PARAMOUNT

50 YEARS
PARAMOUNT

Strengthening Growth.
Delivering Value.

ANNUAL REPORT 2018

Strengthening Growth.
Delivering Value.

Over the past 50 years, Paramount Corporation Berhad has grown from strength to strength and in the process, delivered an enduring legacy of value that has enhanced the lives and prospects of our stakeholders. We stand tall on a track record of resilience, innovation, good corporate governance and sustainability. We also draw satisfaction from shaping the lives of many, and from transforming landscapes that have brought forth countless new and vibrant opportunities.

Today, guided by our vision of 'changing lives and enriching communities for a better world', we remain committed to our journey of creating value, enhancing lives and redefining future landscapes. Paramount is progressing on a path of sustainable success for all stakeholders.

Scan the QR code for a
soft copy of the annual report.

Strengthening Growth. Delivering Value.

Paramount Corporation Berhad Annual Report 2018

50 YEARS

PARAMOUNT

Building a Legacy for
TOMORROW

WHAT'S INSIDE

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Message from the Chairman

49th

Annual General Meeting

Ballroom 2
Level 3D
Sheraton Petaling Jaya Hotel
Jalan Utara C
46200 Petaling Jaya
Selangor Darul Ehsan

Wednesday 29 May 2019, **9:30 a.m.**

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THE COMPANY

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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 that 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%
Broad Projects Sdn Bhd

100%
Carp Legacy Sdn Bhd

100%
Janahasil Sdn Bhd

100%
Paramount Construction Sdn Bhd

100%
Paramount Construction (PG) Sdn Bhd

100%
Paramount Coworking Sdn Bhd

100%
Paramount Engineering & Construction Sdn Bhd

100%
Paramount Greencity Sdn Bhd

100%
Paramount Property (Cjaya) Sdn Bhd

100%
Paramount Property Construction 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 (Seaview) 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%
Paramount Utropolis Retail Sdn Bhd

100%
Seleksi Megah Sdn Bhd

EDUCATION

100%
KDU College (PJ) Sdn Bhd

100%
KDU Management Development Centre 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%**
    Cambridge Children's House 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
  - **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

100%
Sri KDU Sdn Bhd

OTHERS

100%
Jasarim Bina Sdn Bhd

100%
Magna Intelligent Sdn Bhd

100%
Paramount Capital Resources Sdn Bhd

100%
Paramount FoodPrint 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 Property Holdings Sdn Bhd

100%
Utropolis Sdn Bhd

45%
Super Ace Resources Sdn Bhd

Garden view from Greenwoods, Salak Perdana

CORPORATE PROFILE

Paramount Corporation Berhad (**Paramount** or **the Company**), listed on the Main Market of Bursa Malaysia Securities Berhad (**Bursa Securities**), is an investment holding company with established interests in two core businesses – property development and education services – under the Paramount Property and Paramount Education brands respectively.

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 then Kuala Lumpur Stock Exchange on 15 July 1971.

The Company assumed its present name in 1980 to better reflect its business activities having acquired a real estate company, Perumahan Berjaya Sdn Bhd, in 1978. It was restructured into a property development company and is today, one of Malaysia's oldest property developers.

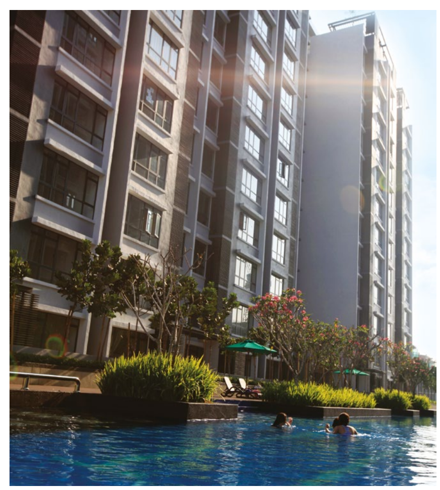
Driven by its vision of '*Changing lives and enriching communities for a better world*', Paramount continues to make great strides in growing its businesses and contributing to nation-building at the same time.

A highly-respected company, backed by a talented workforce, sound fundamentals and well-embedded corporate values, Paramount is well-regarded for its outstanding track record and unwavering commitment to fulfilling market demand for high quality homes and education.

In 2019, Paramount celebrates its 50th Anniversary. With a firm legacy in place, Paramount is now poised for the next phase of growth in order to create a strong and sustainable future for generations to come.

PARAMOUNT PROPERTY

The People's Developer



Paramount Property is a property developer, with residential, commercial, retail, education, hospitality, industrial and integrated developments. Leveraging on its track record of building high-value addresses that stand the test of time, Paramount continues to grow its land bank to create desirable addresses that feature innovative and 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, Kedah. 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 land bank 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 which is also Kedah's first gated and guarded community.

In line with Paramount's strategy to expand into high growth areas, the Company acquired 524.7 acres of freehold land in the Klang Valley in June 2003. 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.

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 hilltop development in 2012. Sungai Petani's only gated and guarded hilltop development, Bukit Banyan features lush landscapes anchored by a 25-acre hill landscape 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. The two parcels of land were disposed of in July 2018, with profits to be re-employed for the acquisition of new land bank and to pare down bank borrowings.

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 an eco-friendly environment, 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 33 acres of commercial land in Klang town. The land is now being developed into Berkeley Uptown, an integrated development to be anchored by a new Sri KDU International School.

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 mall, Utropolis Marketplace. Anchored by the 10-acre flagship KDU University College campus, this was the first time Paramount had brought together its property development and education businesses together in one integrated development which includes even a hotel. The ecosystem of the residential-commercial development is thus complete.

▲ The award-winning Chengal House, a clubhouse built using 200-year-old upcycled chengal wood.

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 – a 13.2-acre boutique development comprising detached and semi-detached industrial lots designed for a myriad of business uses – was launched, providing seamless access to the larger Sekitar26 development. In 2017, Sekitar26 Enterprise, a 5.17-acre commercial development, was launched to complement the existing development.

In March 2014, the Company sealed its position as a leading developer in the northern region when it acquired 30.7 acres of freehold land in Batu Kawan, Penang from Penang Development Corporation. The land is located approximately 5.5 km from the Sultan Abdul Halim Muadzam Shah Bridge (**Second Penang Bridge**) and comprises 10.4 acres of institutional land and 20.3 acres for mixed development land. Batu Kawan has been touted as Penang's third satellite township and the Silicon Valley of the East. It is also home to IKEA's second largest store in the country.

An additional 13.5-acre plot of land comprising 5 acres of freehold land and 8.5 acres of mixed development land, adjoining this 30.7-acre land bank was purchased in May 2015. This paved the way for Paramount Property to enter into the Penang property market with the creation of Penang's first university metropolis, Utropolis Batu Kawan, 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 65 acres of land in Machang Bubuk, Penang in February 2015. This landbank has been earmarked for a gated-and-guarded landed residential 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 inviting wide spaces, tranquil parks and abundant greenery.

Taking the opportunity to stake its claim in the Klang Valley, Paramount Property transformed the land where KDU College's School of Business was previously located into an integrated development in the mature Section 13, Petaling Jaya neighbourhood. This culminated in the launch of ATWATER, Section 13 in 2018, that offers serviced apartments, corporate offices and retail spaces anchored by the flagship Paramount Property Gallery. Paramount also has plans to relocate its corporate head office into one of the corporate towers.

In 2016, Paramount Property ventured into the coworking space business with the set-up of Co-labs at Utropolis Marketplace, Shah Alam. It launched its second, and bigger, coworking space at The Starling Mall in Damansara Uptown, Petaling Jaya in June 2018. Co-labs, inspired by the word, 'Collaboration', aims to provide a conducive ecosystem for the seeding of innovative ideas and promoting collaborations across skillsets and business areas. It is a community-centric coworking space that was uniquely designed for budding entrepreneurs, independent workers, freelancers, digital nomads and professionals.

In 2018, Paramount inked a development rights agreement with Kumpulan Hartanah Selangor Bhd (KHSB), the real estate arm of the Selangor State government, to develop two contiguous parcels of leasehold commercial land measuring 9.6 acres in Section 14, Petaling Jaya into a high-rise transit-oriented residential development.

In addition, it also entered into a sale and purchase agreement to acquire a 41.4-acre parcel of lake-fronting freehold land in Cyberjaya for residential development as part of its continuous efforts to build its land bank for development. The purchase was completed in March 2019.

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 a commendable number of awards through the years.

In 2004, Bandar Laguna Merbok garnered the 12th Federation Internationale des Adminstrateurs de Bien-Consetis Immobilisers (**FIABCI**) Property Award of Distinction for Best Residential Development, 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.

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 Utropolis.

In September 2015, it was honoured with two awards at the Malaysian Construction Industry Excellence Awards (MCIEA) – 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, in recognition of its achievements in engaging, supporting and serving customers and communities. Utropolis Glenmarie 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.

In March 2017, Sejati Residences also won the Earth Conscious award for the most sustainable development at the StarProperty.my Awards while Chengal House received yet another award – its sixth – a FIABCI Prix d'Excellence Silver award in the Purpose-Built category. In the same year, KU Suites, Kemuning Utama received The Edge – Value Creation Excellence award in the residential category.

In 2018, Sejati Residences garnered the Cornerstone Award for Best Landed Development award at The StarProperty.my Awards. Bukit Banyan in Sungai Petani also won a slew of awards – The Best Family-Centric Development from RM350,000, and Best Northern Malaysia Development in the Northern Star category. Paramount Property was also named as one of the All-Star Top Ranked Developers of The Year.

Paramount Property also received the All-Star Award and Responsible Developer, Building Sustainable Development award from EdgeProp Malaysia's Best Managed Property Awards 2018.

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

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 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.
- Recipient of the 2004 FIABCI- Malaysia Best Residential Development, the first for a Malaysian property outside the Klang Valley.
- Launched in 1996; completed in 2018.

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 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.
- Received recognition in the StarProperty.my Award 2018 for Best Family-Centric Development from RM350,000, and Best Northern Malaysia Development in the Northern Star category.
- Launched in 2012, with the remaining development expected to be completed in 2027.
- Currently home to Wisma Paramount, Paramount Property's Northern Regional office.

UTROPOLIS GLENMARIE, Shah Alam

- Marked the first time Paramount brought its two core businesses of property and education in one location, in bringing to life its strength-through-synergy strategy.
- An integrated master planned 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 launched to-date together with the 120,000-sq ft Utropolis Marketplace retail mall and a 4-star international business hotel under the Mercure brand, still under construction.
- Winner of The StarProperty.my Just-Walk Award in 2016.
- Launched in 2013; expected completion in 2020.

UTROPOLIS BATU KAWAN, Penang

- Marks Paramount's entry into the Penang property 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.
- Units of residential apartments, commercial and retail lots launched to-date anchored by KDU Penang University College's second campus spanning 10-acres.
- Centrally located in the heart of Batu Kawan, the third satellite city of Penang, which is on its way to becoming 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 Second Penang Bridge.
- Utropolis Batu Kawan is within easy walking distance to the Penang Design Village Outlet Mall towards the North, and Aspen Vision City, Columbia Asia Hospital and IKEA towards the South.
- Launched in 2016; expected completion in 2026.

GREENWOODS SALAK PERDANA, Sepang

- Paramount Property's second township development in the Klang Valley is planned around the concept of *My Home, My Community*.
- Mixed township development on 237 acres of freehold land, with units of double-storey linked houses and double-storey shop lots launched.
- Located in Salak Tinggi, Sepang, 6.2km north of Bandar Salak Tinggi, and easily accessible via major highways as well as the Express Rail Line (ERL).
- Close to Xiamen University Malaysia, Nilai University, Mitsui Outlet Park and Horizon Village Outlets.
- Launched in 2015, with remaining development expected to be completed by 2027.

ATWATER SERVICED APARTMENTS AND CORPORATE OFFICE TOWERS, Petaling Jaya

- ATWATER by Paramount Property is designed for young and old alike to *live life in free flow*.
- An integrated development capsuled within 5.09 acres of leasehold land, the commercial components will span across 2.96 acres while the balance 2.13 acres will comprise serviced apartments.
- The development enjoys a North-South orientation to ensure the smart use of natural light for maximum comfort.
- Complementing the functional spaces are water features, lush gardens and pocket parks, all designed to inspire peace, rest and relaxation amongst today's urban dwellers.
- Located in the mature neighborhood of Section 13, Petaling Jaya, this development has an excellent network of highways and roads that connect to Kuala Lumpur and other suburbs. The availability of public transport such as buses, MRT and LRT will ease daily commutes to surrounding areas and beyond.
- Launched in 2018; expected completion in 2022.


CORPORATE PROFILE

BERKELEY UPTOWN, Klang

- Paramount's newest mixed development located along Jalan Goh Hock Huat, in the centre of Klang town.
- Designed with urban regeneration in mind, this freehold development spans across 33 acres of freehold land and will be anchored by Sri KDU International School (primary and secondary).
- Aside from the school, this development will comprise serviced apartments, commercial zone for retail, office units and a public park.
- The development is close to well-established schools, commercial businesses, shopping malls, medical centres and other daily conveniences.
- It is also easily accessible to major hubs in the Klang Valley via major highways and KTM, while the upcoming LRT 3 line is targeted for completion in 2020.
- Targeted launch in 2Q2019; expected completion in 2028.

SEJATI RESIDENCES, Cyberjaya

- Paramount's first high-end residential development which revolves around the concept of *inviting the outdoors in*.
- Anchored by 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.
- Located in Cyber 9, Cyberjaya, the development is just a 5-minute (2.2km) drive from D'Pulze mall, 4 minutes (1.5km) from the Multimedia University and 6 mins (2.4km) from Lembaga Hasil Dalam Negeri (LHDN) and less than a minute (100m) from Tamarind Square.
- Multiple-awards winning development:
  - 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 The StarProperty.my Awards 2017.
  - The Starproperty.my Awards 2018, Cornerstone Award (Best Landed Development) Category.
- Launched in 2013; expected completion in 2021.

CORPORATE PROFILE

SEKITAR26, Shah Alam

- A 30-acre freehold 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.
- The two phases launched to-date are Sekitar26 Business and Sekitar26 Enterprise:
  - o Sekitar26 Business is a boutique industrial development sitting on 13.2 acres of land. It comprises 39 units of 3-storey semi-detached and detached industrial units.
    - Launched in 2013 and completed in 2016.
  - o Sekitar26 Enterprise is a commercial development sitting on 5.17 acres of land with a community street mall concept with seven blocks of 3-storey and one block of two-storey shop offices, all designed with dual frontage for maximum visibility.
    - Launched in 2017; expected completion in 2019.
- Remaining development expected to be completed by 2026.

KEMUNING UTAMA – Kemuning Idaman

- Paramount Property's first township in the Klang Valley, Kemuning Utama in Shah Alam, is a self-contained address with individual gated-and-guarded precincts, each with its own private park.
- From the total remaining underdeveloped land of 33.7 acres in Kemuning Utama, 14.74 acres has been earmarked for affordable homes. This is to be built in support of the Selangor state government's Rumah SelangorKu initiative which aims to bridge the affordability gap and help fellow Malaysians own a home.
- Kemuning Idaman (Phase 1) which spans over 7 acres will comprise two towers of apartments with a total of 650 affordable homes.
- To be launched in 2019; expected completion in 2022.
- The remaining development is expected to be completed by 2026.

CO-LABS Coworking

- A subsidiary of Paramount, Co-labs Coworking is a shared working space uniquely designed for budding entrepreneurs, freelancers, start-ups, and corporates.
- It is in the business of connecting communities within a collaborative ecosystem where members can participate in ideation, mentorship, training and networking programmes.
- Co-labs at Utropolis Marketplace in Glenmarie launched in 2017, spans 3,700 sq ft and is furnished with five Premium Suites in multiple configurations, 10 Fixed Desks and 42 Flexi Desks as well as two meeting rooms. Amenities that members can enjoy here include shower rooms, unique common areas, complimentary hot beverages and storage.
- A thoughtfully designed space, Co-labs at The Starling Mall opened in July 2018 and has 20,000 sq ft of floor space. It is equipped with 56 Premium Suites in multiple seating configurations, 56 Fixed Desks & 30 Flexi Desks, four meeting rooms and an events hall. It also hosts a multitude of amenities for members such as nap pods, recreational games room, a nursing room, a café and shower rooms.

PARAMOUNT EDUCATION

Shaping Characters, Building Careers

Paramount Education has its beginnings in the early 1980's, at a time of great challenge. Spaces in Malaysia 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 which caters to the complete range of educational needs and levels. Offerings begin at pre-school at R.E.A.L Kids, to primary and secondary levels at Sekolah Sri KDU, Sri KDU International School and R.E.A.L Schools. This then extends all the way to pre-university, foundation, certification, professional accountancy programmes as well as franchise programmes at KDU College in Petaling Jaya to homegrown degrees and postgraduate programmes at KDU University College in Glenmarie and KDU Penang University College (**KDUPG UC**) at Jalan Anson, Penang. Paramount also offers professional certificate

programmes via KDU Management Development Centre while enrichment programmes are also available at Cambridge English for Life centres. This further seals Paramount Education's reputation for high value, high quality education anchored on its promise of Shaping Characters and Building Careers.

In November 2018, Paramount entered into a strategic partnership with the University of Wollongong (**UOW**) to enhance its tertiary education business. The partnership involves UOW's investment arm, UOW Global Enterprises, acquiring a 65% stake through its wholly-owned subsidiary UOWM Sdn Bhd, in the business and operations of KDU University College and KDU Penang University College, and a 70% stake of that in KDU College. We have also signed an agreement with another party to sell the remaining 30%.

The transaction is awaiting approval from the authorities including the Ministry of Education. Upon the completion of this transaction, the three KDU campuses in Petaling Jaya, Glenmarie and Penang will become a part of University of Wollongong's global network of campuses.

KDU University College

In August 2010, KDU College was upgraded to a 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 state-of-the-art facilities and a contemporary teaching and learning environment.

Today, KDUUC offers a wide range of programmes at Diploma, Degree, Masters and PhD levels. Its homegrown degree programmes are at the forefront of growing industries, reflecting its promise of hitting the ground running. Its flagship schools include the School of Hospitality, Tourism and Culinary Arts which boasts the biggest teaching kitchens in South East Asia, the School of Computing and Creative Media which has a renowned Game Development programme, the School of Communications and Creative Arts, as well as the School of Business.

KDUUC has received multiple accolades from the Putra Brand Awards (otherwise known as the People's Choice Awards) under the Education and Learning category. It received silver awards in 2010 and 2011 and bronze awards in 2017 and 2018.

On top of that, KDUUC received The BrandLaureate Most Sustainable Brand Award 2016-2017 for Brand Excellence in the Education – Private University College category, a feat which is a testament to the institution's dedication and commitment to its brand and academic excellence.

It also received The Edge Malaysia Pioneer Development Award 2017 which recognises KDUUC as a pioneer brand in the private education sector by property developers. In addition, KDUUC was first runner-up under the category of Commercial and Institution building in the Low Carbon Building Award 2017 from Shah Alam City Council (MBSA).

In 2018, KDUUC was awarded the Sin Chew Education Award (SCBEA) 2018 in the Education Business Sustainability category and Outstanding Educational Institutions: Private Universities/Colleges category. This was the first time Sin Chew introduced 15 awards to recognise the contribution of educational institutions that make Malaysia as a one-stop education hub.

KDU Penang University College

Spurred by the success of the Damansara Jaya campus, Paramount Education opened KDU College Penang in July 1991. It was the first college in Malaysia which obtained international joint accreditation from the Engineers Australia and MQA Malaysia, for the franchised Bachelor's in Engineering (Honours) in Electronic Engineering from Deakin University in 2009. It was also the Northern cluster leader in Hospitality Education under the Economic Transformation Programme (ETP). 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 led to the college's name being changed to KDU Penang University College in October 2015.

In 2015, KDUPG 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 construction of this campus in this new property hotspot will be completed in 2Q2019, with classes expected to start in 2020.

KDU College (PJ)

In February 2015, Paramount Education opened the doors of KDU College (PJ) (**KDUPJ**) at what was previously the KDUUC campus in Damansara Jaya. KDU College offers pre-university, foundation, certification, professional accountancy programmes as well as franchise programmes. In addition to offering students another stream of tertiary education, the college also creates a flow-through pipeline of students for KDUUC and KDUPG UC.

Sekolah Sri KDU

In 2003, Paramount Education established Sri KDU schools, marking its expansion into the private primary and secondary school category. Located at an award-winning campus in Kota Damansara, Sekolah Sri KDU is offering the Malaysian National Primary and Secondary Curriculum. It quickly established a reputation for high quality, all-round education based on its ethos of *letting every student shine*.

A 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 in Kota Damansara, Selangor.

The opening of SKIS was significant in that it offered parents a choice of the Malaysian national curriculum at Sekolah Sri KDU and the national curriculum of England at SKIS, both backed by Paramount Education's strong commitment to academic excellence, personal development and pastoral care.

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.

Over the years, SKIS has produced many outstanding students, and in 2018, five SKIS students emerged as best performing learners in the International General Certificate of Secondary Education (IGCSE) subjects of Mandarin, Mathematics, Science, Music, and Design and Technology.

The Sri KDU schools consistently enjoy high enrolment, inspiring Paramount 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. Construction of the school at Berkeley Uptown is targeted to be completed in 2020 with the academic year to commence in January 2021.

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 Sdn Bhd (**R.E.A.L**).

R.E.A.L has strong presence in the pre-school, primary and secondary as well as child enrichment programmes sectors under three key brands – R.E.A.L Kids, R.E.A.L Schools and Cambridge English for Life. With instant access to R.E.A.L's 18,000-strong student base, Paramount Education has emerged to be the largest K-12 private education services provider in Malaysia.

