45)	-	-	-
	-	45	45	45

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

Assets and liabilities	2017 RM'000	2016 RM'000
Total assets	1,660	100
Total liabilities	(1,810)	-
Results		
Revenue	-	-
Loss for the year	(250)	-

Reconciliation of net assets to carrying amount as at 31 December:

	2017 RM'000	2016 RM'000
Net assets	(150)	100
Interest in joint venture	45%	45%
Group's share of net (liabilities)/assets	(68)	45
Unrecognised share of losses	68	-
Carrying amount of investment in joint venture	-	45

The Group has discontinued the recognition of its share of losses of the joint venture because the share of losses of the joint venture has exceeded the Group's interest in the joint venture. As at the reporting date, the Group's cumulative unrecognised share of losses in the joint venture amounted to RM68,000 (2016: RM Nil), which exceeded the Group's interest in the joint venture.

19. INVESTMENT IN A JOINT VENTURE (CONT'D.)

Details of the joint venture are as follows:

Name of joint venture	Effective Interest 2017 %	Effective Interest 2016 %	Share capital '000	Principal activities
Incorporated in Malaysia				
Super Ace Resources Sdn. Bhd.*	45	45	RM100	Inactive

* Equity accounted based on management financial statements. The financial year end of the joint venture is coterminous with the financial year end of the Group.

20. OTHER INVESTMENTS

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current:				
Club memberships, at cost	310	483	165	165
Less: Accumulated impairment losses	-	(143)	-	-
	310	340	165	165
Current:				
Proceeds Account	-	33	-	-
Finance Service Reserve Account ("FSRA")	-	1	-	-
Short-term investment	10,047	254	10,047	-
	10,047	288	10,047	-
	10,357	628	10,212	165

Short-term investment comprises fund investment carried at fair value.

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21. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
At costs:		
Completed properties	23,305	28,789
Stationery and consumables	3,069	-
	26,374	28,789

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM343,329,000 (2016: RM247,936,000).

22. TRADE RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Third parties	88,497	27,444
Stakeholders' sum	44,511	25,784
Retention sums on contracts	-	1,230
	133,008	54,458
Less: Allowance for impairment	(685)	(199)
Trade receivables, net	132,323	54,259

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2016: 14 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

22. TRADE RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	75,292	38,261
1 to 30 days past due not impaired	20,463	10,010
31 to 60 days past due not impaired	9,522	2,261
61 to 90 days past due not impaired	2,880	1,242
91 to 120 days past due not impaired	7,649	2,354
More than 121 days past due not impaired	16,517	131
	57,031	15,998
Impaired	685	199
	133,008	54,458

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy 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 amounted to RM57,031,000 (2016: RM15,998,000). There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

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22. TRADE RECEIVABLES (CONT'D.)

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	
	2017 RM'000	**2016 RM'000**
Trade receivables - nominal amount	685	199
Less: Allowance for impairment	(685)	(199)
	-	-

Movement in allowance accounts:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	199	562
Addition during the year (Note 8)	630	35
Reversal for the year (Note 8)	(59)	(336)
Written off during the year	(85)	(62)
At 31 December	685	199

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.

23. OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits	25,559	13,037	3,434	355
Sundry receivables	9,621	3,553	16	56
Amount due from joint venture	810	-	810	-
	35,990	16,590	4,260	411
Less: Allowance for impairment	(29)	(40)	-	-
Other receivables, net	35,961	16,550	4,260	411

Movement in allowance accounts:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	40	48
Addition during the year (Note 8)	24	20
Reversal during the year (Note 8)	(1)	(28)
Written off during the year	(34)	-
At 31 December	29	40

24. OTHER CURRENT ASSETS

	Group	
	2017 RM'000	2016 RM'000
Prepaid expenses	13,629	4,720
Accrued billings in respect of property development costs	126,681	136,929
Due from customers on contracts (Note 25)	-	1,620
	140,310	143,269

25. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2017 RM'000	2016 RM'000
Construction costs incurred to date	1,037,509	1,681,077
Less: Reversal for completed projects	(1,037,509)	(597,525)
Construction contract costs incurred to date for contracts in progress	-	1,083,552
Attributable profits	69,842	95,881
Less: Reversal for completed projects	(69,842)	(38,471)
Attributable profits to date for contracts in progress	-	57,410
	-	1,140,962
Less: Progress billings	(1,106,881)	(1,776,813)
Add: Reversal for completed projects	1,106,881	635,996
Progress billings to date for contracts in progress	-	(1,140,817)
	-	145
Due from customers on contracts (Note 24)	-	1,620
Due to customers on contracts (Note 31)	-	(1,475)
	-	145

26. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest of 4.70% to 6.50% (2016: 4.70% to 6.50%) per annum.

	Company	
	2017 RM'000	2016 RM'000
Due from subsidiaries	562,205	566,478
Less: Allowance for impairment	(11,906)	-
	550,299	566,478
Due to subsidiaries	155,721	157,963

26. DUE FROM/(TO) SUBSIDIARIES (CONT'D.)

Movement in allowance accounts:

	RM'000
At 1 January 2017	-
Addition during the year (Note 8)	11,906
At 31 December 2017	11,906

27. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks	86,148	96,512	3,366	614
Deposits with licensed banks	55,261	52,664	25,745	32
Cash and bank balances	141,409	149,176	29,111	646
Cash and bank balances restricted for use	(6,476)	(756)	(2,139)	-
Deposits restricted for use	(5,139)	(4,994)	(34)	-
Deposits maturing more than 3 months from reporting date	(12,084)	-	-	-
Bank overdraft (Note 28)	(8,283)	(28,981)	-	(18,842)
Cash and cash equivalents	109,427	114,445	26,938	(18,196)

Included in cash and cash equivalents of the Group are amounts of RM45,642,000 (2016: RM74,317,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966. Also, included in cash and bank balances of the Group are amount of RM1,091,000 (2016: RM756,000) in relation to sinking fund held in trust until the formation of Joint Management Body ("JMB"), which are restricted in usage.

Included in deposits with licensed banks and cash and bank balances restricted for use of the Group are amount of RM5,385,000 and RM5,139,000 respectively (2016: RM4,994,000) in the Financial Service Reserve Account ("FSRA") and Debt Service Reserve Account ("DSRA") which are restricted in usage and do not form part of cash and cash equivalents. The FSRA is secured against the Sukuk Programmes and term loans as disclosed in Note 28.

Included in cash on hand and at banks of the Group and of the Company are interest-bearing bank balances amounting to RM27,890,000 (2016: RM11,393,000) and RM1,159,000 (2016: RM554,000) which bear interest ranging from 1.23% to 4.85% (2016: 1.50% to 2.50%) per annum.

Deposits with licensed banks are made for varying periods of between 1 day and 12 months (2016: 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 2017 for the Group and the Company were 1.95% to 4.07% (2016: 1.50% to 4.00%) per annum and 2.90% to 3.56% (2016: 1.50% to 4.00%) per annum respectively.

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

28. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Unsecured:				
Bank overdraft - Floating rate (Note 27)	-	18,842	-	18,842
Revolving credit - Floating rate	10,000	35,000	10,000	35,000
	10,000	53,842	10,000	53,842
Secured:				
Bank overdraft - Floating rate (Note 27)	8,283	10,139	-	-
Revolving credit - Floating rate	41,713	15,344	-	-
Term loans - Floating rate	101,174	128,539	-	-
	151,170	154,022	-	-
	161,170	207,864	10,000	53,842
Non-current				
Secured:				
Term loans - Floating rate	533,996	328,928	138,335	-
iMTN Sukuk programmes - Floating rate	128,666	99,762	-	-
	662,662	428,690	138,335	-
Total	823,832	636,554	148,335	53,842

The maturities of the borrowings as at 31 December 2017 and 31 December 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	161,170	207,864	10,000	53,842
More than 1 year but not later than 2 years	51,541	58,298	27,675	-
More than 2 years but not later than 5 years	507,355	173,740	55,349	-
More than 5 years	103,766	196,652	55,311	-
	823,832	636,554	148,335	53,842

The Sukuk Programmes bear interest ("Sukuk Profit") at the prevailing cost of funds of the iMTN holder ("Cost of Funds") plus 0.75% to 1.00% per annum for the first four years since the first drawdown date and Cost of Funds plus 1.00% per annum from the fifth year up to the seventh year. The average effective Sukuk Profit rate is 4.70% to 5.00% (2016: 5.00%) per annum during the financial year.

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28. BORROWINGS (CONT'D.)

The Sukuk Programmes are secured by the following:

(i) First legal charge over the building as disclosed in Note 12(a);

(ii) A debenture incorporating a fixed and floating charge on the assets of KDU University College Sdn. Bhd. ("KDUUC") and KDU University College (PG) Sdn. Bhd. ("KDU(PG)") both present and future;

(iii) A legal assignment of all relevant takaful/insurance policies taken up by KDUUC and KDU(PG) in respect of the capital work-in-progress and the endorsement of the security agent appointed by the lenders as loss payee;

(iv) A legal charge and assignment of the Proceeds Account and FSRA as disclosed in Note 27; and

(v) Assignment of all construction contracts and performance bonds (if any) taken out over the construction of the building as disclosed in Note 12.

The term loans and revolving credit of the Group and the Company are secured by the following:

(i) Fixed charge and deposit of unquoted shares held by the Company as disclosed in Note 17;

(ii) 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 and 13 respectively;

(iii) Fixed charge and deposit of land titles over the investment properties of the Group as disclosed in Note 14; and

(iv) A legal charge and assignment of the Proceeds Account and DSRA as disclosed in Note 27.