The acquisition provides Paramount Education the opportunity to widen its student base in the K-12 education segment and offer more affordable alternatives for high quality primary and secondary school education in key market centres.

KDU UNIVERSITY COLLEGE

- Established in Damansara Jaya in 1983 as KDU College, Malaysia's first purpose-built private college campus to provide opportunities for young Malaysians to pursue high-quality overseas tertiary education locally.
- The first private college in Malaysia to offer a twinning programme – the American Degree Transfer Programme.
- Upgraded to University College in 2010 and moved to its new purpose-built, 10-acre campus at Utropolis, Glenmarie in January 2015.
- Today, KDUUC offers more than 50 proprietary programmes at Certificate, Foundation, Diploma, Degree, Masters and PhD levels through five schools.

KDU PENANG UNIVERSITY COLLEGE

- A university college in Penang, offering reputable programmes and strong industry linkages.
- Established as KDU College, Penang in 1991 at Penang's old Town Hall building.
- Moved to its present campus at Jalan Anson in October 1997.
- First private college in Penang (and the northern region) to be awarded 6-star in MyQUEST rating in 2014/2015 in the large category.
- Upgraded to University College status in 2015.
- Today, KDU Penang University College offers more than 40 programmes at Foundation, Diploma, Degree, Masters and Doctor of Philosophy levels through six schools.
- Commenced construction of its new 10-acre flagship campus in Batu Kawan in 2016, with expected completion in 2Q2019.

KDU COLLEGE (PJ)

- Established in January 2015 at what was previously the KDUUC's campus in Damansara Jaya.
- Assumed all the pre-university, foundation, certification, professional accountancy programmes as well as franchise programmes with foreign universities as well as professional qualifications previously offered by KDUUC, in line with the Ministry of Education's regulations for universities and university colleges.
- Builds a flow-through pipeline of students for KDUUC.

SEKOLAH SRI KDU

- Established in 2003, offering the Malaysian national primary and secondary school curriculum.
- Testament to the school's sound pedagogy, Sekolah Sri KDU secured the top position amongst Malaysian schools in the Programme for International Student Assessment (PISA) 2012, placing it amongst the top-ranked schools in the world in mathematics, science and reading.

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 to realise their full potential.
- Largest owner-operated kindergarten chain in Malaysia with 33 centres nationwide.

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 the growing demand for international curricula.
- First school in Malaysia to achieve the Education Development Trust (formerly CfBT) International Quality Mark (SQM) 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.

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 curriculum, solid character-building programmes and robust co-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 : 011-5626 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

Fatimah Binti Merican
Independent Non-Executive Director

Secretary

Ng Wai Peng
(MAICSA 7014112)

Registered Office

Level 8, Uptown 1
1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Selangor Darul Ehsan
Telephone : 03-7712 3333
Facsimile : 03-7712 3322
Email : info@pcb.my
Website : www.pcb.my

Registrar

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
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 2018, 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	640
• Audit-related		
o Accounting and other review work	80	80
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	22	22
	217	771
• Non-Audit		
o Due diligence services	-	350
Total	217	1,121

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 2018 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.

Details of the LTIP are set out in Note 33 to the Audited Financial Statements on pages 211 to 213 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 2018 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
2018 RS	2,138,900	406,000	423,300	1,309,600
2018 PS	up to 4,108,800	up to 1,031,600	up to 1,075,800	up to 2,001,400

2. LTIP Shares vested

Type of Grant	Total Vested	GCEO/ED	KSM	OSE
2015 RS	1,895,000	444,800	423,200	1,027,000
2015 PS	1,801,500	685,000	579,600	536,900
2016 RS	1,499,200	334,400	304,300	860,500
2016 PS	0	0	0	0
2017 RS	811,900	192,200	178,400	441,300
2017 PS	0	0	0	0
2018 RS	0	0	0	0
2018 PS	0	0	0	0

3. Outstanding LTIP Shares

Type of Grant	Total Outstanding	GCEO/ED	KSM	OSE
2015 RS	0	0	0	0
2015 PS	0	0	0	0
2016 RS	751,800	167,300	152,400	432,100
2016 PS	up to 3,549,600	up to 1,260,400	up to 1,147,200	up to 1,142,000
2017 RS	1,628,500	384,400	357,300	886,800
2017 PS	up to 5,016,200	up to 1,382,000	up to 1,284,200	up to 2,350,000
2018 RS	2,138,900	406,000	423,300	1,309,600
2018 PS	up to 4,108,800	up to 1,031,600	up to 1,075,800	up to 2,001,400

With regard to the LTIP Shares granted to the GCEO/ED and KSM as at 31 December 2018:

(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 2018 was 51.1% of the total number of LTIP Shares granted.

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

THE INNOVATION STORY

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MESSAGE FROM THE CHAIRMAN

Dear friends of Paramount,

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of Paramount Corporation Berhad (**Paramount** or **the Company**) for the financial year ended 31 December 2018 (**FY2018**).

Revenue grew by
19%
to **RM907.7 mil**

Total dividend of
8.5sen
per share for **FY2018**

Group Core Operating Profit rose by
44%*
to **RM151.3 mil**

* *Represented an increase of RM46.5 million to the PBT in FY2017 (after excluding a non-recurring gain of RM77.8 million from the disposal of the Sri KDU school campus to Alpha REIT in 2017).*

Despite the slower economic growth and intense competition, Paramount delivered another year of robust performance with record revenue of RM907.7 million and profit before taxation of RM151.3 million. This is encouraging particularly when the property market is suffering from thousands of unsold units.

I believe our success is the outcome of our unwavering pursuit in delivering value and quality in everything that we have done in the past and continue to do in the present – in both our property and education businesses.

In line with the Company's commitment to reward our shareholders, the Board has declared and paid an interim dividend of 2.5 sen per share in September 2018 and has proposed a final dividend of 6.0 sen per share subject to shareholders' approval at the forthcoming 49th Annual General Meeting (**AGM**). The total dividend declared to date for FY2018 is **8.5 sen** per share. On this note, we are proud that Paramount won the **Best in Dividend Yield** in Focus Malaysia's Best Under Billion Awards 2018, in the RM500 million to RM950 million category.

Additionally, the Board has, in conjunction with Paramount's 50th Anniversary, proposed a two for five bonus issue of shares with free warrants, subject to shareholders' approval at the upcoming extraordinary general meeting to be convened immediately after the 49th AGM.

INNOVATING FOR A CHANGING WORLD

In line with our focus on innovation, we introduced new concepts that have led to a rethinking of our property development model, including incorporating senior-friendly living features into some of our ATWATER serviced apartments. Innovation, quality and practical designs led to sales of 84% of ATWATER in just a year.

Agility is a key determiner of success in our fast-changing world. Paramount Co-labs Coworking, which offers coworking office spaces, is a great example of how we have tapped into opportunities in the emerging shared economy. Backed by the success of our first coworking space at our Utropolis Glenmarie, we started our second coworking space in 2018 at The Starling Mall in Damansara Uptown.

We are proud that our northern regional office and sales gallery moved into Wisma Paramount at Bukit Banyan in July 2018 – the first and only Platinum-rated green building in Kedah. We hope this will be a catalyst for more Malaysians to rethink how we can construct more green spaces and use our workplaces more efficiently.

In 2018, we also took the bold step of partnering with University of Wollongong (**UOW**), a leading Australian public research university, in November 2018. The partnership was made with the goal of creating value for our students, academics and shareholders. UOW is ranked among the top 250 universities worldwide, and 16th in the QS Top 50 Under 50 Rankings 2019.

In addition, we are excited about participating in urban regeneration through our mixed development project, Berkeley Uptown in Klang, that will be anchored by Sri KDU International School. This is Paramount's way of benefitting the bigger community as expressed in our vision.

ON TRACK WITH OUR VISION

In 2017, we remodelled our vision to **'Changing lives and enriching communities for a better world,'** which encapsulates what we have been doing the past 50 years. It is a direct reflection of our desire to provide positive impact to all our stakeholders, across the economic, environmental and social landscapes. Our mission statements further articulate the broad direction we are taking to realise this vision.

Ultimately, the Group's achievements are anchored on value creation and our ability to deliver sustainable, positive outcomes for stakeholders. We are focusing on six of the Sustainable Development Goals (SDGs) prescribed by the United Nations, under the pillars of People, Planet, Prosperity, Partnership and Peace.

Our SGDs reflect the Board and Management's commitment towards continuous business evolution to achieve sustainability. Apart from making profits, we are tasked to deliver meaningful and positive outcomes for fellow Malaysians. In doing so, we safeguard our long-term business prospects by remaining relevant, competitive and sustainable.

I believe that good corporate governance and sustainability go hand in hand. Therefore, as Chairman of the Board, I will do my utmost to ensure that the Board and Management remain steadfast in exemplifying best practices in these two areas.

Beyond complying with the Malaysian Code on Corporate Governance, we have instituted robust risk management activities at all levels in the Group and embarked on a review of our internal control system based on the COSO Internal Control Integrated framework with the objective of strengthening accountability and transparency throughout the Group.

BOARD CHANGES

I would like to take this opportunity to report that Independent Non-Executive Directors Tan Sri James Foong and Mr Quah Chek Tin will be stepping down from the Board effective 29 May 2019 after having served three years, and 12 years respectively.

Mr Quah is the Chairman for our Remuneration Committee and is a member of the Audit Committee. His insights on governance based on his broad experience and his strong grasp of financials were invaluable at our meetings. In his years with Paramount, where he sat on other committees too, he helped to strengthen the Group's internal control governance.

Tan Sri Foong has experience in private legal practice as well as the Judiciary, where he spent 22 years. As a member of the Board of Governors of KDU University College, he had helped shape the academic quality for KDU, for which we are indebted. His perspectives at both Board and committee meetings – Tan Sri is a member of Paramount Nomination Committee and Remuneration Committee – have helped steer Paramount to where it is today.

On behalf of the Board, I wish to place on record our utmost gratitude and deepest appreciation to these gentlemen for their service, commitment and comradeship. We wish them well in all their future endeavours.

I would also like to welcome Puan Fatimah Merican, who joined the Board on 2 July 2018. We believe that Puan Fatimah, with her 37-year career as an information technology professional with Exxon Mobil, will contribute fresh perspectives and ideas to the Group that will help us strengthen our internal controls in today's digital business environment.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank all employees of the Group whose professionalism, drive and hard work, have been instrumental to Paramount's continued growth and success.

The Board would like to express its appreciation to the management team for the consistent execution of our five-year (2015 to 2019) strategic plan that has propelled Paramount to a new level of growth. We are also excited to be charting our next five-year (2020-2024) plan this year to ensure that we continue to build a firm footing for business growth and value creation.

I would also like to thank my fellow Board members for their counsel, leadership and direction, and my appreciation to our many business partners, customers and bondholders for your trust in the Paramount brand.

Last but not least, I would like to thank our shareholders for your continued vote of confidence to the Board and Management, and your trust in Paramount.

Let us work together for better prospects and successes in 2019, as we celebrate our 50th anniversary!

Dato' Teo Chiang Quan
Chairman & Executive Director

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

Paramount Corporation Berhad (**Paramount** or the **Company**) is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad, with established interests in property development and education in Malaysia. Paramount and its subsidiaries (the **Group**) operates its two core businesses under the brand names of Paramount Property and Paramount Education.

Paramount Property

Paramount Property is an award-winning developer with a 37-year track record of building high-value addresses. With residential, commercial, retail, education, hospitality, industrial and integrated developments under its belt, Paramount continues to grow its land bank to create addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population.

As a property developer who feels the pulse of the people, we have continued with the strategy of launching our developments at varied price points, offering broad options to meet the varied budget and lifestyle requirements of property owners. Paramount Property's reputation as 'The People's Developer' is backed by our commitment to build what is desired, and to offer value to all our customers who come from a diverse market segment of predominantly local buyers.

In 2018, Paramount Property was undertaking five development projects in the Klang Valley and two in the North concurrently, namely ATWATER in Section 13, Petaling Jaya, Sejati Residences in Cyberjaya, Greenwoods Salak Perdana in Sepang, Utropolis Glenmarie, Sekitar26 in Shah Alam, Utropolis Batu Kawan in Penang, and Bukit Banyan in Sungai Petani, Kedah. Details of these ongoing development projects are presented on pages 4 to 21 in the Corporate Profile section of this annual report.

Paramount Education

Paramount Education is a full-spectrum education services provider, offering education services from pre-school right through to tertiary level including post-graduate programmes. Our industry-relevant focus at KDU University College (**KDUUC**) in Glenmarie, Shah Alam, KDU Penang University College (**KDUPG**) on Penang island and KDU College (PJ) (**KDUPJ**) enables students to hit the ground running upon graduation.

We offer primary and secondary school students the option of both national and international curriculum through our Sri KDU and R.E.A.L schools that are operating across four campuses in Malaysia – three in the Klang Valley and one is in Johor Bahru. Moving downstream, we have, as at the end of 2018, a network of 33 pre-schools operating under the brand name of R.E.A.L Kids in Penang, Melaka, Negri Sembilan, Johor, Selangor, Kuala Lumpur and Putrajaya, and have established 63 Cambridge English For Life (**CEFL**) enrichment centres in 10 states, including Sabah and Sarawak.

Paramount Education's reputation for high value, high quality education is anchored on its promise of 'Shaping Characters, Building Careers'. Further information on our education services are disclosed on pages 4 to 21 of this annual report.

OBJECTIVES AND STRATEGIES

During the financial year ended 31 December 2018 (**FY2018**), we have continued to pursue our 5-year strategic plan (2015-2019) of deriving strength through synergy, maintaining an asset-light business model, offering a range of property products to meet market demand, expanding the capacity of our K-12 education segment, and turning around our tertiary education institutions to positive growth.

We also focused on market affordability in the property segment given the higher demand in that sector. As a result, affordably-priced landed homes such as Keranji at Greenwoods Salak Perdana in Sepang and the Suasana serviced apartments at Utropolis Batu Kawan, Penang were launched in FY2018.

We are also sensitive to demographic shifts that include an aging population and have factored these considerations into our development planning and layout designs. On account of an aging population, we incorporated senior-friendly features into our ATWATER serviced apartments.

The Group continues to leverage on the synergy and combined strengths of our property and education businesses having launched Utropolis Glenmarie in Shah Alam and Utropolis Batu Kawan, with much success. These integrated developments are anchored by the university metropolis concept.

Paramount Education's growth strategy included business expansion, resulting in the acquisition of a controlling stake in R.E.A.L Education Group Sdn Bhd together with its subsidiaries (**REAL Group**) in 2017, effectively establishing ourselves as the largest K-12 private education provider in Malaysia. Going forward, we will focus on optimising the potential of the strategic business units within REAL Group, namely R.E.A.L Schools, R.E.A.L Kids and CEFL to further strengthen our market share.

On top of that, in light of the near-full capacity of our flagship Sri KDU schools in Kota Damansara, we decided to expand Sri KDU's capacity by building a new Sri KDU International School at a site adjacent to our new Berkeley Uptown mixed development in Klang. Construction work on the school started in 2018. This is another example of how we are leveraging on our strength-through-synergy strategy to grow our property and education businesses.

On the tertiary side, efforts to turn around the loss-making KDUUC amidst intense competition included venturing into new markets, riding on digital marketing to drive student enrolment, improving operational and marketing efficiency and enhancing the institution's programme offerings. In terms of programme offerings, KDUUC's popular game development degree programme has been designed from the ground up by industry experts. This approach ensures that our students will have a competitive edge over their peers when they graduate.

To accelerate growth in student enrolment, Paramount entered into a strategic partnership in November 2018 with the University of Wollongong (**UOW**), an Australian public university. This will result in the transfer of management control of our three tertiary institutions to UOW. We believe that this move will elevate the brand position of KDU, particularly for international marketing. The partnership is still awaiting approval from the Company's shareholders and the relevant authorities.

In line with the Group's asset-light business model, we will continue to unlock value through the monetisation of our land bank and build strategic partnerships to undertake property development projects on a joint-venture (**JV**) basis.

By driving operational efficiency across the board and continuing to meet market demand through the offer of a range of property products at diverse price points and enhancing our education programmes, the Group delivered another strong finish for FY2018 while positioning the business on a stronger footing going forward.

REVIEW OF FINANCIAL RESULTS

Despite challenging market conditions, the Group turned in a solid financial performance for FY2018 with Group revenue improving by 19% to RM907.7 million (FY2017: RM763.0 million) attributable to the strong sales momentum across Paramount Property's developments which resulted in the achievement of our RM1 billion sales target. At the same time, Paramount Education continued to grow at a steady pace with new strategies in place and higher enrolments.

For the FY2018, the Group's PBT was RM151.3 million, 17% lower than FY2017 of RM182.6 million. This was mainly due to a non-recurring gain of RM77.8 million from the disposal of the Sri KDU school campus to Alpha REIT. Hence, when the non-recurring gain was excluded from the PBT in FY2017, the PBT in FY2018 would be higher by 44% or RM46.5 million.

The Group's asset position remains on the uptrend, rising to RM2.7 billion as at 31 December 2018 from RM2.5 billion a year ago. Group liabilities stood at RM1.3 billion, an increase from RM1.2 billion in the previous year due to an increase in bank borrowings to support the growth of business.

In line with the improved performance and to reward shareholders, the Board is recommending a final dividend of 6.0 sen per share. This, together with the interim dividend of 2.5 sen per share, would bring the total dividend pay-out for FY2018 to 8.5 sen per share.

Capital Structure & Capital Resources

Group borrowings has increased by 9.3% to RM900.7 million as at 31 December 2018 compared to the previous year's RM823.8 million. Apart from meeting working capital needs, the additional borrowings were taken to finance the construction cost of KDUPG's new campus in Batu Kawan (RM25.0 million) and the new Sri KDU International School campus in Klang (RM30.9 million). As a result, the Group's debt to equity ratio has risen, but only marginally, to 0.67 times as at the year-end from 0.63 times a year ago.

Management is of the opinion that the increase in borrowings is to be viewed positively given the capital-intensive nature of our business and the site progress of seven development projects running concurrently in a year. We remain confident of meeting the Group's working capital requirements and servicing our loan obligations based on our present cash flow position.

Overall, the Group adopts a prudent approach in maintaining a sound financial position that enables the execution of our strategic objectives.

REVIEW OF OPERATING ACTIVITIES – PARAMOUNT PROPERTY

Paramount Property, which contributes 69.5% to our Group revenue, posted a record high sales performance of RM1 billion, with the central region achieving RM710 million, and RM294 million from the Northern region. This is 23% higher than the previous year. Paramount Property also registered a record PBT of RM128.9 million, which is 51% above that of FY2017, despite a sluggish property sector.

This performance was achieved on the back of stronger sales as well as higher level of work progress recognised for key projects. ATWATER and Utropolis Batu Kawan topped the list of contributors to the strong sales which were, however, moderated by the completion of certain phases of Sejati Residences and Utropolis Glenmarie in 2017.

Equally positive were a record RM960 million in unbilled sales as at 31 December 2018, which is 57% higher than last year's RM610 million, and Paramount's unsold stock of only 33 units worth RM23 million as at the year-end.

New Property Launches

In FY2018, we launched one new development, and new phases of existing developments with a combined GDV of RM1.1 billion. Of these launches, 62% were integrated high-rise offerings (ATWATER and Suasana at Utropolis Batu Kawan) and 38% were landed homes (Keranji at Greenwoods Salak Perdana and various products at Bukit Banyan).

A key project launched in FY2018 was ATWATER, an integrated development that is differentiated by its focus on multi-generational living in a safe, convenient and strategic location. The project consists of a 23-storey Family tower and a 26-storey Lifestyle tower with residential, commercial and retail components that seamlessly complement each other. Designed with amenities for both young and old, and with some units equipped with senior-friendly features, the first phase was launched at the lowest selling price of RM500,000 for units ranging from 670 square feet (sq ft) to 1,422 sq ft per unit. Despite being located at a mature section of Petaling Jaya and competing with many surrounding high-rise developments, ATWATER's strong sales of 84% as at 31 December 2018 is testament to Paramount's ability to create unique selling points that meet market demand. ATWATER is expected to have a development lifespan of four years up to 2022.

Up in the North, our Utropolis Batu Kawan development attracted equally strong market response attributable again to our strength-through-synergy strategy. It is an integrated development anchored by a 10-acre KDUPG campus which is expected to be completed by 2Q2019. Its latest phase, Suasana, which comprises 491 units of serviced apartments with sizes ranging from 926 sq ft to 1,313 sq ft, was launched in March 2018 on the back of commendable sales of 100% achieved for the first phase. The take-up rate of Suasana had reached 56% as at 31 December 2018. The Utropolis Batu Kawan development is expected to be completed by 2026.

Similarly, the launch of Keranji at Greenwoods Salak Perdana in Sepang attracted a long queue of buyers from the eve of the launch. The appeal includes affordable pricing for a double-storey linked house, freehold status of the land, and its strategic location near the Kuala Lumpur International Airport (KLIA). A total of 204 Keranji homes were sold within hours of the launch.

The Bukit Banyan hillside development at Sungai Petani, Kedah continued to grow in 2018 with three phases launched in 2018. These comprised 112 units of Salvia (double storey terrace) as well as affordable houses comprising 103 units of Citra Elite (single storey terrace) and 170 units of Citra 2 (townhouse).

Land Bank Replenishment

Paramount Property has an undeveloped land bank of 556.4 acres with a potential GDV of RM6.9 million to be completed over the next 9 years until 2027.

In 2018, we entered into a sale and purchase agreement to acquire a 41.4-acre parcel for a freehold residential development in Cyberjaya, close to our existing Sejati Residences development, with a projected GDV of RM570 million. This acquisition was completed on 26 March 2019.