The effective interest rates of the borrowings (other than Sukuk Programmes) as at 31 December 2017 and 31 December 2016 are as follows:

	2017 per annum	**2016 per annum**
- Term loans	4.3% - 5.7%	4.6% - 5.0%
- Revolving credit	4.5% - 5.9%	4.5% - 4.8%
- Bank overdraft	4.9%	4.7% - 6.5%

The management of the interest rate risk of the Group is disclosed in Note 42(c).

29. TRADE PAYABLES

	Group	
	2017 RM'000	2016 RM'000
Trade payables	56,730	57,616
Retention sums on contracts	25,492	23,054
	82,222	80,670

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2016: 30 to 90 days).

30. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry payables	161,211	75,073	15,375	4,464
Tenants deposits	-	170	-	16
Refundable deposits	40,592	27,901	-	-
Derivative liability from interest rate swap	196	392	-	-
	201,999	103,536	15,375	4,480

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2016: 30 to 90 days).

The Group uses interest rate swap to hedge interest rate risk arising from a floating rate term loan. The nominal amount for the interest rate swaps is RM119,700,000 (2016: RM119,700,000). The interest rate swaps receive floating interest equal to the Kuala Lumpur Interbank Offered Rate ("KLIBOR"), pays fixed rate of interest ranging from 3.75% to 4.08% (2016: 3.75% to 4.08%) per annum, and matures on 30 June 2018 and 30 September 2019.

31. OTHER CURRENT LIABILITIES

	Group	
	2017 RM'000	2016 RM'000
Progress billings in respect of property development costs	-	21,693
Due to customers on contracts (Note 25)	-	1,475
Tuition fees received in advance	65,131	33,463
	65,131	56,631

32. DEFERRED TAX (ASSETS)/LIABILITIES

	2017 RM'000	2016 RM'000
Group		
At 1 January	(17,708)	(12,542)
Recognised in the income statement (Note 9)	(27,642)	(5,166)
Arising from acquisition of subsidiary	41,963	-
At 31 December	(3,387)	(17,708)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(31,670)	(22,611)
Deferred tax liabilities	28,283	4,903
	(3,387)	(17,708)

	At 1 January 2017 RM'000	Recognised in the income statement RM'000	Arising from acquisition of subsidiary RM'000	At 31 December 2017 RM'000
Deferred tax liabilities of the Group:				
Property, plant and equipment	4,903	(18,675)	20,328	6,556
Intangible assets	-	-	21,727	21,727
	4,903	(18,675)	42,055	28,283
Deferred tax assets of the Group:				
Unutilised tax losses and unabsorbed capital allowances	(14,192)	(2,403)	-	(16,595)
Deferred development expenditure	(9,604)	898	-	(8,706)
Others	1,185	(7,462)	(92)	(6,369)
	(22,611)	(8,967)	(92)	(31,670)
	(17,708)	(27,642)	41,963	(3,387)

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

	At 1 January 2016 RM'000	Recognised in the income statement RM'000	At 31 December 2016 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	14,686	(9,783)	4,903
Deferred tax assets of the Group:			
Unutilised tax losses and unabsorbed capital allowances	(12,979)	(1,213)	(14,192)
Deferred development expenditure	(13,926)	4,322	(9,604)
Others	(323)	1,508	1,185
	(27,228)	4,617	(22,611)
	(12,542)	(5,166)	(17,708)

	2017 RM'000	2016 RM'000
Company		
At 1 January	59	40
Recognised in the income statement (Note 9)	(102)	19
At 31 December	(43)	59

	At 1 January 2017 RM'000	Recognised in the income statement RM'000	At 31 December 2017 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	59	2	61
Deferred tax assets of the Company:			
Unabsorbed capital allowances	-	(40)	(40)
Others	-	(64)	(64)
	-	(104)	(104)
	59	(102)	(43)

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

	At 1 January 2016 RM'000	Recognised in the income statement RM'000	At 31 December 2016 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	40	19	59

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

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	35,250	25,989
Unabsorbed capital allowances	3,102	2,265
Other deductible temporary differences	1,537	1,596
	39,889	29,850

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 subsidiaries 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 respective subsidiaries of the Group.

33. SHARE CAPITAL

	Number of ordinary shares		Amounts	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authrosied				
At 1 January	1,000,000	1,000,000	500,000	500,000
Abolishment under Companies Act 2016	(1,000,000)	-	(500,000)	-
At 31 December	-	1,000,000	-	500,000
Issued and fully paid				
At 1 January	422,934	422,265	211,467	211,132
Ordinary shares issued pursuant to LTIP	1,362	669	1,977	335
Transfer pursuant to Section 618(2) of Companies Act 2016	-	-	91,771	-
At 31 December	424,296	422,934	305,215	211,467

Under Companies Act 2016 in Malaysia, which came into effect on 31 January 2017, the concept of authorised share capital is no longer applicable.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's share no longer have a par or nominal value with effect from 31 January 2017.

Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's share premium account became part of the Company's share capital. There is no impact on the number of shares in issue or the relative entitlement of any members of the Company as a result of this transition.

During the financial year, the Company issued 1,362,500 ordinary shares to its eligible employees, pursuant to the vesting of the restricted shares under the 2015 and 2016 RS Grants of LTIP, that awarded on 13 March 2015 and 14 March 2016, respectively.

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.

34. PRIVATE DEBT SECURITIES

	Group and Company	
	2017 RM'000	2016 RM'000
Private debt securities	199,787	199,787

The PDS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rates of 2.75% and 3.00% above the cost of fund ("COF") per annum and a 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, 1 October 2019, 21 September 2020 and 21 September 2022, in the amount of RM50,000,000 each, 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.

35. EMPLOYEE SHARE SCHEME

On 17 September 2013, the company implemented the Long Term Incentive Plan (''LTIP''), which involves the allotment and issuance of new ordinary shares in the Company to eligible employees and executive directors of the Group and the Company, provided that the total number of shares so allotted shall not at any time exceed ten centum (10%) of the total number of issued shares in the Company (''LTIP shares'').

The details of the LTIP shares are as below:

2015 LTIP

(a) On 13 March 2015, the Company made its first award of up to 5,444,300 LTIP shares, comprising the following:

   (i) 2,200,100 restricted shares ("RS") under the 2015 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2016; and

   (ii) up to 3,244,200 performance-based shares ("PS") under 2015 PS Grant to be vested on 13 March 2018.

35. EMPLOYEE SHARE SCHEME (CONT'D.)

2016 LTIP

(b) On 14 March 2016, the Company made its second award of up to 6,063,200 LTIP shares, comprising:

(i) 2,362,600 RS under the 2016 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 14 March 2017; and

(ii) up to 3,700,600 PS under the 2016 PS Grant to be vested on 14 March 2019.

2017 LTIP

(c) On 13 March 2017, the Company made its third award of up to 7,456,600 LTIP shares, comprising:

(i) 2,440,400 RS under the 2017 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2018; and

(ii) up to 5,016,200 PS under the 2017 PS Grant to be vested on 13 March 2020.

The LTIP shares were awarded, without any cash consideration to those who have attained the identified performance objectives of the Group and the Company. It serves to attract, retain, motivate and reward valuable employees of the Group and the Company.

LTIP movement

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 January	4,271	1,907
First award of up to 5,444,300 LTIP shares	771	1,257
Second award of up to 6,063,200 LTIP shares	1,579	2,064
Third award of up to 7,456,600 LTIP shares	2,495	-
Vesting of RS under the 2015 RS Grant	(884)	(957)
Vesting of RS under the 2016 RS Grant	(1,093)	-
At 31 December	7,139	4,271

On 20 March 2017, 613,600 and 748,900 new ordinary shares in the company were allotted and issued at the issue prices of RM1.43 and RM1.39 per share pursuant to the second vesting of RS under the 2015 RS Grant and the first vesting of RS under the 2016 RS Grant, respectively.

35. EMPLOYEE SHARE SCHEME (CONT'D.)

Fair value of shares granted

The fair values of the shares granted are estimated at the grant dates using a Monte Carlo Simulation pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists out the relevant input to the share scheme pricing model:

	2017 LTIP	2016 LTIP	2015 LTIP
Fair value per share			
- Restricted shares			
- 1st vesting	RM1.581	RM1.459	RM1.468
- 2nd vesting	RM1.480	RM1.383	RM1.399
- 3rd vesting	RM1.386	RM1.312	RM1.334
- Performance-based shares	RM1.202	RM1.087	RM1.089
Dividend yield (%)	6.90%	5.50%	4.90%
Expected volatility (%)	25.63%	24.77%	22.98%
Risk-free interest rate (% p.a)	3.65%	3.27%	3.48%
Expected life of the scheme (Years)			
- Restricted shares	Annually for 3 years	Annually for 3 years	Annually for 3 years
- Performance-based shares	3 years	3 years	3 years
Underlying share price	RM1.69	RM1.54	RM1.54

The expected life of the share scheme is based on the contractual life of the scheme. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the scheme, is indicative of future trends, which may not necessarily be the actual outcome.

36. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single tier system.