We also inked a development rights agreement with Kumpulan Hartanah Selangor Bhd (**KHSB**), the real estate arm of the Selangor State government for a 9.6-acre leasehold land located in Section 14, Petaling Jaya. This transit-oriented development project is expected to have a GDV of RM1 billion with a minimum guaranteed sum of RM160 million or 16% of the projected GDV to KHSB, whichever is higher, payable to KHSB. Efforts to obtain all necessary approvals from the relevant authorities are in progress for the commencement of this joint development with the state government.

Beyond this, we will continue to explore other opportunities including joint ventures with suitable landowners as well as land development.

Land Bank & Remaining GDV

Ongoing Developments		Remaining Gross Undeveloped Land (Acres)	Remaining GDV* (RM'million)	Development Period**	
				Start	End
Northern	Bandar Laguna Merbok, Sungai Petani	0.0	6	1996	2018
	Bukit Banyan, Sungai Petani	248.0	621	2012	2027
	Utropolis Batu Kawan, Penang	20.4	1,698	2016	2026
Central	Kemuning Utama, Shah Alam	33.7	506	2004	2026
	Sejati Residences, Cyberjaya	10.3	506	2013	2021
	Sekitar26, Shah Alam	11.6	652	2013	2026
	Greenwoods, Salak Perdana, Sepang	141.0	902	2015	2027
	ATWATER, Section 13, Petaling Jaya	1.7	360	2018	2022
	Utropolis Glenmarie, Shah Alam	0.0	25	2013	2020
	Total	**466.7**	**5,276**		
Developments in the pipeline					
Central	Berkeley Uptown, Klang	20.5	1,200	2019	2028
Future Projects					
Northern	Machang Bubuk, Bukit Mertajam	69.2	420	2020	2025
	Total	**89.7**	**1,620**		
Grand Total		**556.4**	**6,896**		

* *Comprising potential GDV from undeveloped land and GDV from properties launched but remained unsold as at 31 December 2018.*
** *Subject to further review as necessary.*

Responding to Evolving Market Trends

Among the key highlights in FY2018 was our promotion of innovation in work and lifestyle concepts. This has enabled the Group to move beyond conventional property development to offer new high-potential options that are aligned with today's dynamic preferences.

One of the highlights in FY2018 was the expansion of our Co-labs Coworking, a community-centric coworking space uniquely designed for up-and-coming entrepreneurs, freelancers, digital nomads and professionals. More than a turn-key office, Co-labs is in the business of creating an enabling environment where businesses can take root and flourish by offering mentorship programmes, professional advice, training, and investor networking, where needed.

In July 2018, we expanded our coworking floor space from 3,700 sq ft at Utropolis Marketplace in Glenmarie, Shah Alam with another 20,000 sq ft at The Starling Mall in Damansara Uptown, Petaling Jaya. This expansion is in response to the growing demand for such services especially from young entrepreneurs, start-ups as well as multinational companies. The new Co-labs at The Starling Mall is enjoying a 95% occupancy rate as at 31 March 2019.

Moving into Greener Space

Even as we offer work space solutions to digital nomads, Paramount is itself moving in the direction of innovative and greener space use. In July 2018, Paramount Property moved its Northern regional office and Sales Gallery to Wisma Paramount in Bukit Banyan, which is touted as Kedah's first Platinum rated green building.

REVIEW OF OPERATING ACTIVITIES – PARAMOUNT EDUCATION

Through Paramount Education's aggressive pursuit of its strategies on delivering quality and value despite intense competition, the division registered a 12% growth in revenue to RM276.1 million for FY2018 (FY2017: RM246.4 million). This was achieved on the back of a full year revenue contribution from R.E.A.L (12 months for FY2018 versus 9 months for FY2017) as well as an increase in total student enrolment across the Group from 26,622 (FY2017) to 27,028 (FY2018).

The division's PBT was, however, marginally lower, at RM38.3 million for FY2018 compared with RM38.9 million for FY2017 (excluding the gain recorded by Sri KDU on the disposal of its school campus) after having factored in the rental expense of SKDU following the sale and leaseback of its school campus to Alpha REIT in 2017. The increase in Sri KDU's operating cost was, nevertheless, ameliorated by the higher profit contribution from R.E.A.L following its full consolidation into the Group.

Institution	Enrolment as at 31 December 2018	New programmes launched in 2018
CEFL	10,488	Not applicable
Sri KDU	2,952	Not applicable
R.E.A.L Kids	5,018	Not applicable
R.E.A.L Schools	2,857	Not applicable
KDUUC and KDU College	3,499	• 2 additional Specialisation in Entrepreneurship and Enterprise Risk Management to Bachelor of Business (Hons) • 1 additional Specialisation in Data Science to Bachelor of Computer Science (Hons) • Diploma in Sequential Arts • Bachelor of Comm (Hons) in Media Production • MBA Tourism Management • Master of Arts (Communication Management) • PhD (Business)
KDUPG	2,214	• Doctor of Philosophy (Computer Science) • Doctor of Philosophy (Engineering) • Doctor of Philosophy (Business) • Doctor of Philosophy (Hospitality and Tourism) • Master of Science in Hospitality and Tourism • Master of Science (Engineering) • Master in Computer Science • Master of Business • Bachelor of Science (Hons) Electrical and Electronic Engineering • Bachelor of Science (Hons) Mechatronics Engineering • Bachelor of Arts (Honours) in International Hotel & Tourism Management • Bachelor of Arts (Honours) in International Culinary Arts

K-12 Education and Enrichment Centres

In FY2018, the K-12 education segment, comprising Sri KDU and R.E.A.L remained as crucial business drivers for Paramount Education. Sri KDU is operating at nearly full capacity while R.E.A.L Schools still has room for growth. In the pre-school segment, R.E.A.L Kids continued to grow in enrolment, as did the CEFL enrichment centres.

In FY2018, three new R.E.A.L Kids pre-schools were opened, in Puchong South, Setapak and Setia Eco Hill, while four CEFL enrichment centres were established in Port Dickson, Rawang, Seri Kembangan and Semenyih.

Sri KDU continued to deliver stable and sustainable performance albeit with a higher operating cost subsequent to the signing of the Triple Net Lease Agreement with Alpha REIT. Plans to resolve its full capacity issue came to fruition after the authorities approved building plans for a new international school in Klang in 2018. Construction of this new school has progressed well into structural works.

Tertiary

Given the challenge of market saturation, we have restructured our international marketing strategy and intensified the use of social media and digital marketing channels to reach a larger target market, both locally and internationally.

We also continued to target niche market segments such as Bumiputera students from the Peninsula as well as Sabah and Sarawak, and holders of the United Examination Certificate (UEC).

In spite of the stagnant higher education landscape with most of the players engaging in price wars, KDUUC achieved an EBITDA of RM6.7 million, with 19% improvement in student enrolment. This is the result of accumulated efforts from the turnaround plan of KDUUC which included improvements in operational efficiency, strengthening of marketing channels and processes and enhancements to programme offerings.

In addition, our strategic partnership with the highly ranked UOW is aimed at raising the stature of our three tertiary institutions quickly. This will raise the brand equity in the eyes of parents and students. UOW also sees value in KDU's strong brand, 37 years of experience in tertiary education and its new purpose-built campus facilities that allow for enrolment expansion. Under the agreement, UOW's investment arm, UOW Global Enterprises, would acquire a 65% equity stake in KDUUC and KDUPG and a 70% stake in KDU College through its wholly-owned subsidiary, UOWM Sdn Bhd, thereby allowing UOW to take full control of the business and operations of these three institutions upon completion of the agreement.

TRENDS AND RISKS

As risks are inherent in all business activities, we acknowledge that our businesses are exposed to various risks that could have material adverse impact on the Group's performance and financial outcomes.

Issues of affordability, stringent financing policies, rising cost of living and market glut for certain property types at certain locations are industry-wide concerns for the property sector. Input costs such as labour, land prices and raw materials continue to rise, while property prices for the most part remain flat or are on a downward trend. Along with this, we are also exposed to the risks of low demand for commercial properties and oversupply across the sector.

To mitigate these risks, Paramount will continue to offer a variety of property types and prices to meet different budgets and lifestyle requirements of our buyers, and include affordable homes in our property mix.

Similarly, the challenging conditions in the education sector are expected to remain, if not intensify, as more players enter the market. Price wars are likely to continue, as the effects of flat birth rates over the past two decades become more evident. This will result in stiff competition for students by private educational institutions across the board, from primary to tertiary.

To address these challenges, Paramount has reorganised the Group's K-12 education businesses comprising Sri KDU, R.E.A.L Schools, R.E.A.L Kids and CEFL to come under a single leadership. This is aimed at leveraging on the best practices and performance standards of Sri KDU, which has a reputation for high quality and well-rounded education, to attract enrolment not only for itself, but for R.E.A.L Schools. This is another example of how the Group's synergies will come to play as we continue to strengthen marketing efforts and enhance the academic quality, premises and facilities in the schools.

On the tertiary front, opening a new KDUPG campus in Batu Kawan on mainland Penang while retaining the existing campus at Jalan Anson on the island, will increase operational costs. This will be challenging if student enrolment and revenue do not increase in tandem with the operating costs.

Hence, partnering with UOW is one of the strategic options that Paramount has selected to mitigate this risk and accelerate growth for the tertiary business, while prudent management of costs will reduce initial investment and avoid unnecessary high operating costs from surplus capacity.

OUTLOOK & PROSPECTS

Going into FY2019, we foresee the property sector to remain soft. Nevertheless, there are nascent hopes of recovery with the impact of initiatives introduced by the government in the 2019 Budget, to be more evident this year.

We will continue to pursue our tried and tested strategies that have fuelled our continuous growth in the property sector. In line with this, we look forward to launching new products within the following developments (including new phases of existing projects) with an estimated GDV of RM1.3 billion, while adopting a more cautious approach in response to market conditions. They are:

- Bukit Banyan in Sungai Petani, Kedah (GDV of RM185 million);
- Utropolis Batu Kawan on mainland Penang (GDV of RM243 million);
- Greenwoods, Salak Perdana in Sepang, Selangor (GDV of RM136 million);
- ATWATER in Section 13, Petaling Jaya (GDV of RM313 million);
- Berkeley Uptown along Jalan Goh Hock Huat in Klang (GDV of RM223 million);
- Sejati Lakeside in Cyberjaya (GDV of RM132 million); and
- Kemuning Idaman (Rumah SelangorKu homes) at Kemuning Utama in Shah Alam (GDV of RM113 million).

On the education front, construction work has begun for the 1,500-student capacity Sri KDU International School at Berkeley Uptown in Klang. The new campus is expected to increase Sri KDU's total capacity by about 50% when it starts its first intake in January 2021. The school serves as a catalyst to bring vibrancy to Berkeley Uptown and generate interest in the residential as well commercial components of this mixed development.

In the tertiary segment, the opening of KDUPG's Batu Kawan campus in September 2019, even as Utropolis Batu Kawan takes shape, will be a game-changer for Penang as it will be the first university metropolis in the state.

On the back of these activities, we aim to complete our strategic partnership with UOW by the second quarter of 2019 (**2Q2019**), subject to the completion of internal restructuring exercises as well as the approval of the Ministry of Education and Paramount's shareholders.

In addition, the asset-backed securitisation (**ABS**) proposal involving the disposal of our three tertiary campuses to a special purpose vehicle, and the subsequent leaseback of these campuses by the tertiary institutions is expected to be completed in 2Q2019. This ABS proposal is not only to facilitate completion of the Paramount-UOW transaction, it will generate recurring rental income for the Group. Moving forward, we will capitalise on such sale and leaseback experience to explore opportunities to unlock the value of our real estate assets to enhance the returns on capital employed of the Group and create long-term shareholder value.

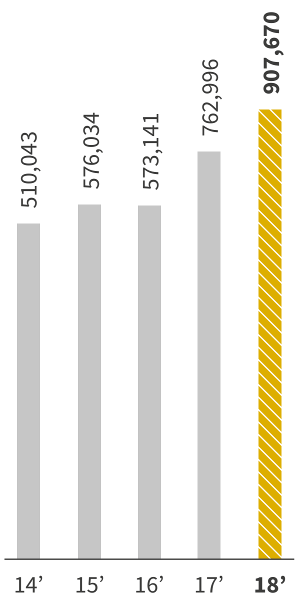
As a developer of commercial office space, we are also offering office space in an innovative way through our Co-labs Coworking business. Leveraging on Paramount's experience and reputation as a developer of quality real estate and spurred by the success of our existing coworking spaces in The Starling Mall and Utropolis Marketplace, three more Co-labs are slated to open for business in 2019, at NAZA Tower in Kuala Lumpur City Centre and Sekitar26 in Shah Alam, while an expansion of the existing lab at The Starling Mall is in the pipeline.

We remain confident that given our continued robust performance notwithstanding the prevailing downtrend market, the strategies we have employed will continue to hold us in good stead. Barring any unforeseen circumstances, the Group is expected to remain resilient in 2019.

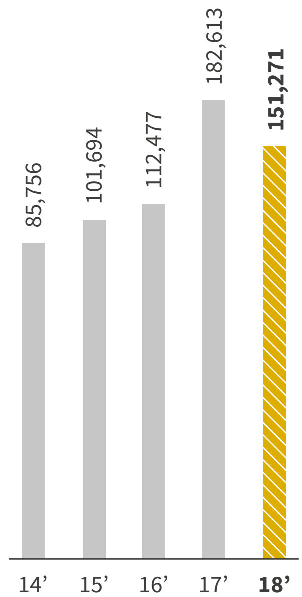
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	Year 31 Dec 2018 RM'000	Year 31 Dec 2017 RM'000	Year 31 Dec 2016 RM'000	Year 31 Dec 2015 RM'000	Year 31 Dec 2014 RM'000
Revenue	**907,670**	762,996	573,141	576,034	510,043
Profit before tax	**151,271**	182,613	112,477	101,694	85,756
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**196,532**	225,058	138,212	121,799	93,368
Profit net of tax	**109,491**	150,518	88,673	74,181	64,086
Profit attributable to equity holders of the Company	**91,814**	133,648	75,016	67,681	62,474
Total assets	**2,675,630**	2,542,964	2,018,711	1,930,223	1,652,191
Total liabilities	**1,329,345**	1,226,073	884,288	839,600	700,347
Total borrowings	**900,661**	823,832	636,554	549,617	385,091
Shareholders' equity	**1,071,291**	1,042,109	934,636	890,836	852,057
Total equity	**1,346,285**	1,316,891	1,134,423	1,090,623	951,844
FINANCIAL INDICATORS					
Interest cover (times)	**8**	11	16	19	315
Earnings per share (sen)	**21.47**	31.52	17.74	16.03	16.17
Net assets per share (RM)	**2.50**	2.46	2.21	2.11	2.02
Gross dividend per share (sen)	**8.50**	16.00	8.50	8.25	7.50
Dividend yield (%)	**4.2%**	9.0%	6.1%	4.9%	4.9%
Return on equity (%)	**9%**	14%	8%	8%	9%
Return on total assets (%)	**3%**	5%	4%	4%	4%
Gross Gearing ratio (%)	**67%**	63%	56%	50%	40%

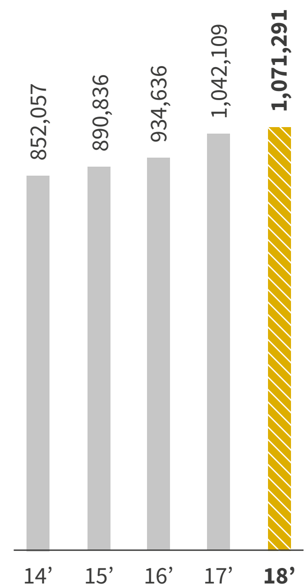
REVENUE (RM'000)
2018:
RM907,670



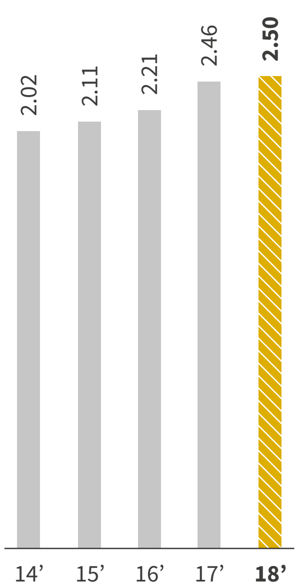
PROFIT BEFORE TAX (RM'000)
2018:
RM151,271



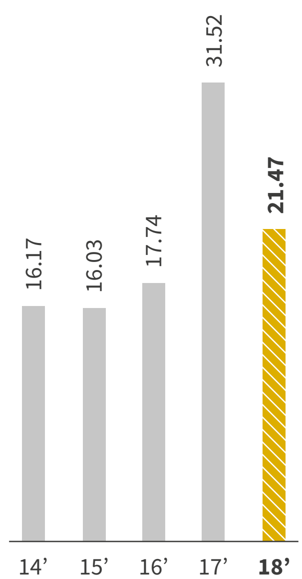
SHAREHOLDERS' EQUITY (RM'000)
2018:
RM1,071,291



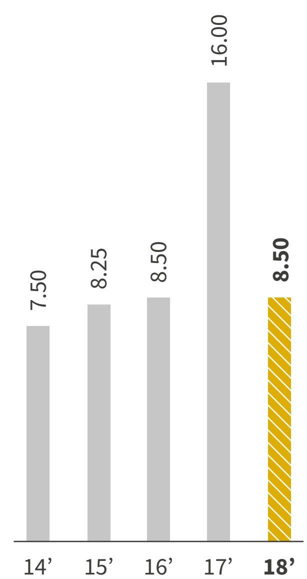
NET ASSETS PER SHARE (RM)
2018:
RM2.50



EARNINGS PER SHARE (SEN)
2018:
21.47



GROSS DIVIDEND PER SHARE (SEN)
2018:
8.50



SUSTAINABILITY STATEMENT

For the financial year 2018 (FY2018), Paramount Corporation Berhad (Paramount or the Company) and its subsidiaries (the Group) continued to embrace sustainability as an intrinsic part of our business model and value creation process.

Guided by our Vision, Mission and TRIBE core values, we have continued to realise our aspiration of delivering a legacy of socio-economic development for stakeholders across Malaysia. We remain committed to our **5Ps** – People, Planet, Prosperity, Partnership and Peace – which are aligned to the Sustainable Development Goals (**SDGs**)[1] of the United Nations.

The concept of sustainability is not new to Paramount. Our commitment to improve has been a continuous process and journey. Through our core businesses of property development and education, Paramount continues to address material areas of concern in our effort to realise and uphold our 5Ps. We believe that for our business to be sustainable, we must adopt a triple bottom-line approach beyond profits and financial gain to ensure that we create lasting value for our various stakeholders.

This approach to business is exemplified across our business divisions over the past decades, from educating the young and developing the nation's human capital needs, to housing the nation and reducing waste in our creation of living spaces through green building design and construction in Malaysia. We are proud to have left a mark that has contributed to a more sustainable world.

With the perspective that more can be done, Paramount has set out to achieve new milestones for the year under review.

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

SUSTAINABILITY IN FY2018

Guided by the ethos that continuous improvement is key towards business longevity, the Group has continued its efforts to embed both the culture and mindset of sustainability across all business divisions and locations nationwide.

The goal is that while having systems, processes and frameworks are excellent catalysts for sustainability, true sustainability is achieved when it is embraced and practised by the people within the organisation almost subconsciously, becoming an intrinsic part of the organisation's cultural DNA.

Therefore, the approach to sustainability for the year under review has been both top down and bottom up. Sustainability is driven as an agenda through the organisation top-down, while on-ground efforts are mainly maintained as bottom up initiatives.

The Board of Directors (**Board**) and Senior Management are actively involved, discussing macro issues, providing leadership direction, and encouraging business units to take ownership and be proactive in addressing material sustainability issues related to them.

Thereafter, business units guided by the Group's core values and shared sustainability aspiration, and with the counsel of their respective Sustainability Working Groups, take on efforts that are then monitored and reported back to Senior Management and the Board.

By taking a broad approach, Senior Management aims to further embed the TRIBE values and promote a culture of shared responsibility, where the understanding of sustainability is linked back to business vision and enterprise at all levels. This commitment is long term and far reaching. As efforts mature, the Group aims to further improve on its monitoring, data collection, and impact measurement by working alongside a wider group of stakeholders and experts.

Appreciating that there are still areas for development and growth, and that sustainability is a shared journey, the Group continues to look for opportunities to share and develop a mindset of sustainability through various touch-points; for example, with students and youth via its Education division, and with customers and the community members through its Property and Corporate arms. Highlights of key efforts are provided in the following pages.

MATERIAL SCOPE AND BOUNDARY

The scope of our FY2018 Sustainability Statement (**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.

As with our previous FY2017 reporting, for stronger relevance, this Statement only encompasses the most pertinent projects, initiatives and activities of the Group rather than every aspect of our operations. Progressively, we shall endeavour to provide more comprehensive disclosure.

- Reporting period: 1 January 2018 to 31 December 2018
- Reporting Cycle: Annually
- Principal Guidelines: Bursa Malaysia's Main Market Listing Requirements Practice Note 9 Article 6

GOVERNANCE

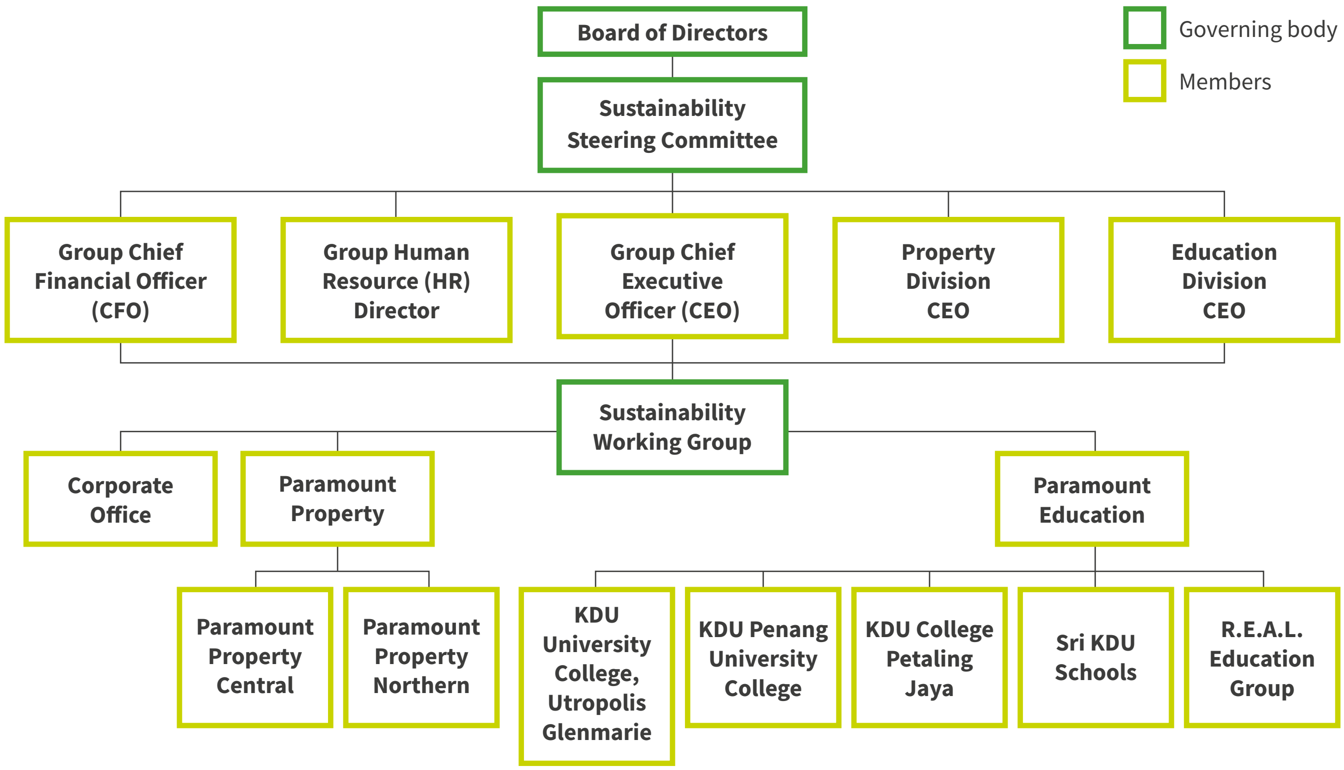
In FY2018, there has been greater involvement of the Board and Senior Management in guiding and driving Paramount's sustainability agenda and journey. Through their leadership, the Group undertook a strategic review of efforts thus far, from issues deemed material to the enterprise to the level of sustainability buy-in within the Group.

Retaining oversight of the Group's over-arching business strategy, as well as sustainability related issues, the Board's deliberations and guidance led to tangible progress on key areas including succession planning, talent development, green building and technological innovation. Through Senior Management effort and leadership, the existing sustainability governance framework was further enhanced via the inclusion of more personnel from different functions across the business divisions and departments in the Group. This then led to a more robust debate on focus areas and efforts during the reporting period.

In FY2018, the Sustainability Steering Committee (**SSC**) and the Sustainability Working Group (**SWG**) each met twice and shared their insights and findings with Senior Management and the Board for deliberation and where needed, guidance and approval.

The SSC comprises the Group Chief Executive Officer (**CEO**) (**Chairman**), Property Division CEO, Education Division CEO, Group Human Resource (**HR**) Director, and Chief Financial Officer (**CFO**). The SWG has been established at all active business units save for Co-labs Coworking and is represented by key staff from the departments.

The SSC Chairman reports to the Board on a regular basis on sustainability related matters.



SUSTAINABILITY STEERING COMMITTEE	SUSTAINABILITY WORKING GROUP
• Comprises the Group CEO, CEOs of the Property and Education Divisions, Group CFO and Group HR Director • Reviews and approves the sustainability strategies 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	• 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

STAKEHOLDER ENGAGEMENT

We have continued to engage stakeholders to validate our sustainability journey and efforts, particularly for the identification and assessment of materiality matters. The inclusion of diverse perspectives is crucial for a comprehensive view of our impacts – both positive and otherwise – as an organisation.

Given our focus on embedding a sustainability culture in Paramount, we intensified internal stakeholder engagement activities with employees. Throughout the year, various internal meetings, workshops and other communication channels were used to engage our staff on sustainability related matters.

These engagement sessions were most useful in helping us formulate strategies to cascade sustainability across the Group and to develop a more coherent strategy.

JOURNEY TO DATE

Aug - Sep 2018
Scoping discussions with Paramount Sustainability Steering Committee

28 Sep 2018
Engagement with KDU UC, Glenmarie

1 Oct 2018
Engagement with Paramount HQ Sustainability Steering Committee, Damansara Uptown

2 Oct 2018
Engagement with Sri KDU Schools, Kota Damansara

8 Oct 2018
Engagement with R.E.A.L Education, Subang Jaya

8 Oct 2018
Engagement with Paramount Property (Central Region) Kota Kemuning

15 Oct 2018
Engagement with KDU Penang UC

16-17 Oct 2018
Engagement with Paramount Property (Northern Region) Sungai Petani

30 Oct 2018
Update submission to the boards of Paramount Education subsidiaries

1 Nov 2018
Update submission to the boards of Paramount Property subsidiaries

21 Nov 2018
Update submission to Paramount main Board

Nov 2018 onwards
Review and development of Sustainability Policy, Strategy & Annual Report

Main focus
- To align sustainability thinking
- To understand current and future (planned) efforts
- Materiality mapping validation exercise

Through these internal pre-survey engagement sessions, we have identified the following key insights:

1. Most employees of the Group are concerned about sustainability and would like to work in a sustainability-oriented organisation.
2. With business leaders, the following was observed:

OVER 75% were able to articulate Paramount's sustainability priorities and how these were related to Paramount's TRIBE values

OVER 90% view sustainability as vital to business longevity and investor confidence

76% view sustainability as important to Paramount brand and branding

74% view it as an opportunity to improve business and operational efficiency

3. Most business units or divisions have implemented sustainability related programmes, projects or activities in their respective Economic, Environmental and Social (**EES**) spectrums.
4. Moving forward, opportunities exist for better collaboration between business units to enable efforts to scale up and cross-functional learning to take place. With better direction, the Group can leverage on employee buy-in more effectively.

STAKEHOLDER ENGAGEMENT ACTIVITIES

STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS AND ACTIVITIES	OUTCOMES
Employees	• Employee benefits, well-being and health and safety • Career development • Succession planning	• Evaluation of employee benefits and compensation package • Employee health and wellness activities • Induction for new employees • Town hall meetings • Circulation of HR policies • Skills development programmes • Talent management programmes • Sport club activities • Performance appraisal • Committee meetings • Paramount staff magazine	• Revision of HR policies to be more conducive to staff • Increase in employee health and wellness activities including sports club activities • Increase in skills development and talent management programmes • Overall increased employee satisfaction reflected in reduced attrition and increased productivity

STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS AND ACTIVITIES	OUTCOMES
Customers	• Support services • Product quality • Latest announcement on project release • Timely delivery • Product/service pricing and package	• Customer call centre • Website/social media • Consumer survey • Sales promotions • Student portal • School visits/talks/workshops • Events and activities • Exhibition/student fairs • Emails on project launches to staff	• Increase in customer satisfaction • Reduction in customer complaints • Increase in number of repeat buyers • Organising of inaugural Customer Appreciation Day • Increase in student enrolment • Retention of existing students and teaching faculty
Investors / Shareholders	• Group's financial and operation performance • Corporate governance • Dividend and capital appreciation	• Annual General Meeting • Quarterly results announcement • 'Investor Relations' page on Paramount website • Engagement sessions with analysts and shareholders • Annual report	• Increase in investor/ shareholder confidence
Regulators	• Approval and permit • Compliance to the relevant government ministries and departments as well as local authorities	• Regular discussions and meetings with authorities • Public consultations with residents' association and local authorities • Site inspections • Seminars, briefings and trainings	• Better understanding of requirements to achieve a higher level of compliance • Increased ability to obtain licences, approvals & accreditations as required • Full compliance to requirements for permit & licence renewal • Full compliance to requirements for performance rating by MOE's Standard Kualiti Institusi Pendidikan Swasta (SKIPS)

STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS AND ACTIVITIES	OUTCOMES
Community	• Environmental and social impacts • Community engagement • Management of properties	• Corporate social responsibility activities • Community engagement and outreach programmes • Strategic partnerships • Surveys	• Paramount is viewed as a good corporate citizen • Positive outcomes for the community • Enhanced brand credibility
Certification Bodies	• Green Building Certification • Conformance to International Organisation for Standardisation (ISO) 9001, 14001 and OHSAS 18001 Standards • Cambridge International Examination (CIE)	• Ad-hoc meetings • On-site inspections • Compliance site visits • Update and networking sessions	• Closer relationships forged to better advance Paramount's green building agenda • Better understanding of requirements • Improved chances of green building certification for future projects • Full compliance to requirements for certification renewal • Assurance of quality management in business operations
Vendors / Suppliers	• Service delivery • Service scope and payment schedule • Pricing of services and product/service quality	• Daily business communication • Vendor/supplier registration • Performance evaluation • Contract negotiation • Purchasing and service contract • Site visits and meetings	• Greater buy-in among suppliers to practise sustainable and fair procurement • Fewer defects on product delivered by suppliers
Media	• Company reputation	• Press interviews • Press releases • Regular engagement sessions	• Corporate updates • Enhancement of brand awareness and reputation
Bankers	• Breach of covenants • Negative public perception	• Business communication such as emails • Face to face meetings • Quarterly reporting	• Greater confidence in the Group by the banking and finance community • Improved opportunities to secure financing for projects

ASSESSING MATERIALITY

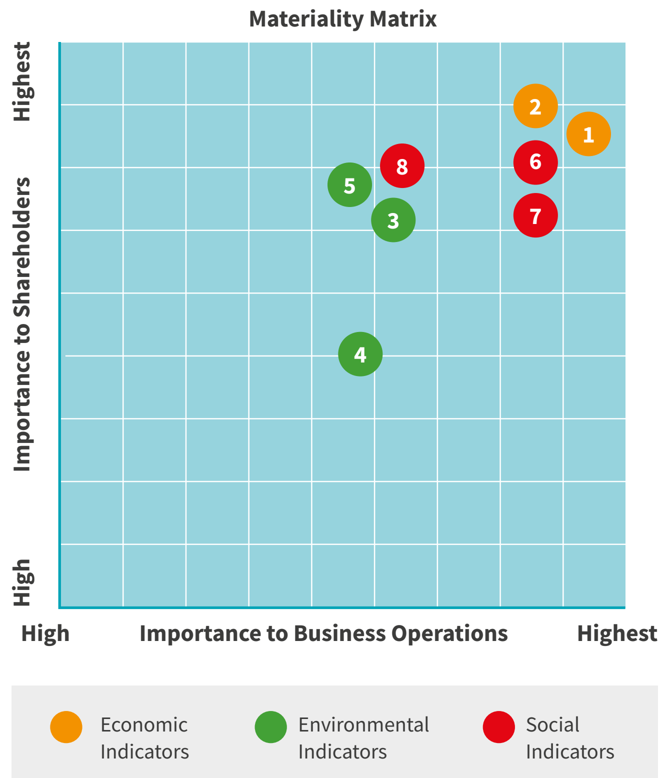
Garnering the insights from our stakeholder engagement activities, the Group held a series of focus groups and workshops across the organisation to collate inputs from staff. Prior to this, a survey was sent to selected staff to gather their perspectives on sustainability related matters across a range of EES topics.

Over 14 materiality issues were identified across the EES parameters. From this, the eight most material issues that were commonly shared across all business units were picked up.

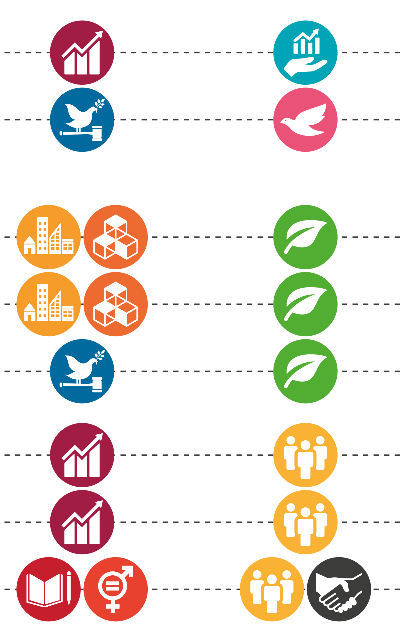
The findings from these sessions were presented to the SSC, which was then shared to the respective Strategic Business Unit (**SBU**)'s Board and Board of PCB. The Board approved the list of materiality matters.

The materiality assessment exercise also revealed that due to the disparate nature of our businesses, some areas deemed material for one business division will be differently prioritised by another. For the purposes of this report, the material areas highlighted below are those that are shared by all.

The identified materiality matters have been further mapped to relevant UN SDGs and our 5Ps.



	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		



SUSTAINABILITY STATEMENT

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.

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 & SERVICE QUALITY

Product and service quality has always been important to the Group as it reflects our ability to create value and deliver on our brand promise. It is on the back of excellent product and service quality in the thousands of properties that we have built and the numerous talents we have produced, that we have developed a strong and highly respected brand.

In this regard, for FY2018, we continued our track record of exceptional product and service quality by our Property and Education divisions. Continuing to set industry benchmarks, Paramount Property achieved a QLASSIC score of 76% in 2018.

> "Continuing to set industry benchmarks, **Paramount Property** achieved a QLASSIC score of **76%** in 2018."

76%

Continuing to benchmark internally, Paramount Property's Customer Satisfaction Index (**CSI**) showed that we continue to retain the confidence of our customers who remain well pleased with the design, build and finish of our homes as well as supporting customer-related services.

CSI SCORES:

- **91%** Sejati Residences Ph2A & 3C
- **88%** Bukit Banyan Ph3 Eugenia
- **87%** Bukit Banyan Ph3A Azelia
- **86%** Greenwoods Ph1
- **85%** Utropolis Glenmarie Ph2B
- **85%** Bukit Banyan Ph3 Azelia Elite
- **84%** Sejati Residences Ph2C
- **83%** Bukit Banyan Ph3 Azelia
- **82%** Bukit Banyan Ph4 Amaryn
- **78%** Bukit Banyan Square Ph4

We have also maintained our reputation for delivering our projects ahead of schedule. In FY2018, the completion and handing over of projects were ahead of the schedules signed on the Sales and Purchase Agreements. Details as follows:

PROJECT	DELIVERY
Sejati Residences Ph2c	30 March 2018 (16 months ahead)
Utropolis Glenmarie Ph2b	17 April 2018 (4 months ahead)
Bukit Banyan Ph4	Amaryn: 8 August 2018 (5 months ahead); Citra Elite: 2 October 2018 (8 months ahead)
Banyan Square Ph4	19 March 2018 (9 months ahead)

Paramount Property's management approach to product and service quality is guided by the internationally recognised ISO 9001:2015 Quality Management System, the QLASSIC systems, the nation's foremost assessment framework developed by the Construction Industry Development Board (**CIDB**).

In FY2018, Paramount Property established a dedicated Quality Assurance and Quality Control (**QAQC**) team. The four-person team is tasked to develop a comprehensive set of good quality and best practices standards, which will serve as the basis upon which Paramount Property can use to refine and enhance existing Standard Operating Procedures (**SOP**), systems and processes. It also provides a reference for actions to be taken by employees on expected work standards and behaviours.

The QAQC's job scope also involves conducting site inspections and reporting to Top Management. The team also conducts Quality Conformance Briefing for all site personnel prior to the commencement of project works.

To uphold excellent service quality, Paramount Property Central Region held an inaugural customer service week from 8 – 13 October 2018. In addition, on 13 October, it held a dedicated Kansha Day or Customer Appreciation Day for its buyers. The event took place at ATWATER Sales Gallery at Section 13, Petaling Jaya.

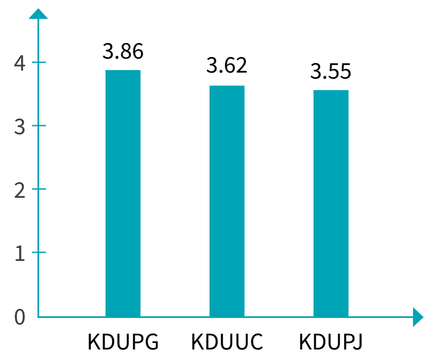
Across our education business, quality is also material. Each of our education business components has developed its respective approach to ensuring the quality of its offerings and service delivery according to the unique requirements and expectations of its customers.

SRI KDU School (SRI KDU)	Successfully retained the following accreditations and qualifications: • International Schools Quality Mark (**ISQM**) Gold Accreditation. • WWF Eco School - Green Flag Award for Sri KDU International School (**SKIS**). • Membership in the Federation of British International Schools in Asia (**FOBISIA**) for second consecutive year. • Recognition from MOE Standard Kualiti Institusi Pendidikan Swasta (**SKIPS**).
KDU Penang University College (KDUPG)	• ISO certified Quality Management System (**QMS**). • Participation in national and international ranking exercises. • Benchmarking against local and internationally renowned universities. • Assessment of graduate employability and salaries upon graduation. • Student and employer satisfaction surveys. • Regular engagement exercises with external academic assessors, industry advisors as well as members of Board of Governors for quality improvement.

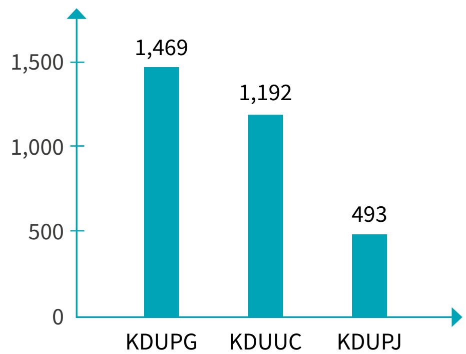
KDU University College Glenmarie (KDUUC)	• ISO Certified QMS. • Customer satisfaction surveys on semester and annual basis. • Awarded Best Student Game in Southeast Asia (SEA) Game Awards 2018, Gold medal in SINTOK International Games & Gamification Conference 2018. • Tier 4 (Very Good) in SETARA 2017 by MQA.
KDU College Petaling Jaya (KDUPJ)	• ISO Certified QMS. • 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. • KDUPJ – Cambridge Learners Awards 2018. • Regular customer satisfaction surveys on semester and annual basis.

At KDUPG, KDUUC and KDUPJ, a survey was conducted to gauge service quality from the perspective of students.

Total Score



Total student participation



Given the highly competitive nature of the property and education sectors in Malaysia today, excellent service quality is essential to retain our competitive edge. Importantly, service quality often leads to repeat buyers and a knock-on effect as existing customers become unofficial 'brand ambassadors' sharing their positive experience with friends and family.

BUSINESS ETHICS & INTEGRITY / CORPORATE GOVERNANCE

The sustainability of the Group also depends on good corporate governance. Hence, it continues to adhere to the highest standards of ethics and integrity in its business practices. This is reflected in the Group's various relationships and communication with its external and internal stakeholders.

The Group's approach to business ethics and integrity is governed and guided by its various corporate policies across both the Property and Education divisions. These include but are not limited to:

- Code of Business Conduct and Ethics (**the Code**)
- Board Charter
- Whistleblowing Policy
- Boardroom Diversity Policy

Contents of these policies and other policies may be viewed at: http://www.pcb.my/company/corporate-governance.

In addition to these policies, the Group has established a defined Code of Business Conduct and Ethics (the Code) which applies to all in the organisation, irrespective of position within the Group. All new employees are inducted on the Code so that they are aware of expected behaviours and norms within the Group.

The Code and the policies help to ensure that Paramount continues to operate based on good business practices in a fair and responsible manner while cultivating a conducive workplace environment and culture.

Of note, the Group has established the Group's Whistle-blowing Policy whereby employees and other stakeholders are encouraged to lodge a report if they suspect unethical behaviour or business malpractice such as fraud, harassment, bribery, discrimination, threats or abuse in any form. Reports can be made confidentially to whistleblower@pcb.my or fax to 03 7712 3344. All reports will be investigated, and the reporter assured that his/ her identify will not be disclosed.

In FY2018, no reports were received.

INVESTOR RELATIONS

We continue to emphasise the importance of strategic engagement with the investment community – providing timely, accurate and consistent disclosure of the Group's business and operational developments.

This is essential in ensuring that existing and potential investors, including shareholders, analysts, regulators, bankers and others continue to have a comprehensive understanding of Paramount's business model and its growth potential.

In 2018, a dedicated Investor Relations (IR) unit was established to further improve strategic engagement. Helmed by the CFO, the IR unit's role is to implement effective IR programmes and activities in line with its IR policy. This unit is assisted by the unit's Senior Manager.

Key IR activities organised by the IR unit in FY2018 included investor briefings, which are held on semi-annual basis. Briefings were also held for corporate exercises that would have a material impact on the Group.

In FY2018, PCB held a total of 14 IR engagements, which included a briefing organised for the investment community when Paramount signed strategic partnership agreement with the University of Wollongong, Australia for its Education business and a meeting with fund managers at our Batu Kawan showroom for the Property business.

Aside from engagement activities, we continued to bolster our IR framework. On 21 November 2018, the Group approved its updated IR policy. Updates were made to the Group spokesperson, organisational structure and official communication channels. There is a dedicated channel for investors' queries which are now managed by IR, and a general or public queries channel by Corporate Communications.