37. 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 to 10 years with renewal or purchase option included in the contracts. There are no restrictions placed upon the Group and the Company by entering into leases.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Future minimum lease payments:				
Not later than 1 year	15,075	2,565	814	669
Later than 1 year and not later than 5 years	59,152	2,266	-	613
Later than 5 years	46,729	-	-	-
	120,956	4,831	814	1,282

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:

	Group	
	2017 RM'000	2016 RM'000
Not later than 1 year	1,002	646
Later than 1 year and not later than 5 years	535	540
	1,537	1,186

38. COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	75,868	45,225
- Investment properties	4,805	6,496
Approved but not contracted for:		
- Property, plant and equipment	93,167	224,666
- Investment properties	14,104	10,383
	187,944	286,770

39. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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, had substantial interest in 2016	-	33	-	4
Sale of properties to Ms Tay Lee Kong, Mr Wang Chong Hwa, Mr Ooi Hun Peng, Mr Beh Chun Chong, Datin Teh Geok Lian, directors of subsidiaries	1,995	2,966	-	-
Sale of a property to Ms Chong Beng Keok, vice chancellor of a subsidiary	-	874	-	-

39. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Sale and purchase of goods and services (Cont'd.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of properties to Dato' Teo Chiang Quan and Mr Chew Sun Teong, directors of the Company	-	4,682	-	-
Sale of motor vehicle to Mr Chew Sun Teong, a director of the Company	-	133	-	133
Sale of motor vehicle to Ms Tay Lee Kong, Datin Teh Geok Lian and Mr Beh Chun Chong, directors of subsidiaries	96	240	96	126
Rental income received from Peoplender Sdn. Bhd., a company in which Dato' Teo Chiang Quan and Mr Chew Sun Teong have financial interests	30	-	-	-
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	852	669	852	669
Rental charges paid to CNS Corporation Sdn. Bhd., a company in which Mr Sim Quan Seng director of subsidiaries, has a financial interest	180	-	-	-
Rental charges paid to CF Land Sdn. Bhd., a company in which Mr Sim Quan Seng and Mr Ee Ching Wah directors of subsidiaries, have financial interests	252	-	-	-
Management fees received from subsidiaries	-	-	13,585	14,747
Interest income received from subsidiaries	-	-	27,975	25,477

39. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term employee benefits	20,046	16,122	10,889	8,147
Defined contribution plan	1,581	1,802	746	759
	21,627	17,924	11,635	8,906

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.

Included in key management personnel are directors' remuneration as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive	8,223	6,449	6,355	5,029
Non-executive	666	512	642	487
	8,889	6,961	6,997	5,516

40. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies in Note 2.15 and Note 2.19 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	22	132,323	54,259	-	-
Other receivables	23	35,961	16,550	4,260	411
Amount due from subsidiaries	26	-	-	550,299	566,478
Cash and bank balances	27	141,409	149,176	29,111	646
Total loans and receivables		309,693	219,985	583,670	567,535
Other investment, representing total financial asset at fair value through profit or loss	20	10,047	288	10,047	-
Trade payables	29	82,222	80,670	-	-
Other payables (other than derivative liability and provision)	*	199,799	101,074	15,172	4,266
Amount due to subsidiaries	26	-	-	155,721	157,963
Borrowings	28	823,832	636,554	148,335	53,842
Total financial liabilities carried at amortised cost		1,105,853	818,298	319,228	216,071
Derivative liability, included in other payables, representing total financial liability at fair value through profit or loss	30	196	392	-	-

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

41. FAIR VALUE OF ASSETS AND LIABILITIES

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2017				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	113,900	113,900
Assets and liabilities measured at fair value				
Short term investment - assets	10,047	-	-	10,047
Interest rate swap - liabilities	-	(196)	-	(196)
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800
Assets measured at fair value				
Short term investment	10,047	-	-	10,047
31 December 2016				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	111,660	111,660
Assets and liabilities measured at fair value				
Interest rate swap - liabilities	-	(392)	-	(392)
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800

During the year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

41. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

Level 1 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 1 of the fair value hierarchy:

Short term investment

Fair value is determined directly by reference to their published market bid price at the reporting date.

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.

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 which comprise the freehold land and buildings, are performed by independent third party valuers which are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

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

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade receivables (current)	22
Other receivables (current)	23
Trade and other payables (current)	29 & 30
Borrowings (current & non-current)	28

The carrying amounts of these 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.

42. 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 receivables, other receivables and due from subsidiaries. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with reputable licensed banks.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

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 RM718,637,000 (2016: RM564,971,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.

<u>Credit risk concentration profile</u>

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:

	2017		2016	
	RM'000	**% of total**	**RM'000**	**% of total**
Group				
Property	129,401	98%	53,861	99%
Education	2,922	2%	398	1%
	132,323	100%	54,259	100%

The Group and the Company do not have any major concentration of credit risk related to any major customer.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(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.

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.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
2017				
Group				
Financial liabilities:				
Trade and other payables	284,221	-	-	284,221
Borrowings	199,892	705,534	125,811	1,031,237
Total undiscounted financial liabilities	484,113	705,534	125,811	1,315,458
Company				
Financial liabilities:				
Other payables	15,375	-	-	15,375
Due to subsidiaries	155,721	-	-	155,721
Borrowings	17,501	152,649	21,881	192,031
Total undiscounted financial liabilities	188,597	152,649	21,881	363,127

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (Cont'd.)

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
2016				
Group				
Financial liabilities:				
Trade and other payables	184,206	-	-	184,206
Borrowings	217,525	284,580	251,477	753,582
Total undiscounted financial liabilities	401,731	284,580	251,477	937,788
Company				
Financial liabilities:				
Other payables	4,480	-	-	4,480
Due to subsidiaries	157,963	-	-	157,963
Borrowings	56,737	-	-	56,737
Total undiscounted financial liabilities	219,180	-	-	219,180

(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 entered 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 Group's property, plant and equipment, investment properties, land held for development, property development costs, profit before tax and the Company's profit before tax would have been RM4,209,000 (2016: RM3,210,000) lower/higher respectively arising mainly as a result of lower/higher interest expense on floating rate term loans (including portion capitalised in property, plant and equipment, investment properties, 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.

43. 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.

		Group	
	Note	**2017**	**2016**
Total debts (RM'000)	28	823,832	636,554
Total equity (RM'000)		1,311,575	1,134,423
Debts to equity ratio		63%	56%

44. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Property - the development and construction of residential and commercial properties and property investment;
(ii) Education - the operation of private educational institutions; and
(iii) Investment and others - investment holding 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.

44. SEGMENTAL INFORMATION (CONT'D.)

	Property		Education		Investment and others		Adjustments and eliminations		Note	Per consolidated financial statements	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000		2017 RM'000	2016 RM'000
Revenue:											
External customers	523,300	420,273	234,692	152,411	333	457	-	-		758,325	573,141
Inter-segment sales	227,008	227	5,924	-	271,329	99,223	(504,261)	(99,450)	A	-	-
Total revenue	750,308	420,500	240,616	152,411	271,662	99,680	(504,261)	(99,450)		758,325	573,141
Results:											
Interest income	5,648	5,264	4,724	3,295	29,020	28,073	(35,522)	(34,387)	A	3,870	2,245
Interest expense	6,367	3,324	8,163	5,076	15,176	9,549	(10,849)	(10,306)	A	18,857	7,643
Depreciation and amortisation	4,130	3,309	22,808	16,866	520	637	-	-		27,458	20,812
Share of results of associates and joint venture	-	-	-	-	(119)	(287)	-	-		(119)	(287)
Segment profit	84,764	82,464	95,222	36,379	252,189	111,003	(250,006)	(117,369)	B	182,169	112,477
Assets:											
Investment in associates and joint venture	-	-	-	9,907	10,265	-	-	-		9,907	10,265
Additions to non-current assets	137,686	115,321	36,795	15,431	171	831	-	-	C	174,652	131,583
Segment assets	1,886,332	1,771,383	1,111,835	546,945	502,466	630,757	(982,533)	(930,374)	D	2,518,100	2,018,711
Segment liabilities	1,251,497	1,195,009	427,816	237,239	342,578	228,019	(815,366)	(775,979)	E	1,206,525	884,288

44. SEGMENT 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:

	2017 RM'000	2016 RM'000
Inter-segment dividends	(229,581)	(101,501)
Inter-segment interests	(24,673)	(24,081)
Other inter-segment transactions	4,248	8,213
	(250,006)	(117,369)

C Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	51,088	20,251
Land held for property development	94,667	87,244
Investment properties	28,897	24,088
	174,652	131,583

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

	2017 RM'000	2016 RM'000
Investment in associates	(1,115)	(770)
Inter-segment assets	(852,047)	(846,794)
Unrealised gains from inter-segment transactions	(129,371)	(82,810)
	(982,533)	(930,374)

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 2017 and 2016, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

45. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 2 January 2018, Seleksi Megah Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Sale and Purchase agreement (SPA) with EM Hub Sdn. Bhd. for the proposed disposal of two contiguous parcels of leasehold land measuring approximately 9.4 acres situated in Mukim Pekan Baru Sungai Buloh, District of Petaling, State of Selangor for a total cash consideration of RM92,129,400.

(b) On 12 January 2018, Paramount Property (Lakeside) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a SPA with Makmur Asiamaju Sdn. Bhd. for the proposed acquisition of a piece of freehold residential land measuring approximately 41.4 acres situated in Mukim Dengkil, District of Sepang, State of Selangor for a total cash consideration of RM149,702,565.

05
OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

Issued share capital of the Company: 428,271,920 ordinary shares which confer the right to one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares Held	%
1 - 99	125	2.59	4,138	0.00
100 - 1,000	352	7.29	224,311	0.05
1,001 - 10,000	2,586	53.59	12,618,203	2.95
10,001 - 100,000	1,465	30.36	42,920,909	10.02
100,001 - 21,413,595*	296	6.13	245,087,859	57.23
21,413,596 and above**	2	0.04	127,416,500	29.75
Total	4,826	100.00	428,271,920	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.	Paramount Equities Sdn Bhd	90,180,000	21.06
2.	Southern Palm Industries Sdn Bhd	37,236,500	8.69
3.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Paramount Equities Sdn Bhd (CBM-Team 2)	20,000,000	4.67
4.	Southern Acids (M) Berhad	19,316,500	4.51
5.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS-PB)	13,400,000	3.13
6.	Bunga Indah (M) Sdn Bhd	11,583,000	2.70
7.	Southern Realty (Malaya) Sdn Bhd	10,496,500	2.45
8.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Kenanga)	6,597,800	1.54
9.	Eliyezer Resources Sdn Bhd	6,244,000	1.46
10.	Teo Chiang Quan	5,337,500	1.25
11.	Amanahraya Trustees Berhad Public Optimal Growth Fund	5,000,000	1.17
12.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	4,520,600	1.06

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D.)