Our website is updated in a timely manner on the notices, announcements and documents released to Bursa Malaysia as well as press releases issued. This is to ensure that the Group's performance and activities are accessible 24/7 to investing stakeholders.

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.

Beyond complying with regulatory requirements, both our Property and Education business divisions have the responsibility to minimise environmental impacts and grow environmental awareness in various ways.

Paramount Property

Green Building design and development	Innovate and adopt eco-concepts	Cultivating greater appreciation of nature

Paramount Education

Development of more eco-conscious talents and society	Community education, outreach and awareness	Inculcate environmental consciousness from young

Our property division is governed by the internationally recognised ISO 14001:2015 standard with the status of related certifications 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 14001:2015 Valid until March 2020

The division also complies with the regulations 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 & RECYCLING

Our property division produces four types of waste: debris from land clearing, construction material, construction material packaging and waste from the site office and workers. All wastes are identified, segregated, monitored and disposed of by a licensed third-party contractor.

Waste which may cause water pollution are monitored, treated and managed within site boundaries to ensure that discharges are within permissible limits at outlet points before being released outside the boundary. Sustainable waste management is practised at all project sites.

Where relevant, waste products are disposed of by a licensed third-party contractor. We continue to carry out water, air and noise monitoring to ensure compliance within permissible limits. We continue to work with local stakeholders on this.

The Property division has a long history of recycling and reusing building materials. In FY2018, this was evident across our many project sites:

Berkeley Uptown Klang Sales Gallery	The existing workshop structure was salvaged, with a fair-face brick wall finish used. LED light fittings & Variable Refrigerant Volume (**VRV**) air conditioning system were installed to reduce electricity consumption.
Greenwoods Keranji, Salak Perdana	Rocks salvaged from blasting activities were reused as backfilling for the ground slab inside.
ATWATER, Section 13 Petaling Jaya	Extra length of pile from piling works were cut and crushed for use as crusher run.
Co-labs Coworking, The Starling Mall	During the renovation works in the mall, the demolished walls were reused for floor screeding.
Bukit Banyan, Sungai Petani	Boulders from the hilly terrain were reused to create the base for benches. Recycled railway sleepers are used as safety boundaries around the Hill Park and steps at Eugenia Hill.

For our Education Division, laboratory chemical waste is disposed of by a DOE approved third party contractor on a regular basis.

RECYCLING

Where possible, consumption is reduced, and waste is recycled.

LOCATION	ITEMS & QUANTITIES	DETAILS
Sri KDU	• Paper: 1,310 kg • Plastic: 1,200 1.5 litre soft drinks and plastic bottles • Aluminium: 355 kg	Recycling awareness and activities are mainly driven by the Eco-School clubs in the respective schools. Items recycled include newspaper, plastic, aluminium, and batteries. The maintenance team recycles scrap wood for school concerts in-house setup/ productions. Cash generated from the sale of recyclable waste goes back to the respective schools to enhance their eco activities.
KDUPG	Paper: 6,486 kg Plastic: 250 kg Aluminium: 357 kg Scrap metal: 143 kg Electronics: <20 kg	Staff are encouraged to store recyclable materials such as paper and aluminium for collection by recycling vendors. Certified vendors collect these wastes on a quarterly basis. KDUPG is transitioning to cloud technology to reduce its paper usage. In 2019, the goal is to move 50% of the internal administrative processes to e-processes.
KDUUC and KDUPJ	Paper: 12,560 kg Plastic: 410 kg Scrap metal: 353 kg	Items are collected by a third-party contractor for recycling and safe disposal.
R.E.A.L Group	General waste, food waste and recyclable waste (plastic bottles and aluminium cans), chemical waste (expired lab-use chemicals)	3-colour bins are used for recyclable wastes. General and chemical waste are disposed of and recycled with the help of third-party contractors. Strategic initiatives include the use of digitisation, automation and system driven processes to reduce paper usage.

WATER CONSUMPTION

Across our business operations, we have reduced water consumption following successful awareness campaigns and close monitoring for leakages, and regular inspection and service of water pumps, valves and piping systems.

The new water-saving design features we introduced across our business operations have also contributed to lower water usage and water costs.

Average Usage Per Month	2017 (m^3)	2018 (m^3)	Savings (m^3)
Paramount Property (Central Region)	1,792	1,420	372
Paramount Property (Northern Region)	482	**799	(317)
Sri KDU	48,200	44,800	***3,400
KDUPG	2,365	2,110	255
KDUUC	3,814	3,881	(67)
KDUPJ	1,151	1,051	100
R.E.A.L*	2,965	2,829	136

* *Data excludes R.E.A.L Kids and R.E.A.L Cheras.*
** *In FY2018, our Northern office relocated from Bandar Laguna Merbok to Bukit Banyan.*
*** *In FY2017, the swimming pool at Sri KDU required maintenance work. The cleaning and refill of the swimming pool caused a hike in water consumption.*

POWER CONSUMPTION

In 2018, we continued to see energy savings across our business divisions. Notably, the energy saving campaign launched in previous years led to greater consciousness among employees to take simple measures in their work environment. These include switching off lights and electrical appliances when not in use, switching off the air-conditioner in empty meeting rooms and setting the temperature to 24°C for thermal comfort when they are in use. In FY2018, total savings achieved was 111,584 Kwh.

The awareness was cascaded to staff via townhall meetings, posters and other communication channels.

Annual Usage	2017 (kWh)	2018 (kWh)	Savings (kWh)
Paramount Property (Central Region)	434, 373	352,984	81,389
Paramount Property (Northern Region)	214,761	262,798	(48,037)
Sri KDU	3,000,000	2,950,000	50,000
KDUPG	1,931,436	1,783,007	148,429
KDUUC	5,575,404	5,686,032	(110,628)
KDUPJ	1,272,372	1,247,520	24,852
R.E.A.L Group*	1,294,247	1,328,668	(34,421)

* *Data excludes R.E.A.L Kids*

In KDUUC, there was a slight rise in power consumption for the period under review due to an increase in the number of students and activities for the year 2018 compared to the previous year. However, the university college has progressively optimised its power consumption by using Light Emitting Diode (**LED**) lights, building management system (**BMS**) control of air conditioning units and holding a monthly management review and discussion of power consumption.

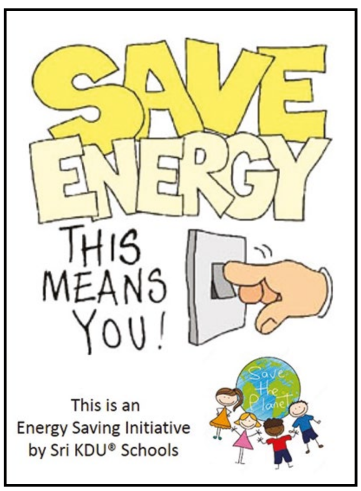
In KDUPG, FY2018 saw a progressive switch to energy-efficient LED lightings, and a change of the foyer roofing material to a composite material that allows more natural lighting to come through. Both measures are expected to deliver savings in electricity consumption going forward. There will also be an overhaul of the chiller to ensure more efficient operations and to reduce the power consumed.

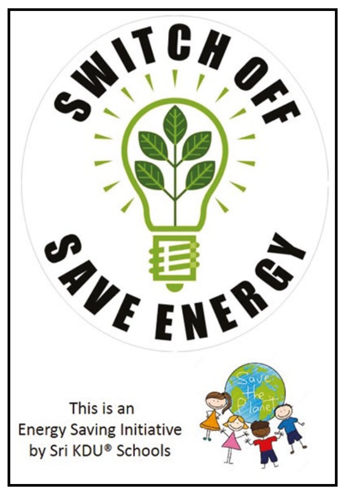
SKIS's construction included the installation of photovoltaic panels to harness solar energy for its LED lighting in all classrooms, corridors and halls. For FY2018, the Fan, Air Conditioner and Lights (FAL) initiative was continued to not only cut consumption but also to embed the culture of shared responsibility and ownership throughout the school. The FAL initiative includes the entire community (students, teachers and maintenance and security crew) inculcating the habit of prudence. We are pleased to note that parents have provided feedback that some students have begun to practise these habits back home.

Going forward, we will be looking at the following initiatives to further strive for energy savings:

- Working with CPe (third party consultants) to develop a college-wide energy management approach
- Pre-set and monitor classroom apparent temperature

Following are notices used across the school campus.





In addition, SRI KDU has taken the initiative to work with their students.

The recent 'Understand Your Power Bill' class competition was a resounding success in helping school children better comprehend their respective household power bills and to inculcate a sense of eco-consciousness from an early age.

The R.E.A.L Education Group uses split air condition units with lower horsepower, and fans are installed as an alternative to cool the classrooms. Lights are progressively being changed to LED variants starting at HQ operations and new centres.

As part of teaching the importance of being sustainable and nurturing the next generation of conscientious leaders, the R.E.A.L Education Group is exploring sustainability as a module to be included in its pre-school programme for children aged 4-6 years old. Our aspiration is to inculcate environmental consciousness in their daily routines.

The effort will commence with R.E.A.L Kids, particularly via R.E.A.L Kids Plus (RK Plus) programme. Emphasis will be given on Global Citizenship and Sustainable Development activities for young learners. There are 174 teachers and 1,376 students involved in RK Plus. R.E.A.L Kids First will also have similar sustainability-oriented activities to complement the company's overall sustainability initiatives.

GREEN BUILDING AND DESIGN

We continue to strive to be an industry leader to promote green building design and construction in Malaysia. We have expanded our list of completed and ongoing green building projects in 2018.

In 2018, we are proud to have been part of a historic milestone for the state of Kedah, when we launched Wisma Paramount, the state's first green certified building. We continue to apply the lessons learnt and insights gained from our green buildings across our townships and vertical developments.

Paramount Property Northern Region Corporate Office and Sales Gallery	Designed to be compliant with Green Building Index (**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 VRV air-conditioning system have been used.
Bukit Banyan & ATWATER	Engaged GBI facilitators to assist in meeting six key GBI certification criteria: energy efficiency, indoor environmental quality, sustainable site planning and management, material and resources management, water efficiency and innovation.
KDU Utropolis Glenmarie	**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/m²

KDUPG / Batu Kawan Campus	• Overall Thermal Transfer Value (OTTV) lower than 45 w/m^2. • Implementation of energy management control system. • All air conditioned areas designed with requirements of ventilation rate in ASHRAE 62.1. • Provision of open space: 32.73% of total site area. Thus, more than 50% of daylight harvesting implemented to reduce artificial lighting. • Provision of water efficient application. • Roofs to be insulated to reduce heat. • Electrical sub-metering installed for energy monitoring. • Installation of LED lighting. • Installation of water saving features such as self-turn-off taps. • Use of recycled bricks low VOC paint and coating, carpet or flooring, and adhesive and sealant. • Composting bins to be placed around the landscaped areas, for on-site composting, to generate organic fertilizer. • Implementation of non-smoking campus. • Green design concept with landscape, with a herbs garden as part of the design.

PROMOTION OF NATIVE FLORA SPECIES

The successful use of local rainforest tree and plant species at Sejati Residences, Cyberjaya, has now been expanded to other developments.

In 2018, we planted local rainforest species at our flagship sales gallery which forms part of the ATWATER development along Jalan Universiti, Petaling Jaya. The local rainforest species planted are *Tristania Obovata, Eugenia Polyantha* (Salam Tree) and *Diospyros Buxifolia* (Curry Leaf Tree).

At Greenwoods Salak Perdana, which is a greenfield development, care and attention was paid to preserving existing local flora and fauna. In addition, we have incorporated local rainforest plants such as: *Tristania Sumatrana* (Pelawan), *Eugenia* (Salam Tree), *Fragrea Frangrans* (Tembusu), *Alstonia Scholaris* (Indian Pulai), *Cratoxylum Cochichinense* (Kayu Arang), *Delonix Regia* (Red Flame) and *Ormosia Sumatrana* (Kedongong Hutan).

Beyond cost effectiveness and promoting community awareness on local flora, the use of native plant species provides many ecological benefits for propagation and easier maintenance.

SOCIAL

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

OCCUPATIONAL SAFETY & HEALTH

Our Property Division continues to adhere to the OHSAS 18001:2007 industry standard. The standard provides the basic framework that governs our management approach to occupational health and safety (**OSH**). The division has also established various OSH standard operating procedures (SOPs) as per the following:

- HIRADC (Hazard Identification Risk Assessment Determining Control)
- Compliance Obligations
- Communication, Participation & Consultation
- Emergency Preparedness & Response
- Performance Measurement & Monitoring
- Incident Management
- Operation Control

Workers are represented in the OHS committee. We continue to maintain a credible track record with regards to OSH.

The following are the OSH initiatives undertaken by the Property and Education divisions.

Paramount Property

- Activities conducted:
  1. Fire drill exercise
  2. Oil Spillage drill exercise
  3. Structure Collapse drill exercise
  4. Scaffolding training
  5. Safety Harness training (Working at Height)
  6. Personal Protective Equipment training
  7. Signalman training
  8. Rigging & Slinging training
  9. Electrical Hazard training
  10. Fire Extinguisher training
  11. Forklift training
  12. Passenger Hoist training
  13. Falsework Erection training

- Programmes undertaken with the authorities:
  1. Briefing on Enhancing Work Safety and Health at Building Sites (Programme for Active Sub-contractors in OSH)
  2. Informal engagement session between Project Managers and Selangor Department of Occupational Safety and Health

- Safety & Health Assessment in Construction (SHASSIC) rating by CIDB:

  Bukit Banyan, Phase 4, site of 100 units of double storey terrace house obtained 4 Stars Rating (Assessment on 6-7 February 2018)

- Paramount Property Activ@Work – Staff Wellness
  1. Steps challenge for staff
  2. Physical activities
  3. Monthly wellness lunch talks
  4. Weight loss challenge

  We also participated in the PERKESO Active@Work Challenge 2018 (September to November) aimed at encouraging an active lifestyle in the Malaysian workforce.

Paramount Education

- OSH Policy and Emergency Plan was tested, and Risk Assessment was undertaken.

- Conducted regular safety and health talks, training and drills. These included:
    1. Emergency drill (Fire, Chemical Spill & Bomb Threat)
    2. Intruder drill
    3. Safe working ladder inspection
    4. Building fire equipment's inspection
    5. Cafeteria hygiene inspection
    6. Chemical laboratory inspection
    7. Risk Assessment for school trip and school events
    8. Annual List Inspection for Certificate of Fitness

- Training Conducted:

  First Aid for emergency response team (ERT) members
    1. Firefighting (ERT Members)
    2. Chemical spill
    3. Permit to work for maintenance task
    4. Basic use of fire extinguisher
    5. Conducting basic Risk Assessment for teachers

- Workers representation in formal joint management-worker health and safety committees including OHS committee.

The R.E.A.L Group has incorporated basic safety and health requirements in its ISO 9001:2015 Quality Management System. Building a safe and conducive environment is reflected in its Quality Policy. Enhancing health and safety is one of company's 2019-2023 Strategy Initiatives. SOPs established include:

Pre-Schools:

- Student Security Procedures
- Maintenance Audit Procedures
- Requisition for Maintenance/ Renovation/ Service Procedures

Schools:

- Accidents/ Injury/ Sickness Procedures
- Fire Drill Procedures
- Canteen Service Procedures
- Maintenance and Upkeep of Building Procedures
- Infrastructure Inspection Procedures

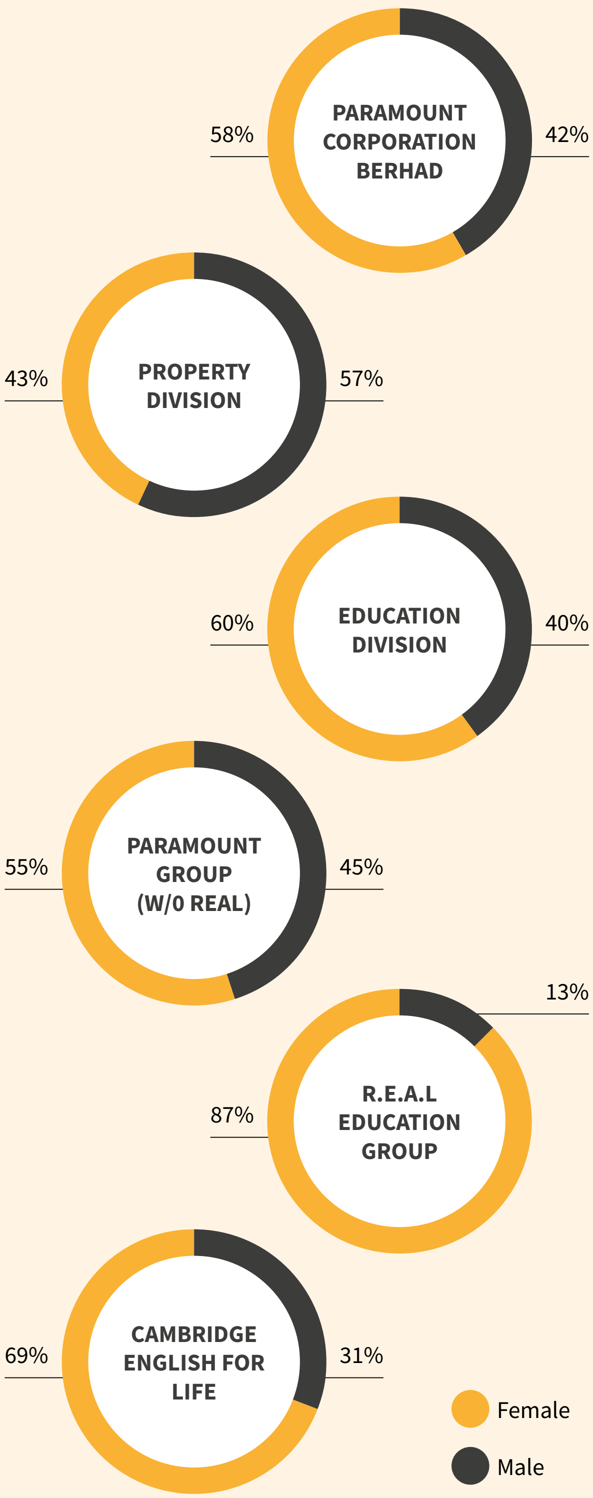
TALENT DEVELOPMENT, RETENTION & SUCCESSION PLANNING

The Group's talent is a vital asset to compete and win in the marketplace. We realise that talent management and development is a constantly evolving process that is impacted by both external and internal factors. Such factors include the varied age groups within our talent pool, and that millennials for example, have vastly different aspirations compared to Gen-Xers and baby boomers. Employees today measure career fulfilment not only in terms of pay cheques and bonuses, but also in terms of meaningful work, congruence or alignment between organisational values and personal beliefs, and whether employees are recognised and rewarded beyond non-financial or monetary terms.

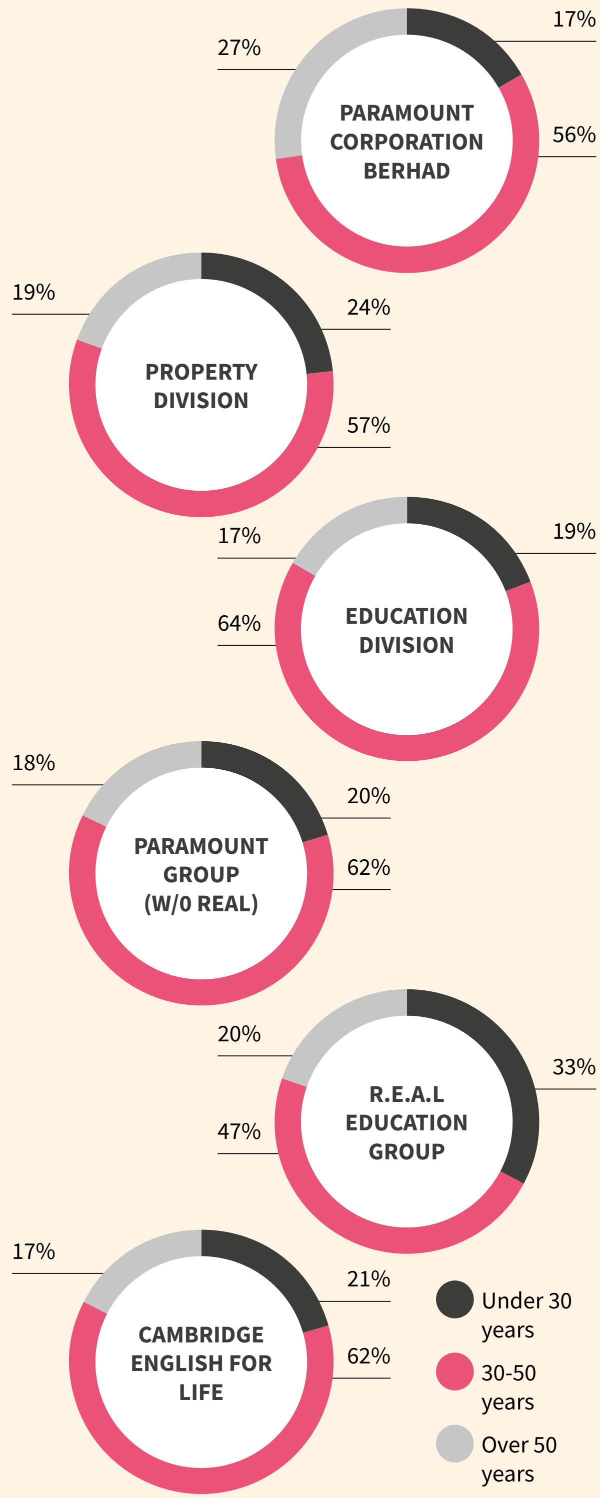
Hence, an assessment of our talent pool based on age group, gender and other factors provides us with a better understanding of how best to manage talent for both our property and education business divisions.