	Name of Shareholder	No. of Shares Held	%
13.	Amanahraya Trustees Berhad PB Smallcap Growth Fund	4,442,200	1.04
14.	Amanahraya Trustees Berhad Public Smallcap Fund	4,396,100	1.03
15.	Ong Keng Siew	3,987,700	0.93
16.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	3,695,400	0.86
17.	Amanahraya Trustees Berhad PB Growth Fund	3,620,900	0.85
18.	Kenanga Nominees (Asing) Sdn Bhd RHB Securities Singapore Pte. Ltd. For Teo Pek Swan (6Q-31037)	3,565,000	0.83
19.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	3,399,400	0.79
20.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	2,718,900	0.63
21.	RHB Nominees (Tempatan) Sdn Bhd OSK Technology Ventures Sdn. Bhd.	2,655,600	0.62
22.	Eunice Teo Wan Tien	2,410,500	0.56
23.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	2,304,700	0.54
24.	Bernard Chang Tze Wah	2,250,000	0.53
25.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	2,230,100	0.52
26.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,223,500	0.52
27.	Neoh Choo Ee & Company, Sdn. Berhad	2,197,800	0.51
28.	Jeffrey Chew Sun Teong	1,831,400	0.43
29.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Public Industry Growth Fund (N14011930270)	1,769,000	0.41
30.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F.TEMISLAMIC)	1,762,700	0.41

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Paramount Equities Sdn Bhd	110,180,000	25.73	-	-
Dato' Teo Chiang Quan	5,610,500	1.31	113,444,000[1]	26.49
Southern Palm Industries Sdn Bhd	37,236,500	8.69	19,316,500[2]	4.51
Southern Edible Oil Industries (M) Sdn Bhd	1,165,500	0.27	56,553,000[3]	13.20
Southern Realty (Malaya) Sdn Bhd	10,496,500	2.45	57,718,500[4]	13.48
Banting Hock Hin Estate Co Sdn Bhd	644,000	0.15	68,215,000[5]	15.93

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Dato' Teo Chiang Quan	5,610,500	1.31	113,444,000[1]	26.49
Ong Keng Siew	3,987,700	0.93	-	-
Jeffrey Chew Sun Teong	1,831,400	0.43	-	-
Datuk Seri Michael Yam Kong Choy	132,500	0.03	-	-
Quah Poh Keat	-	-	956,800 [6]	0.22

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.

(6) By virtue of his deemed interest in the shareholding of his spouse.

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 31.12.2017
1	Lots 17171-17176, 17182, 17184-17185 PT 56231-56327, 56556-56557 Mukim Dengkil, Daerah Sepang Selangor Darul Ehsan	2.01.2015	Land approved for commercial and residential use - Greenwoods	-	Freehold	9,909,029	247,701
2	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	KDU University College campus	3 years	Freehold	435,626	203,775
3	Lots 75, 164, 203-206, 932-935, 1873-1875, 2518 & 2519 Mukim Kapar, District of Klang Selangor Darul Ehsan	2.12.2011 and 24.09.2012	Land approved for commercial and residential use (Held for future development)	-	Freehold	1,449,367	176,983
4	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 reisidential use (Held for future development) - Atwater	-	99 years lease expiring 04-06-2063	225,680	123,858
5	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Retail mall and car-park - Paramount Utropolis Marketplace	-	Freehold	257,004	97,016
6	Lot 21590 & Lot PT 5828 Mukim 13, Seberang Prai Selatan Penang	5.12.2014	KDU Penang University College campus (under construction)	-	Freehold	672,657	79,163
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	5,241,693	77,080
8	Lot PT 510, Pekan Hicom, District of Petaling Selangor Darul Ehsan	7.06.2012	Land approved for industrial and commercial development - Sekitar26	-	Freehold	506,048	75,412
9	Lot 21608, 21609 & 21610; PT 5954 Mukim 13, Seberang Prai Selatan Penang	5.12.2014	Land approved for commercial and residential use - Utropolis Batu Kawan	-	Freehold	1,024,949	69,941
10	Lots 557-558, 560, 565-566, 570-572, 575, 1652-1653, 1657-1658, 1660-1661, 1663-1664, 1860, 1952-1954 Mukim 17, Daerah Prai Tengah Penang	8.04.2013, 21.06.2013, 9.08.2014, 18.08.2014, 19.08.2014, 3.12.2014, and 27.07.2016	Agriculture land (Held for future development)	-	Freehold	3,013,465	53,998

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, 2016.

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

NOTICE OF FORTY-EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Eighth 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, 30 May 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the year ended 31 December 2017 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 6.0 sen per share in respect of the year ended 31 December 2017. **Resolution 1**

3. To approve the payment of Directors' fees and meeting allowances totalling RM851,027.39 for the year ended 31 December 2017. **Resolution 2**

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

   (a) Datuk Seri Michael Yam Kong Choy **Resolution 3**
   (b) Mr Ong Keng Siew **Resolution 4**
   (c) Mr Jeffrey Chew Sun Teong **Resolution 5**

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

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

6. **Authority for Dato' Rohana Tan Sri Mahmood to continue in office as an Independent Non-Executive Director**

   "That authority be and is hereby given to Dato' Rohana Tan Sri Mahmood who has served as an Independent Non-Executive Director of the Company for a term of more than nine years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note B) **Resolution 7**

7. **Authority for Mr Quah Chek Tin to continue in office as an Independent Non-Executive Director**

   "That authority be and is hereby given to Mr Quah Chek Tin who has served as an Independent Non-Executive Director of the Company for a term of more than nine years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note B) **Resolution 8**

NOTICE OF FORTY-EIGHTH ANNUAL GENERAL MEETING

8. **Authority to Directors to allot and issue shares**

"That, subject always to the Companies Act, 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 75 of the Companies Act, 2016, to allot and 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 allotted and issued pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital of the Company as at the date of such allotment, and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note C) **Resolution 9**

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a single-tier final dividend of 6.0 sen per share in respect of the year ended 31 December 2017, will be paid on 4 July 2018 to shareholders whose names appear in the Record of Depositors on 20 June 2018.

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 20 June 2018 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

NG WAI PENG
Secretary

Petaling Jaya
Selangor Darul Ehsan
30 April 2018

NOTES

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Eighth Annual General Meeting (**AGM**).

NOTICE OF FORTY-EIGHTH ANNUAL GENERAL MEETING

Appointment of Proxy

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her/its behalf provided that the member specifies in the instrument appointing a proxy the proportion of the member's shareholdings to be represented by each proxy. 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 24 hours before the time appointed for holding the above meeting.

Explanatory Note A

Item 1 on the Agenda is meant for discussion only as the Audited Financial Statements do not require the formal approval of the shareholders pursuant to Sections 248(2) and 340(1)(a) of the Companies Act, 2016. Hence, the matter will not be put forward for voting.

Explanatory Note B

The Board had, through the Nominating Committee, conducted an assessment on the independence of all Independent Non-Executive Directors (**INED**) of the Company, including Dato' Rohana Tan Sri Mahmood and Mr Quah Chek Tin who have served as INED's for more than nine (9) years, and had recommended that Dato' Rohana Tan Sri Mahmood and Mr Quah Chek Tin be authorised to remain as INED's of the Company based on the justifications as set out in the Statement on Corporate Governance on page 84 of this annual report.

Explanatory Note C

The Ordinary Resolution proposed under item 8, if passed, will renew the powers given to the Directors at the last AGM, to allot and issue up to ten per centum (10%) of the issued share capital of the Company as at the date of such allotment for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a meeting of members, will 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-Seventh AGM held on 18 May 2017, which will lapse at the conclusion of the Forty-Eighth AGM.

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

Voting by poll

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice shall be voted by poll.

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./Passport No./Company No. ______________________ (New) ______________________ (Old)

Contact No. ______________ of ____

____

(full address)

being a member of Paramount Corporation Berhad (**the Company**) hereby appoint

Name	Address	NRIC / Passport No.	No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport No.	No. of Shares	%

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Forty-Eighth 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, 30 May 2018 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) for or against the resolutions to be proposed at the meeting as hereunder indicated.

		For	Against
Resolution 1	Final dividend		
Resolution 2	Directors' fees and meeting allowances		
Resolution 3	Re-election of Datuk Seri Michael Yam Kong Choy as Director		
Resolution 4	Re-election of Mr Ong Keng Siew as Director		
Resolution 5	Re-election of Mr Jeffrey Chew Sun Teong as Director		
Resolution 6	Re-appointment of Auditors and to fix their remuneration		
Resolution 7	Dato' Rohana Tan Sri Mahmood to continue in office as an Independent Non-Executive Director		
Resolution 8	Mr Quah Chek Tin to continue in office as an Independent Non-Executive Director		
Resolution 9	Authority to Directors to allot and issue shares		

Dated this ________ day ______________________ 2018

CDS ACCOUNT NO.	NO. OF SHARES HELD

Signature/Common Seal

NOTES

1. A member entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf provided that the member specifies in the instrument appointing a proxy the proportion of the member's shareholdings to be represented by each proxy. 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 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.
4. Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. 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 24 hours before the time appointed for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 May 2018 (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

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www.pcb.my

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