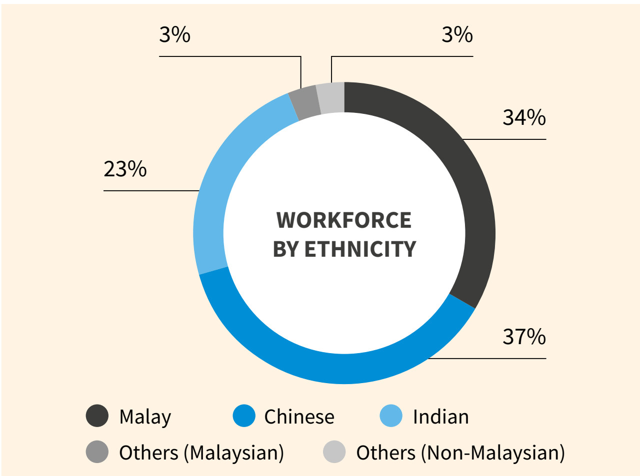
We are pleased with our well-balanced mix of staff composition. This ensures that the Group has a talent funnel to meet its business strategy and requirements.

Workforce by Gender



Workforce by Age Groups





Our response to this challenge has been multi-pronged: a focus on developing existing in-house talent and creating a conducive work culture and environment. Beyond this, we also look to compensate staff competitively and to reward them for good performance with both financial and non-financial benefits. Periodical staff engagement to check the internal pulse of the organisation is essential. We continue to advocate for an equal opportunity workplace where rewards and career development opportunities are provided based on one's competencies, performance and experience.

TALENT RECRUITMENT

The Group adopts a policy of recruitment by merit. New hires are selected based on their abilities, achievements, experiences and qualifications. Where possible, the Group believes in hiring Malaysians. This is especially reflected in the hiring of senior management.

At present, 95.2% of our senior management and 96.7% of our total workforce are Malaysians.

TALENT RETENTION & DEVELOPMENT (STAFF BENEFITS)

Employees of the Group continue to enjoy a wide range of employment benefits beyond what is prescribed by local employment law. These include healthcare benefits and medical insurance, various types of paid and unpaid leave including parental leave, smartphone purchase subsidy, entertainment allowance, marriage gift, bereavement assistance and more.

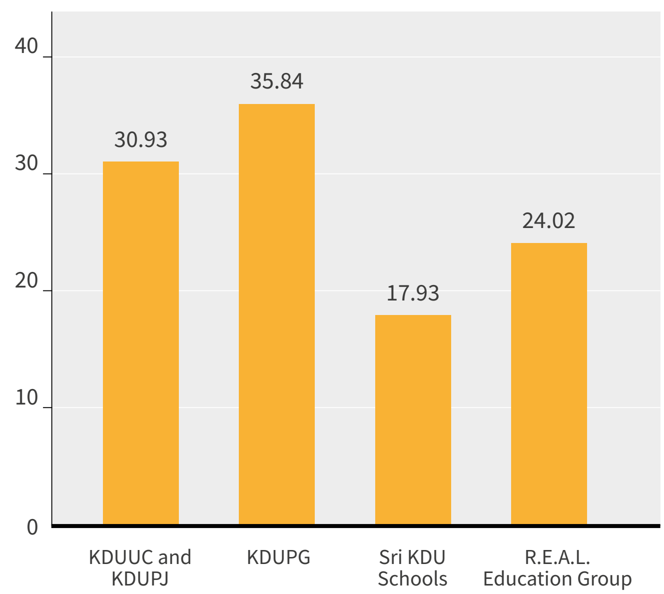
The full list of benefits can be found in the respective Strategic Business Unit (**SBU**) employees handbook, which can be viewed via Intranet.

TALENT DEVELOPMENT

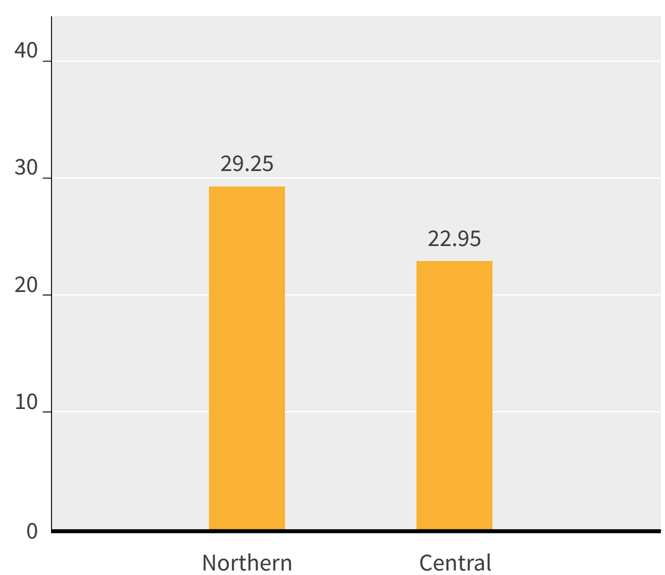
In 2018, the average training hours per employee at our corporate office with a staff strength of 47 is 11.49. The average training hours per employee for our property and education divisions are:

TALENT RETENTION & DEVELOPMENT

Paramount Education Average Training Hours



Paramount Property Average Training Hours



LONG TERM INCENTIVE PLAN

High performing staff and Senior Management are entitled to participate in the Group's Long-term Incentive Plan (**LTIP**). Essentially, the LTIP is a reward for eligible talent in the form of share options, which allow for employees to enjoy rewards as part of the Group's growth. Kindly refer to page 213 for specific details of the LTIP shares granted to employees in FY2018.

The LTIP involves the allotment and issuance of new ordinary shares in the Group to eligible employees and executive directors of the Group and of the Company, provided that the total number of shares allocated do not exceed ten percent (10%) of the total number of issued shares in the Company (**LTIP shares**).

SUCCESSION PLANNING

The development of a strong leadership pipeline is crucial to the strategic continuity of any organisation. It is imperative that future leaders who would helm the organisation are not only competent and experienced but are also inculcated with the necessary organisational culture.

The Group has long initiated various succession planning programmes across the years and 2018 continued to see qualified candidates being groomed in the following leadership development programmes:

<table>
<tr><th>PROGRAMME</th><th>TARGETED EMPLOYEE LEVEL</th><th>TRAINING PROVIDED IN 2018</th><th>NO. OF PARTICIPANTS</th></tr>
<tr><td>Sustainable Talent Acceleration & Retention strategy (STARS)</td><td>Senior Management</td><td>Leadership and Executive Coaching</td><td>6</td></tr>
<tr><td rowspan="12">Leading with Energy & Passion (LEAP)</td><td rowspan="12">Middle Management</td><td>Leading Smartly</td><td rowspan="11">16 (Batch 2)</td></tr>
<tr><td>Leading from the Inside Out</td></tr>
<tr><td>Collaborating with Others</td></tr>
<tr><td>Negotiation Skills</td></tr>
<tr><td>Corporate Grooming</td></tr>
<tr><td>Presentation Skills</td></tr>
<tr><td>Silo Busting for Better Results</td></tr>
<tr><td>Building Courageous Communication</td></tr>
<tr><td>Performance Management</td></tr>
<tr><td>6 Habits of Strategic Thinkers</td></tr>
<tr><td>Influencing Skills</td></tr>
<tr><td>Business Writing Skills</td><td>30
(Batch 1 - Post LEAP)</td></tr>
<tr><td>Emerging Leaders in Transition (ELITe)</td><td>Executive-level employees</td><td>Personal Mastery and Emotional Intelligence</td><td>16</td></tr>
</table>

COMMUNITY DEVELOPMENT & ENRICHMENT

We continue to uphold our responsibility as a good corporate citizen – engaging with the community to create meaningful and mutually beneficial outcomes for our diverse stakeholders. Beyond customers, we believe that supporting the growth of a stable and harmonious society is crucial to the realisation of our 5Ps.

Hence, in FY2018, we organised and participated in various corporate social responsibility (**CSR**) efforts. Our respective business divisions have full discretion to initiate community outreach programmes which they view as best suited to delivering maximum positive outcome for their specific communities.

The community events held tie back to our identified materiality matters. Below are some of the efforts undertaken by the Group and its business divisions.

PARAMOUNT PROPERTY

Interstate Cycling – The interstate cycling event was again organised with over 1,000 participants by G Club Penang and Seberang Perai Municipal Council (**MPSP**) with Paramount Property as sponsor.

The event featured two rides – a 80-km return trip along the Design Village-Bandar Baharu-Tanjung Piandang-Kuala Kurau route, and a 160-km ride from Design Village-Bandar Baharu-Tanjung Piandang-Kuala Kurau-Simpang Empat Semanggol-Alor Pongsu-Bagan Serai and back. The event was aimed at creating community-oriented, family-friendly engagement platforms to build healthy communities and to encourage healthy lifestyles.

The Edge KL Rat Race – Paramount Property Development Sdn Bhd participated as a 'silver' sponsor, contributing RM32,000 to this event held in July. The company sent two teams for the Open and Mixed categories, while the Group CEO and Property Division CEO took part in the CEO Race. Paramount also sent a team of cheerleaders who won the consolation prize.

Kiwanis Down Syndrome Foundation National Centre – The Property Division donated RM20,000 towards the 35th Kiwanis Treasure Hunt in May 2018.

The Property Division teamed up with National Autism Society of Malaysia (**NASOM**) to organise an art fair and charity drive that showcased the works of 12 autistic Malaysian artists. Held at Utropolis Marketplace in Glenmarie, Shah Alam, the event also kicked off the 'Happy Healthy You' campaign aimed at making positive changes to the community through a healthy lifestyle. It also encouraged family and community members to foster partnerships and share resources to help the children and youth. Paramount Property donated RM10,000 to NASOM.

Sri KDU

HOPE RIPPLES – This year's HOPE RIPPLES project benefitted more than 12 elderly and disabled welfare home residents. Pusat Jagaan Titian OKU and Persatuan Kebajikan Amal Da Ai Malaysia were each given RM21,000. The ceremony was witnessed by the school children who had helped to raise the funds at the HOPE Carnival.

This project helps our children understand that every act of kindness matters and is a step in the right direction. It encourages their growth into caring and conscientious adults.

Fun Run – Raised just under RM50,000 for Rumah Kasih Harmoni Care Home.

Teaching English to children at Rumah Kasih Harmoni Care Home – Wholly undertaken by the students, the project reflects the result of nurturing of our students to be caring people.

People to People International with EPIC (Extraordinary People Impacting Communities) DNA to build furniture for the Dignity for Children Foundation – This project with Oleon Chemicals as the primary sponsor expanded from building furniture to building actual homes (EPIC 119 and EPIC 120).

Students, teachers, parents, EPIC and other companies (Oleon Chemicals, WWRC Malaysia, QEL Shipping, and Nanjing Chemical) came together for this venture which turned out to be an international endeavour with participation of volunteers from Belgium, France, China and Malaysia. Two homes were built with Oleon Chemicals' sponsorship on 14 to 16 July.

In a related project that started in 2017, Sri KDU Parents Teachers Association raised funds, including through a Golf Charity Tournament, to build an EPIC Home from 23-28 August 2018.

KDUUC

Diversity & Inclusion Tour – The students participated in four tours – to Teluk Intan, Batu Pahat, Nilai and Temerloh – to learn more about the culture, beliefs, religions and customs of the people in these areas. This annual event, organised by the KDUUC Student & Alumni Centre (**SAC**), is designed to promote and encourage KDUUC's belief of upholding diversity and inclusion.

Taman Negara Project – The KDUUC School of Hospitality, Tourism & Culinary Arts (**SHTCA**) embarked on a project with zero budget to assist the people of the Batek tribe in the remote Kampung Dedari inside Taman Negara. The villagers are among few surviving aborigines in the area. Students and lecturers hiked through the jungle and took a boat to get to the village. We contributed 95 boxes of clothes, basic amenities, toys and books to the residents as well as cash which was given to the village head.

The funds for the project were raised through a bake sale and open mic singing session organised by the students.

Bubur Lambuk – Culinary chef lecturers from KDUUC School of Hospitality, Tourism & Culinary Arts (**SHTCA**) cooked a savoury rice porridge known as Bubur Lambuk and distributed it to Malaysian Air Force personnel at the Air Force Base in Subang, firefighters at the Bukit Jelutong station, policemen and policewomen of Shah Alam and the doctors and nurses at Putra Medical Centre in Bukit Rahman Putra. This was a token of our gratitude for their work and commitment to society.

Pre-United Club Car Spa – The KDUUC School of Pre-U Studies and School of Business and Social Sciences (**SBSS**) raised funds for the Universiti Malaya Medical Centre children cancer ward.

KDUPG

Financial Aid for Students - A total of 413 students received financial aid amounting to RM5.03 million through KDUPG's scholarship programme. This is in addition to RM2.2 million given away via discounts and as incentives to students.

Group photo of all scholarship recipients.

Entrepreneurship Initiatives – KDUPG Student Entrepreneurship Initiatives covered a wide range of activities centred on helping students gain exposure, acquire skills and garner real-world experience. The events held in FY2018 included multidisciplinary hackathons and pitch-a-thons, mentoring from industry experts, start-up seed funding, competitions, accelerators, internships and events. We also conducted numerous workshops i.e. Business Organisation Model, Business Strategy/ Business Planning/ Projection, Risk Management/ Business Continuity Plan/ Business Impact Analysis, Accounting, Payroll & Taxation, Pitching & Fund Workshop, Sharing by Successful Start Up Founders/ Mentors and Business Start-up Intensive Coaching Day.

Our successes include the establishment of two start-ups. One signed a Non-Disclosure Agreement with an investor (OTTOPLANT PLT) while the other, Resermy Media Sdn Bhd (1270161-P) was formed by an engineering student who received RM20,000 as seed fund.

Winners of the Best Business Idea Competition 2018

STRENGTHENING GROWTH. DELIVERING VALUE.

Supporting the Poor and Underprivileged – RM138,000 was raised from a crowd of over 5,000 visitors to the Technicolour Festival organised by KDUPG at Straits Quay, Penang in October 2018. As part of the programme, students visited underprivileged families, contributing time, cash and donation in kind to help these families improve their quality of life.

In a separate initiative, the KDUPG Home Help Programme, the university college collaborated with the Penang Welfare Department to assist poor families in the state. They helped to clean the homes of these families and procured basic groceries and essential items for them.

In Support of Single Mothers – The Wonder Mama project was organised by KDUPG to help single mothers develop skills that would enable them to generate an income.

Conducting baking classes for single mums to help them achieve independence

Promoting Arts and Culture – The KDUPG Flicks Fiesta was organised to nurture talent for the country's creative industry. This year, more than 100 video submissions were received from Taiwan, India, Singapore, Vietnam, United Kingdom, Laos, Indonesia and Thailand.

The Life Impact Award was introduced in memory of the late Malaysian film director, Yasmin Ahmad, continuing her legacy of promoting multiculturalism and inter-racial harmony in our Malaysian society.

Group photos taken during the Flicks Fiesta

R.E.A.L EDUCATION

R.E.A.L Schools, Shah Alam Campus:

R.E.A.L Colour Run 2018 – More than 250 students participated in the run. All the profits raised from the run as well as 20% from the sales at the carnival were donated to the National Cancer Society Malaysia (NCSM).

R.E.A.L Schools, Johor Bahru Campus:

Donation – We donated funds to three Chinese schools, (i) SJK(C) Chien Chi – RM1,000, (ii) SJK(C) Foon Yew 1 – RM1,200 and (iii) SJK(C) Foon Yew 4 – RM1,000.

MOVING FORWARD

We recognise that sustainability is an evolving process for our organisation, in tandem with the changes occurring around us. In ensuring that we remain responsive and agile in adapting to changing needs, we will continue to learn from our efforts and from others.

Going forward, we will continue to improve our governance framework, stakeholder engagement and data collection as well as systems and processes across our EES materiality matters.

Guided by our vision and mission, TRIBE values and commitment towards our 5Ps, we will continue our efforts to realise our sustainability aspiration – to create a legacy of socio-economic development, while conserving our natural heritage.

HOW WE ARE GOVERNED

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103 - Statement on Risk Management and Internal Control

3

BOARD OF DIRECTORS

Fatimah Binti Merican

Datuk Seri Michael Yam Kong Choy

Dato' Rohana Tan Sri Mahmood

Dato' Teo Chiang Quan

BOARD OF DIRECTORS

Jeffrey Chew Sun Teong | Ong Keng Siew | Quah Chek Tin | Tan Sri James Foong Cheng Yuen | Quah Poh Keat

BOARD OF DIRECTORS' PROFILE

DATO' TEO CHIANG QUAN

Chairman & Executive Director

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 Board Risk Management Committee.

Dato' Teo has been playing an active role in the management of Paramount Group since he first served as the Chief Executive of the Group's insurance division in 1981.

In a span of 27 years, Dato' Teo has held the positions of Group Managing Director & Group Chief Executive Officer (**CEO**), Deputy Chairman and currently, is Chairman of the Board. He has been instrumental in shaping Paramount into a reputable and financially sound diversified Group. The Group has benefited 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. He is the driving force behind Paramount's core values encapsulated in TRIBE (Trust, Respect, Integrity, Bravery and Energy) and is highly committed to ensuring that these values are strictly adhered to in order to deliver meaningful and positive sustainable outcomes for all stakeholders. This is in line with the five pillars of sustainability as outlined in the Sustainable Development Goals (SDGs) prescribed by the United Nations that focus on People, Planet, Prosperity, Partnership and Peace.

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, particularly in the area of land banking, and ensures effective communication with all stakeholders.

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

Age 69 / **Gender** Male / **Nationality** Malaysian

Committee
- Board Risk Management Committee (Member)

Appointed
19 January 1977

Qualification
Hon Doc Middlesex University, United Kingdom

JEFFREY CHEW SUN TEONG

Group Chief Executive Officer
& Executive Director

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

Jeffrey began his career at PricewaterhouseCoopers and thereafter, joined 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 Credit Bureau (Malaysia) Sdn Bhd, Credit Guarantee Corporation Malaysia Berhad and OCBC Al-Amin Bank Berhad.

Jeffrey had served on the Advisory Committee of ACCA Malaysia up to 2017. 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. He leads the management team in ensuring that the Group's businesses deliver shareholder value, and he is supported by the other members of the key senior management team in the management of the day-to-day business operations of the Group.

Jeffrey attended all four Board meetings held in the year.

Age 53 / **Gender** Male / **Nationality** Malaysian

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
- Member of the Malaysian Institute of Accountants

DATO' ROHANA TAN SRI MAHMOOD

Independent Non-Executive Director

Age 64 / **Gender** Female / **Nationality** Malaysian

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 the boards of 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 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.

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

DATUK SERI MICHAEL YAM KONG CHOY

Senior Independent Non-Executive Director

Datuk Seri Michael Yam joined the Board of Paramount on 18 February 2010, and was designated as the Senior Independent Non-Executive Director on 27 February 2014. He is also the Chairman of the Nominating Committee and a member of the 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 their Managing Director and CEO before retiring in 2008. He was also voted '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 Malaysia Airports (Niaga) Sdn Bhd, and as a director of Kwasa Land Sdn Bhd, a subsidiary of the Employees Provident Fund. He is also the Most Recent 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 Saadiq Berhad, Malaysia Airports Holdings Berhad and Cahya Mata Sarawak Berhad.

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

Age 65 / **Gender** Male / **Nationality** Malaysian

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

Appointed
18 February 2010

Qualification
- Fellow of the Royal Institution of Chartered Surveyors, United Kingdom
- Fellow of the Chartered Institute of Building, United Kingdom

ONG KENG SIEW

Independent Non-Executive Director

Age 62 / **Gender** Male / **Nationality** Malaysian

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 the 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 attended all four Board meetings held in the year.

QUAH CHEK TIN

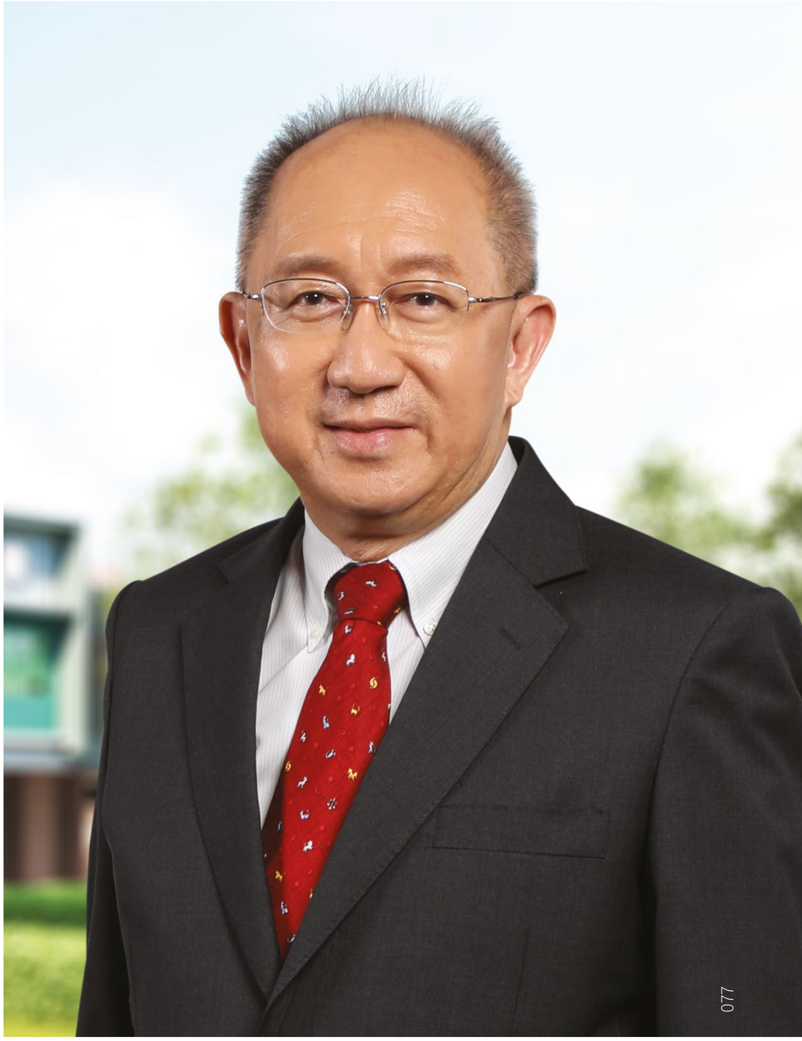
Independent Non-Executive Director

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 attended all four Board meetings held in the year.



Age 67 / **Gender** Male / **Nationality** Malaysian

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

TAN SRI JAMES FOONG CHENG YUEN

Independent Non-Executive Director

Age 73 / **Gender** Male / **Nationality** Malaysian

Committee
- Remuneration 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 Remuneration 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 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's 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' directorship in public companies include Genting Berhad and Only World Group Holdings Berhad.

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

QUAH POH KEAT

Independent Non-Executive Director

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 Berhad 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 attended all four Board meetings held in the year.

Age 66 / **Gender** Male / **Nationality** Malaysian

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

FATIMAH BINTI MERICAN

Independent Non-Executive Director

Age 65 / **Gender** Female / **Nationality** Malaysian

Committee
- Audit Committee (Member)

Appointed
2 July 2018

Qualification
- Higher National Diploma in Computer Science, Polytechnic of Central London (now known as University of Westminster)

Puan Fatimah joined the Board of Paramount on 2 July 2018. She is also a member of the Audit Committee.

Puan Fatimah started her career in 1997 as an Information Technology (**IT**) analyst at Esso Malaysia Berhad (**Esso**) where she spent 24 years acquiring skills and experience in the area of IT application development and support, project management, system programming and planning. After the merger of Exxon (the parent company of Esso) and Mobil in 2000, Exxon Mobil embarked on an ambitious plan to consolidate all IT services for all its key locations globally, and Puan Fatimah led a global IT team that supported the non-Enterprise Resource Planning applications of all Exxon Mobil Downstream and Chemical businesses. Under this posting, Puan Fatimah was also involved in the setting up of an IT support centre for Exxon Mobil in Bangkok.

Puan Fatimah retired in March 2014 after an impressive career of 37 years at Exxon Mobil where she rose up the ranks from the position of IT Account Manager to Executive Director of Esso and as Vice President and Director of Exxon Mobil Exploration and Production Malaysia Inc.

After retirement, Puan Fatimah embarked on a new role as an independent Executive Coach focusing on women in leadership, an area that she continues to champion today in collaboration with various prominent organisations, such as the 30% Club Malaysia, TalentCorp Malaysia and the Institute of Chartered Accountants in England and Wales. She is also a Neuro-Linguistic Programming (**NLP**) coach, duly certified by the American Board of NLP since 2013.

Other than Paramount, Puan Fatimah's directorship in public companies include IJM Plantations Berhad and United Overseas Bank (Malaysia) Berhad.

Puan Fatimah attended the two Board meetings held after her appointment in the second half of 2018.

None of the Directors has any family relationship with any Director and/or major shareholder, nor conflict of interest with Paramount. None of the Directors has 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

KEY SENIOR MANAGEMENT PROFILE

1. 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

Chew, a Malaysian, aged 53, 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.

Details of Jeffrey's working experience can be found on page 73 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.

2. 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 53, male, has more than 27 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 Klang Valley. He returned to corporate office in 2007 as Financial Controller before assuming his present role of Chief Financial Officer on 1 January 2014 to head the Group Finance function. His mandate covers three core areas – controllership, which includes presenting and reporting accurate and timely historical financial information of the Group; treasury duties, encompassing tracking, recording and presenting the Group's current financial condition, taking into consideration risk and liquidity as well as the capital structure of the company; and financial strategy and forecasting, including identifying and reporting on financial efficiency and opportunities.

He oversees all finance initiatives to ensure that growth objectives are aligned with the Group's strategic financial objectives and its long-term financial sustainability, through the effective fiscal functions of the Group, namely financial risk management, financial planning and budgeting, fund raising and record-keeping, forecasting, reporting, deal analysis and negotiations, and partner compliance.

3. DATIN TEH GEOK LIAN

Chief Executive Officer of Paramount Education

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

Datin Teh, a Malaysian, aged 60, female, was appointed Chief Executive Officer of Paramount Education in June 2011.

As CEO of Paramount Education, Datin Teh oversees all the education companies of the Paramount Group under KDU and R.E.A.L, from pre-school, primary and secondary schools through to tertiary institutions and enrichment centers. Under her stewardship, KDU expanded its wings to the iconic KDU University College campus at Utropolis, Glenmarie, while KDU Penang University College is currently building an additional campus at Batu Kawan.

Prior to being appointed CEO of Paramount Education, Datin Teh was appointed the CEO of Sri KDU Sdn Bhd in January 2005, a position she concurrently held till June 30, 2018. In addition to helping lay the foundation for Sri KDU Schools, Datin Teh was instrumental in expanding Sri KDU into the international school segment, building its brand as a premier private and international school operator, offering both national and international curriculum options conveniently on one campus.

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 U.S. under the American Field Service (AFS) programme.

4. BEH CHUN CHONG

Chief Executive Officer of Paramount Property Division

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

Beh, a Malaysian, aged 48, 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 and commercial, retail and hospitality, through to high-end residential. His experience includes all aspects of the industry, from project development and design management, to construction management and post-development management.

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

Beh was appointed CEO of Paramount Property on 1 January 2015. His mandate includes setting Paramount Property's overall strategic direction and priorities for its business; monitoring the operations and performance of the division as well as the performance of each project, and leading efforts to deliver on the division's objective to create more design-driven and innovative developments, while holding steadfast to Paramount's tenets of quality and value.

His role encompasses appointing strategic partners who will deliver on this vision and who will set new standards in design, as well as the operational aspects of the property development business. His responsibilities include ensuring the company delivers its projects on time, up to established building standards, with cutting-edge innovative sales and marketing support, and within agreed budgets.

5. 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 Chief Executive Officer of Paramount Property Development Sdn Bhd on 1 March 2018.

Benjamin joined Paramount Corporation Berhad in 2012 as a management executive and rose up the rank to become Director of Innovation in Paramount Property in 2015. His experience spans marketing, project management, sales, operations and property investment across Paramount Group's two businesses in property development and education.

In his capacity, Benjamin is responsible for researching into the use of innovative concepts to bring value to Paramount Property products. Co-labs Coworking, a brainchild of Benjamin's, is a coworking space cum incubator that he has set up at Utropolis Marketplace, Paramount Property's first retail mall in 2016. This is a demonstration of Paramount Group's business strategy of strength-through-synergy which leverages the synergy between Paramount Property and Paramount Education.

In 2018, he has successfully launched the second coworking space in The Starling Mall. He is also working with the property team on the development of Paramount Property's second integrated project in Section 13 of Petaling Jaya in Selangor.

Benjamin, a graduate of the University of Nottingham with a Bachelor of Arts in Politics and Sociology, now assumes the role of CEO overseeing business activities and day-to-day operations of Paramount Property Development.

6. JEFFREY QUAH CHUAN TATT

Group Human Resource Director

- B. Arts, Franklin and Marshall College, Lancaster, Pennsylvania, USA

Quah, a Malaysian, aged 53, male, has more than 25 years of experience in the field of human resource management. He has extensive exposure in various industries including property development, construction, hospitality, logistics, retail and manufacturing. Regarded as a generalist, he is familiar with strategic HR initiatives, organisational improvement, learning and development, performance management, business process improvement, compensation and benefits, talent management and recruitment. Prior to his current role, he has served in senior leadership roles in several public listed companies, a US-based multinational company and a government agency.

Quah joined Paramount as the Group Human Resource Director on 1 September 2014.

He has since reshaped and transformed the human resource functions across all businesses within the group. His main responsibilities in Paramount include the group's HR strategies on succession planning, talent retention and development, compensation, and policy and compliance issues. He has played a key role in enhancing the overall talent acquisition, talent management and learning in the organisation, including developing and driving the group's talent management programme, Leading with Energy and Passion (LEAP).

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 and enhance 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 principles of the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) and the best practices prescribed therein for the financial year ended 31 December 2018 (**FY2018**).

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. Although the Board confers some of its authorities to the Board Committees and delegates the day-to-day management of the Group's businesses 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 Securities**)
- 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 2018 Budget and Business Plan, and monitored operational performance against the budget
- Reviewed and approved corporate and business proposals submitted by management, which included the following:
  - o the disposal of a parcel of leasehold industrial land in Kota Damansara, Selangor under the Group's land development activities which generated a revenue of RM92.1 million and a profit of RM43.2 million for the Group
  - o the proposed acquisition of a parcel of 41.4-acre freehold land in Cyberjaya, Selangor for a new gated and guarded landed residential development over the next six years with a projected gross development value (**GDV**) of RM570.0 million
  - o the proposed high-rise residential development on a parcel of 9.66-acre leasehold land jointly with the landowner, namely Kumpulan Hartanah Selangor Berhad, a Selangor state-owned entity, over the next 10 years with a projected GDV of RM1.0 billion

- o the strategic collaboration with UOWM Sdn Bhd (**UOWM**), an investment entity of the University of Wollongong from New South Wales, Australia to uplift the brand position of KDU, the Group's tertiary education segment, through the proposed divestment of the Company's majority equity interests in KDU University College Sdn Bhd (**KDUUC**), KDU University College (PG) Sdn Bhd (**KDUPG**) and KDU College (PJ) Sdn Bhd to UOWM, which divestment will also generate a proforma gain of RM20.2 million for the Company
- o the proposed disposal of the Group's three tertiary education campus properties at Utropolis Glenmarie, Shah Alam, Selangor, at Jalan Anson on the island of Penang, and at Bandar Cassia, Batu Kawan on the mainland of Penang to a special purpose vehicle to facilitate a leaseback of these campuses to KDUUC and KDUPG
- o the proposed issue of two for five bonus shares and free warrants to reward the Company's shareholders in conjunction with Paramount's 50th anniversary

- Approved the award of new Paramount shares to eligible employees of the Group pursuant the Company's Long Term Incentive Plan (**LTIP**)
- Updated the Board Charter, including the Terms of Reference of the four Board Committees, and all Board Policies with reference to the MCCG 2017
- Approved the Group's roadmap for implementation of the COSO Internal Control Integrated Framework that was adopted in 2017
- Tracked the economic, environmental and social (**EES**) governance actitvities of the Group on a half-yearly basis
- Taken steps to develop the Board's succession and gender diversity plans, and appointed one woman Director on the Board in June 2018 thereby increasing the women representation on the Board to 22%

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 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 FY2018 is presented in the Audit Committee Report on pages 99 to 102 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 Puan Fatimah Merican.

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 INEDs. It also conducts yearly assessments 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 FY2018:

- Reviewed the outcome of the 2017 Directors' Self and Peer Assessment undertaken to assess the performance of individual Directors, the Board, the four Board Committees, the Chairman and the Group CEO, and recommended remedial actions where applicable
- Reviewed the training programmes attended by the Directors, and discussed the Directors' training needs for the ensuing year
- Reviewed the Declaration of Independence signed by all INEDs
- Assessed the eligibility of Directors for re-election at the 48th Annual General Meeting (**AGM**) of the Company
- Reviewed its Terms of Reference, and recommended updates to the Board for consideration
- Reviewed the Directors' Assessment Policy and Board Diversity Policy, and recommended updates to the Board for consideration
- Reviewed the composition of the Board and the four Board Committee as well as the mix of skills of the Directors, and proposed its recommendations to the Board for consideration
- Discussed the Board's succession plan with reference to the MCCG 2017, and proposed its recommendations, which included a retirement age of 75 for all Directors, to the Board for consideration
- Discussed the Board's gender diversity plan with reference to the MCCG 2017, and proposed its recommendations, which included the setting of a target of 30% women representation on the Board by 2020, to the Board for consideration
- Took steps to meet the 30% gender diversity target after having received the Board's approval thereof by engaging a talent consultant to source for suitable candidates based on a set of criteria, which included the preferred area of expertise and experience
- Assessed the suitability of women candidates shortlisted by the talent consultant, and nominated the selected candidate, namely Puan Fatimah Merican, to the Board for consideration

Currently, the Nominating Committee comprises exclusively INEDs, 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 Committttee in FY2018:

- 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 2018 LTIP Grant and the vesting of Paramount shares pursuant to the 2015, 2016 and 2017 LTIP Grants
- Reviewed its Terms of Reference, and recommended updates to the Board for consideration
- Reviewed the Board Remuneration Policy, and recommended updates to the Board for consideration

Currently, the Remuneration Committee comprises exclusively INEDs, namely Mr Quah Chek Tin (as Chairman), Datuk Seri Michael Yam Kong Choy and Tan Sri James Foong Cheng Yuen.

BOARD RISK MANAGEMENT COMMITTEE

The primary function of the Board Risk Management Committee 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 Board Risk Management Commmittee in FY2018:

- Reviewed the Top Key Risks of the Group and monitored the effectiveness of the risk management action plans identified by the Executive Risk Management Committee (**ERMC**)
- Monitored the implementation progress of the Group's Business Continuity Management Plan drawn up by the ERMC
- Reviewed its Terms of Reference, and recommended updates to the Board for consideration
- Reviewed the Company's Risk Appetite Statement and Risk Parameters that were approved and adopted by the Board in 2015, and recommended updates to the Board for consideration

Currently, the Board Risk Management Committee comprises a majority of INEDs, namely Dato' Rohana Tan Sri Mahmood (as Chairman), Mr Quah Chek Tin, Mr Ong Keng Siew and Mr Quah Poh Keat, as well as Dato' Teo Chiang Quan, the Executive Chairman of the Board.

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 a succession plan for Board members, including the position of Chairman and Group CEO.

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, Dato' Teo Chiang Quan, works with the Group CEO, Mr Jeffrey Chew Sun Teong 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. In addition, the Chairman undertakes the executive function of guiding management in the evaluation and selection of land bank to grow the Group's property development business.

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 shareholders value. It is also the responsibility of the Group CEO to ensure that adequate, well motivated and incentivised management resources are available, and succession plans for senior management as well as business processes are put in place. The Group CEO is supported by the other members of 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 AGMs 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 training 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 deliberating 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 2019 to the date of publication of this statement.

INSIDER TRADING

In efforts to prevent insider trading in Paramount 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 2019 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 victimisation, harassment or discriminatory treatment.

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

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

The policy also sets out the mechanism by which employees and any member of the public can confidently and anonymously voice concerns to the Chairman of the Audit Committee or the Head of the Internal Audit Department at whistleblower@pcb.my.

Upon the receipt of complaints, the Head of the Internal Audit Department 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 substantial 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 are followed. All details pertaining to the whistleblower will be kept strictly confidential throughout the investigation proceedings. There were no concerns reported in FY2018 or during the period from 1 January 2019 to the date of publication of this statement.

BOARD COMPOSITION

The current Board compositon 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, information technology (**IT**) and management allows for effective oversight of the Group's businesses based on diverse perspectives and insights, and the composition of 78% INEDs provides independent judgement to the Board's decisions. The profiles of the current Board members are set out on pages 72 to 80 of this annual report.

Two directors, namely Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy, have served as INEDs for more than nine years, and one director, namely Mr Quah Chek Tin, has served as an INED for more than 12 years. The Board will be seeking shareholders' approval at the forthcoming 49th AGM for Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy to remain in office as INEDs for another year. Mr Quah Chek Tin, who is subject to retirement by rotation at the 49th AGM, will not be seeking re-election as a Director of the Company at the said AGM.

The Nominating Committee has assessed the independence of Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy based on the Declaration of Independence made by them as at the end of 2018 and the rating of more than 4.47 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 2018 Directors' Self and Peer Assessment exercise. The Nominating Committee, being satisfied with the outcome of this assessment, concluded that the independence of Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy has not been impaired, and it has recommended that these two Directors be allowed to continue in office as INEDs up to the 50th AGM of the Company in 2020.

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. The Board has also set a target of having 30% women representation in its composition by 2020, and currently, Paramount has two or 22% women directors on the Board. Out of the Group's current total workforce of 2,758 employees, women constitute approximately 69.47%, and 28.57% of the Group's senior management team comprises women employees, holding positions as heads of divisions/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 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.

The Directors' attendance at the Board and Board Committeee meetings held in FY2018 were as follows:

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

Notes:

(1) appointed as a member of the Board Risk Management Committee and ceased to be a member of the Remuneration Committee in the second half of FY2018 (**2H18**)

(2) appointed as a member of the Remuneration Committee and ceased to be a member of the Audit Committee in 2H18

(3) appointed as a member of the Audit Committee in 2H18

BOARD ASSESSMENT

The Directors undertook their annual Directors' Self and Peer Assessment exercise in November 2018, and the results were reviewed by the Nominating Committee in January 2019. 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 INEDs 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 4.33 and 4.60 points (based on a scale of 1 to 5) in the 2018 Directors' Self and Peer Assessment exercise.

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 were industry leaders in their respective fields are able to identify suitably qualified candidates for the Board. Nevertheless, in the year under review, the Nominating Committee had, in its review of the mix of skills of the Board, noted that the infusion of IT skills into the Board had become a necessity in view of the wide usage of IT systems in the Group's business processes and the prevalent risk of cyber security threats. Hence, advice was sought from a talent consultant that specialises in the sourcing of IT talents to identify suitable candidates for the Nominating Committee's review, and through this process, Puan Fatimah Merican was selected for nomination to the Board in view of her strong IT background and 37 years of experience in this field.

The Nominating Committee's recommendations are generally 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 whilst an INED will be evaluated based on the 'independent' test as stipulated in the Main Market Listing Requirements (**MMLR**) of Bursa Securities 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.

RE-ELECTION OF DIRECTORS

The Company's Constitution provides 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 the one-third shall retire from office by rotation, 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. Additional Directors appointed during the interval between two AGMs are also subject to retirement and are eligible for re-election at the second AGM. In accordance with these provisions, four Directors, namely Dato' Teo Chiang Quan, Mr Quah Chek Tin, Tan Sri James Foong Cheng Yuen and Puan Fatimah Merican, are subject to re-election at the 49th AGM of the Company. Mr Quah Chek Tin and Tan Sri James Foong Cheng Yuen, however, are not standing for re-election at the said AGM.

The Nominating Committee is tasked with the function of evaluating the eligibility of Directors who are standing for re-election at the Company's AGMs. 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 training programmes and the Director's interface with management.

The Nominating Committee had, in March 2019, conducted its evaluation of the eligibility of two Directors, namely Dato' Teo Chiang Quan and Puan Fatimah Merican, for re-election at the forthcoming 49th AGM.

In assessing the eligibility of these 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. The Nominating Committee was satisfied with the evaluation results, and has recommended the abovenamed Directors for re-election at the 49th AGM of the Company.

DIRECTORS' CONTINUING DEVELOPMENT PROGRAMME

The Board Charter requires all Directors to attend continuing development 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 matters. The Secretary, acting under the instruction of the Nominating Committee, compiles training programmes that are available to the Directors for their selection. The Secretary also attends to internally organised training programmes whereby industry experts are invited to update the directors on industry related matters 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 FY2018, all Directors of Paramount have attended at least two training programmes, with a majority having attended more than five programmes, on a wide range of topics under the following key areas:

Corporate Governance

- The Malaysian Code on Corporate Governance Roadshow 2018 by the Securities Commission Malaysia

Legal & Regulatory Updates

- Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn Bhd
- Human relations and industrial relations issues in the employment environment in Malaysia at the HR and IR Conference 2018
- Harmonisation of the laws in ASEAN member countries, especially relating to trade and business at the ASEAN Law Conference
- Arbitration, Legal Issues in Malaysia at the Malaysian Law Conference
- Legal issues relating to the construction industry at the Construction Law Conference

Finance and Risk Management

- Malaysian Financial Reporting Standard (**MFRS**) 16: Leasing by Ernst & Young
- Goods and Services Tax: From 6% to 0% - A Race Against Time by KPMG
- Closing the Funding Gap by the Association of Chartered Certified Accountants (**ACCA**)
- Cradle & MBAN x ACCA Networking Session by ACCA
- Lead the Transformation, Own the Disruption at the ACCA Malaysia SME Workminar 2018
- Islamic Finance for Board of Directors' Programme, a Financial Institutions Directors' Education (**FIDE**) programme
- Credit Risk Management – Banking Sector, a FIDE programme
- Future Forward Forum 2018 by the Real Estate & Housing Developers' Association Malaysia (**REHDA**) Youth
- MFRS made simple for Directors and Senior Management by Bursatra Sdn Bhd
- Fiscal discipline in driving sustainable growth at the PricewaterhouseCoopers Budget 2019 Seminar
- Sales & Services Tax 2018 by Mr Thanesh Kannaa
- The 2019 Budget Proposals Seminar by Deloitte Tax Services Sdn Bhd
- Technical Update Session 2018 by the Malaysian Institute of Accountants (**MIA**)
- Overview of MFRS 9: Financial Instruments by KPMG
- Managing Cyber Risks in Financial Institutions at the Bank Negara Malaysia-FIDE Forum Dialogue

Leadership and Strategy Management

- Dr Mahathir Mohamad Leadership Series by the Malaysian Institute of Management
- Future of Business – Dynamic, Digital and Socially Responsible by the Chartered Accountants of Australia & New Zealand
- Embracing Technology by the Securities Commission Malaysia
- Navigating Change in Malaysia at the Ernst & Young C-Suite Forum
- Business Valuation at the Security Industry Development Corporation Workshop Series
- New Malaysia Summit by the International Strategy Institute
- Sustainability Engagement Series for Directors/Chief Executive Officers by Bursa Securities
- Road stabilisation technology for problematic areas by Dr Mahesa Bhawanin of Tensur Malaysia
- Never ending improvement & achievement by Mr Christian Adrianto of Motivasi Indonesia
- The Director as Coach by Dr Marshall Goldsmith
- DNA of a Board Leader at the 2nd Distinguished Board Leadership Series of FIDE

Economic, Industry and Market Trends

- Challenges of the young professionals for the built environment: Professionalism towards excellence at the Industry Forum Group Discussion of the Construction Industry Development Board (**CIDB**)
- CIOB Novus Youth Arena Malaysia by the Chartered Institute of Building Malaysia (**CIOB**)
- Seeking True Value in the Property Market – an Open dialogue with the Minister of Housing & Local Government by the Asian Strategy and Industry Institute (**ASLI**)
- Attracting Investments into Malaysia : Developing Malaysia as an International Real Estate Investment Destination at the Annual Property Developers Conference (CEO Series 2018) of REHDA
- Future Forward Forum 2018 by REHDA Youth
- Mayor's Track – Collaborative actions through using best practices of smart sustainable cities towards a vibrant green economy and industry 4.0 in cities – World Energy Cities Partnership (WECP) by Dewan Bandaraya Kuala Lumpur
- Digital Transformation Throughout the Property Lifecycle – PropTech Association
- Executive Masterclass – Property Development – Sales & Marketing Management – C-Suites & Industry Leaders – Second Module – Property Development Branding by the REHDA Institute
- Balance in our World – Recalibrating Markets, Firms, Society and People by Khanazah Nasional Berhad
- Asia-Pacific Economic Cooperation (**APEC**) Business Advisory Council meeting in Auckland, New Zealand
- 60 years of Malaysia-Indonesia Economic Ties: The way forward by the Institute of Strategic and International Studies (**ISIS**) Malaysia
- APEC Business Advisory Council meeting in Tokyo, Japan
- APEC Business Advisory Council meeting in Kuala Lumpur, Malaysia
- ISIS Praxis Seminar (Game Changers) by ISIS Malaysia
- Khazanah Megatrends Forum by Khanazah
- Global Smart Logistics Summit by Alibaba's Cainiao
- Navigating the VUCA World by Professor Tan Sri Dato' Dr. Lin See Yan
- Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua
- IBM THINK Malaysia at a FIDE Forum

In assessing the training 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 from time to time.

REMUNERATION

REMUNERATION OF DIRECTORS AND KEY 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 the top eight senior management personnel for FY2018 were determined by the Remuneration Committee after consideration of the Group's performance for the year, 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 employee's contribution to that performance during the preceding year. 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, and revised once in every three years. In consideration that the Directors' fees were revised in 2017, there will not be any increase in Directors' fees for FY2018.

Details of the remuneration of the Directors and key senior management of the Company for FY2018 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	2,160,000.00	2,000,000.00	115,000.00	77,646.02
Jeffrey Chew Sun Teong	1,477,500.00	1,083,500.00	70,000.00	127,200.00
Company only				
Non-Executive Directors				
Dato' Rohana Tan Sri Mahmood	-	-	85,000.00	-
Datuk Seri Michael Yam Kong Choy	-	-	95,000.00	-
Ong Keng Siew	-	-	105,000.00	-
Quah Chek Tin	-	-	110,000.00	-
Tan Sri James Foong Cheng Yuen	-	-	92,890.41	-
Quah Poh Keat	-	-	102,500.00	-
Fatimah Merican	-	-	42,616.44	-
Group				
Key senior management (in aggregate but excluding the Group CEO)	2,137,666.15	1,125,460.00	-	134,400.00

The number of Directors whose remuneration for FY2018 fall within the respective bands are as follows:

Range of Remuneration	Number of Directors
Executive Directors	
RM4,000,001 – RM4,500,000	1
RM3,500,001 – RM4,000,000	0
RM3,000,001 – RM3,500,000	0
RM2,500,001 – RM3,000,000	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 commited in their capacity as Directors of the Company during the period from 3 January 2018 to 2 January 2019. The D&O Insurance, however, does not indemnify a Director if it is established, in the final adjudication, that the Director had committed a criminal act or had obtained any profit or personal gain from the transaction or event.

EFFECTIVE AUDIT AND RISK MANAGEMENT

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit Committee of Paramount comprises entirely INEDs, 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 Puan Fatimah Merican, who has 37 years of working experience in the IT arena, provides diversity of views, particularly from a systems perspective, 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 76 to 77, and 79 to 80 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 2018 to formalise this decision. Nevertheless, no former audit partner of the Company's external auditors was appointed as a Director of the Company in FY2018.

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

- **REVIEW OF FINANCIAL REPORTING**

  In reviewing the Group's quarterly reports to Bursa Securities and the Company's financial statements for each financial year, the Audit Committee has required 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 Securities 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 quarterly 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.

  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 questionaire 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 commensurate with the extent of the audit and non-audit services rendered to the Group.

- **OVERSIGHT OF THE INTERNAL AUDIT FUNCTION**

  The Audit Committee has direct and full access to the Internal Audit Department (**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 procedure put in place to monitor RPT's. All ongoing 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 FY2018 can be found in the Report of the Audit Committee on pages 99 to 102 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 to the Group's businesses. Subsequently in 2017, Key Risk Indicators were introduced for better tracking of the effectiveness of control measures and risk management action plans that were identified and implemented by management.

During the year under review, the Board, though 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 SBUs, 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.

The identified key risks are grouped into five categories, namely strategic, operational, financial, compliance, reputational and cyber security. A detailed account of such risks are reported in the Statement on Risk Management and Internal Control on pages 105 to 106 of this annual report.

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 methodologies 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, was established in 2018 to evaluate the adequacy of the Group's existing internal control policies and procedures, and to identify areas that needed improvement under the new framework.

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors, and presented on pages 103 to 108 of this annual report, provides a detailed report on the Group's level of risk management and internal control for the year under review.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONS WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports to Bursa Securities, the Company's AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the MMLR.

Additionally, the Company holds scheduled investor relations (**IR**) briefings, coinciding with the release of the half-year and full-year results of the Group to Bursa Securities, to investment analysts and fund managers. Together with the quarterly reporting to Bursa Securities, the Company also attaches a slide presentation on the Group's quarterly and year-to-date performance for posting on Bursa Securities's website. In addition, a media briefing is held upon the 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 of the scheduled IR briefings.

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.

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 2017 was presented to shareholders at the 48th AGM held on 30 May 2018. 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 48th AGM were adequately attended to by the Board and that all resolutions proposed were duly approved by the shareholders present at the meeting. The minutes of the said AGM is available on the Company's website at www.pcb.my.

Voting on all resolutions proposed in the Notice of the forthcoming 49th AGM will be by poll, and Paramount has appointed Tricor Investor & Issuing House Services Sdn Bhd as the Poll Adminstrator whilst Asia Securities Sdn Bhd shall be the Scrutineer to validate the votes cast at the meeting.

COMPLIANCE STATEMENT

As of the date of publication of this statement, the Company has adopted all the principles and recommendations of MCCG 2017 save for the following:

- Limiting the tenure of INEDs to nine years or re-designating INEDs who have served for more than nine years as Non-Independent Directors. Nevertheless, the Board has adopted the alternative approach of seeking shareholders' approval at the Company's AGM for such Directors to remain in office as INEDs on an annual basis.

- Disclosing in the annual report the detailed remuneration of the Company's key senior management on a named basis. Nevertheless, the Board has adopted the alternative approach of making the disclosure on an aggregate basis due to the commercially sensitive nature of a full disclosure.

Note:

The Board Charter, Directors' Code of Ethics, Code of Business Conduct & Ethics, Whistleblowing Policy, the Boardroom Diversity Policy and excerpts of the following policies are available on the Company's website at www.pcb.my:

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

AUDIT COMMITTEE REPORT

The Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount**) is pleased to present the Audit Committee Report for the financial year ended 31 December 2018 (**FY2018**).

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 convened five (5) meetings during FY2018 and the attendance of the members of the Audit Committee at the meetings were as follows:

Name of Directors	Number of Meetings	
	Held[1]	Attended
Quah Poh Keat (Chairman)	5	5
Quah Chek Tin	5	5
Ong Keng Siew	5	5
Fatimah Binti Merican[2]	2	2
Tan Sri James Foong Cheng Yuen[3]	3	3

Note:
1 Indicates the number of meetings held during the period the respective Audit Committee member held office.
2 Appointed as an Audit Committee member on 2 July 2018.
3 Ceased to be a member of the Audit Committee from 31 July 2018.

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 the unaudited quarterly financial results and the consolidated financial statements of the Company and recommended to the Board for approval.

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 FY2018.

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. The Audit Committee took note of the openness in communication and interaction with the lead audit engagement partner and the engagement team, which demonstrated their independence, objectivity and professionalism.

The results of the performance assessment of the External Auditors for FY2018 supports the Audit Committee's recommendation to the Board for the re-appointment of the External Auditors.

e. Met with the External Auditors on 23 February 2018 and 9 November 2018 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 on subsidiaries and key functional units issued by IAD covering 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 IAD's quarterly audit progress report 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 11 May 2018 and 9 November 2018 without the presence of the Executive Board members and management.

f. Reviewed and approved the revisions to the Internal Audit Charter.

g. Evaluated the performance of IAD and was satisfied with the performance, which has been free from any relationship or conflict of interest that could impair their objectivity and independence.

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; and
(ii) adequate oversight over the internal control procedures with regard to such transactions.

5. Annual Reporting

a. Reviewed the Audit Committee Report, Summary of Activities of the Internal Audit Function, and Statement on Risk Management and Internal Control before submission to the Board for approval and for inclusion in the 2018 Annual Report.

6. Others

a. Reviewed Terms of Reference of the Committee with reference to the new provisions in the Listing Requirements of Bursa Malaysia Securities Berhad and recommended the revisions to the Board for its approval.

b. Reviewed the progress of implementation of the principles of COSO Internal Control Integrated Framework by the Group.

c. Reviewed proposals for specific corporate exercises, as directed by the Board.

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. IAD is headed by Mr Wong Ket Keong who is a Certified Internal Auditor of the Institute of Internal Auditors (USA), a member of the Malaysia Institute of Accountants, and a Fellow of the Association of Chartered Certified Accountants (UK).

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 International Professional Practices Framework of Internal Auditing, the Internal Audit Charter as well as policies and procedures of the Group. 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 key areas reviewed included marketing and sales; customer care; procurement; contracts management; project management and implementation; environmental, safety and health; security; finance; information and communication systems; human resource; the vesting of shares pursuant to the Company's Long-Term Incentive Plan; academic operations; facilities maintenance and compliance.

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.

The Head of Internal Audit facilitated awareness training among management personnel in the adoption of the principles of the Internal Control Integrated Framework of the Committee of Sponsoring Organisation of the Treadway Commission (COSO) during the year.

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

There are nine internal auditors in IAD which incurred cost of RM1.13 million for FY 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control for financial year ended 31 December 2018 (**FY2018**) is made pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Securities**). It is drawn up with reference to the Principles set out in the Malaysian Code on Corporate Governance 2017 (**MCCG**) and the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers issued by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount** or **the Company**) acknowledges its overall responsibility in maintaining an adequate and sound framework for risk management and internal control to safeguard shareholders' investment in the Company as well as the assets of the Company and its subsidiaries (**the Group**).

The Board continuously 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 the Group's 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 achieving its business objectives. This process has been in practice for the year under review up to the date of approval of this statement. The Board has also evaluated the risks associated with new businesses undertaken and major investments made during the year.

This statement, however, does not cover associate companies which the Group does not have any direct operational control. Nevertheless, board representation in the associate companies does provide vital information necessary for decisions on the investment and safeguarding of the Group's interest in those companies.

RISK MANAGEMENT

Part II of Principle B in the MCCG states that the board should establish an effective risk management and internal control framework to manage risks. In fulfilling this responsibility, the Board has put in place a well-defined risk management structure with clearly delineated lines of accountability, authority and responsibility, as explained in the following paragraphs:

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

  The BRMC is the main governing body authorised by the Board to ensure that adequate measures are put in place to address and manage the key risk exposure of the Group. Currently, the BRMC comprises four (4) independent non-executive directors and one (1) executive director. The chairman of the BRMC is an independent non-executive director. The BRMC functions within its terms of reference, and it meets on a half-yearly basis to review and deliberate all key risks identified by management. Further details on the BRMC and its activities during the year under review are reported in the Statement on Corporate Governance.

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

  The BRMC is assisted by the ERMC in carrying out its risk oversight function. The ERMC comprises members of the Group's senior management, and it is responsible for implementing the risk management framework approved by the Board. It meets on a quarterly basis to monitor the Group's risk exposure, discuss the appropriateness of the key risk management plans (**KRMPs**), and ensures that the KRMPs are implemented consistently. It also monitors the post-implementation effectiveness of the KRMPs. The ERMC is chaired by the Group Chief Executive Officer (**CEO**) who reports to the BRMC on the key risks faced by the Group and the implementation progress of the KRMPs.

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

  The CRM Department assists the ERMC in the discharge of its function by organising and facilitating risk management awareness workshops and training for employees of the Group. Its scope of work also includes conducting research and updating the ERMC on the latest requirements and best practices with regard to risk management, and conducting periodic checks on the risk owners in the implementation of their KRMPs and updating of their risk profiles.

- **Strategic Business Units (SBUs) and Corporate Functions**

  All SBUs within the Group and the corporate functions of the Company participate actively in the Group's Enterprise-Wide Risk Management activities, and they report their key risks to the ERMC on a quarterly basis. The CEOs of the SBUs and heads of the corporate functions, being risk owners, are responsible for the effective management of their respective risk profiles. Such responsibilities include identifying potential risks and the impact thereof to the SBU or the Group as a whole, and implementing KRMPs to mitigate those risks. Regular review of the identified risks and KRMPs are also conducted in tandem with changes in the business or operating environment of the Group. Risks that may have a material impact on the Group's corporate objectives and financial position will be highlighted to the attention of the ERMC and the BRMC.

- **Audit Committee (AC)**

  The Board, in recognising the need to maintain an effective risk management framework, has tasked the AC to conduct periodic testing of the framework. In performing this task, the AC has directed the Internal Audit Department (**IAD**) to include in its scope of audit a periodic review of the Group's risk management processes and to evaluate the adequacy and effectiveness of the risk management framework that has been adopted by the Group. The AC expects a report from IAD on this evaluation by the end of 2019.

The Board regards risk management as an important component that underpins the Group's strategic planning process and business operations. It is on this premise that the Board has included in the Group's risk management framework the following guiding principles to instil a culture of robust risk management across the Group:

- **Risk Management Policy**

  The Risk Management Policy outlines the risk management philosophy, framework and processes of the Group. This policy is subject to periodic review by the Board to ensure that it remains relevant and effective in driving the Group's risk management practices under different economic and business environment.

- **Enterprise-Wide Risk Management (EWRM) Framework**

  The Group's EWRM framework that mirrors the ISO31000 Risk Management – Principles and Guidelines sets out the risk management practices adopted by the Group with some revisions to cater to the specific needs of the Group and to align with the best practices promulgated in the MCCG.

- **Risk Appetite Statement and Risk Tolerance**

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

  Management, through the ERMC, continuously review, communicate and reinforce the Group's risk appetite to ensure that the Group's business activities are conducted within the acceptable risk appetite and risk tolerance levels.

- **Risk Assessment Reviews**

  Under the EWRM framework, all key risks identified by the SBUs and corporate functions are categorised according to the nature of the Group's business activities, and the rating of such risks are assessed based on the likelihood of occurrence via a self-assessment approach. All SBUs and corporate functions are required to report their risk profiles and KRMPs to the ERMC on a quarterly basis. All key risks that are deemed to have a significant impact to the Group are then reported to the BRMC on a half-yearly basis. The BRMC will, in turn, highlight such risks to the Board for its attention. A database on all key risks, key controls and KRMPs as well as the status of implementation of the KRMPs is maintained by the respective SBUs and corporate functions.

The Group's key risks are identified based on the following six (6) categories:

1) 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

2) 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 cost 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.

3) **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.

4) **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.

5) **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.

6) **Cyber Security Risks**

The Group leverages on websites and the social media to widen its market reach to existing and new customers. As such, cyber security risks, such as defacement of the Group's websites, could cause disruption to the Group's efforts in meeting this objective. In view of the heightened threat of cyber attacks in recent years, the Group has put in place the following cyber security control measures to mitigate this risk:

- Establishing Information Technology (**IT**) security policies and procedures based on relevant data security standards and industry best practices
- Deploying cyber security monitoring tools to trace potential intrusion by unauthorised users
- Installing a robust firewall and intrusion prevention mechanism to the Group's IT infrastructure

The Group will continue to review and assess the adequacy of such measures and will keep abreast of the latest IT security landscape to enhance the KRMP's to mitigate this risk.

- **Key Risk Indicators**

Key risks indicators have been introduced and will be applied progressively for better tracking of the effectiveness of the control measures and the KRMPs to mitigate all top key risks of the Group.

- **Risk Awareness and Training**

Continuous risk awareness and refresher sessions are conducted by the CRM Department throughout the year to strengthen the risk owners' understanding of the EWRM framework and processes.

INTERNAL CONTROL

The Board, through the AC, reviews and monitors the adequacy and integrity of the Group's internal controls. The internal control system covers policies, procedures, day-to-day activities and the overall governance of the Group. The salient features of this 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 SBUs. 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 SBUs on a quarterly basis. The reporting mechanism is to enable matters that require the Board's and management's attention to be 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.
- 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.
- Insurance coverage and physical safeguards on major assets are in place to ensure that the Group's assets are adequately insured against any mishap or incidents that could result in a material loss to the Group.

These 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In the year under review, the Board has approved the establishment of an internal control framework based on the principles set out in the Internal Control Integrated Framework prescribed by the Committee of the Sponsoring Organisations of the Treadway Commission (**COSO**). A steering committee, comprising members of the key senior management team and led by the Group CEO, has been set up to evaluate the adequacy of the Group's existing internal control policies and procedures, and to identify areas that need improvement, if any, for the purpose of this framework. The CRM Department has been tasked to assist the steering committee in areas relating to this review.

INTERNAL AUDIT FUNCTION

The AC endorses and approves the scope of work of the internal audit function through a review of IAD's Internal Audit Plan (**IAP**) on a yearly basis. The Board places full emphasis on the independence and integrity of the internal audit function and ensures that IAD has adequate resources to effectively carry out its work and report to the AC. Quarterly progress reports on the IAP and on the key activities undertaken by IAD are submitted to the AC for review at the quarterly meetings of the AC. Details on the activities of the internal audit function are disclosed in the Audit Committee Report.

IAD submits regular internal audit reports to the AC for review at the AC's quarterly meetings, which are also attended by members of the management team and the external auditors on the invitation of the AC. IAD also conducts follow-up sessions with management on the audit recommendations and matters highlighted by the AC. The status of corrective actions taken by management to address IAD's audit findings are also reported to the AC to enable the AC to have an overview of the state of internal controls within the Group.

SBUs that are accredited with ISO certifications are audited as scheduled by auditors of the relevant certification bodies, and the audit results are reported to management for improvement purposes.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The Company's external auditors, Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for FY2018.

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 the Chief Financial Officer of the Company that the risk management and internal control system is operating adequately and effectively in all material aspects for FY2018 and up to the date of this statement.

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's 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 report and corrective actions have been taken.

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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 2018.

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	109,491	67,068
Attributable to:		
Owners of parent	91,814	53,600
Holders of Private Debt Securities ("PDS")	13,468	13,468
Non-controlling interests	4,209	-
	109,491	67,068

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, other than the transition from Financial Reporting Standards to Malaysian Financial Reporting Standards as disclosed in Note 2.1 to the financial statements.

DIVIDENDS

The amounts of dividends declared by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Single tier special dividend of 7.50 sen on 428,271,920 ordinary shares, declared on 27 February 2018 and paid on 28 March 2018	32,120
Final single tier dividend of 6.00 sen on 428,271,920 ordinary shares, declared on 27 April 2018 and paid on 4 July 2018	25,696
In respect of the financial year ended 31 December 2018:	
Interim single tier dividend of 2.50 sen on 428,271,920 ordinary shares, declared on 21 August 2018 and paid on 28 September 2018	10,707
	68,523

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2018 on 433,344,720 ordinary shares, amounting to a dividend payable of RM26,000,683 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect the proposed final 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 2019.

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
Fatimah Binti Merican (Appointed on 2 July 2018)

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

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
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
Kee Keok Kuay (Appointed on 16 April 2018)
Faizah Binti Khairuddin (Appointed on 16 July 2018)
Aidan Hamidon (Appointed on 12 September 2018)
Tay Lee Kong (Resigned on 31 October 2018)
Sim Quan Seng (Resigned on 16 April 2018)

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 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 37(b) 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 RM14,324. 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' 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 2018	Bought	LTIP Shares Vested	Sold	At 31 December 2018
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	638,800	-	1,192,600	-	1,831,400
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000
Quah Poh Keat	956,800	-	-	-	956,800

DIRECTORS' INTERESTS (CONT'D.)

	Number of ordinary shares under the LTIP				
	At 1 January 2018	Granted	Vested	Not Vested**	At 31 December 2018
The Company					
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700

** The shares were not vested due to performance achieved compared to LTIP targets.

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 15 March 2018, 3,976,000 new ordinary shares in the Company were allotted and issued pursuant to the Company's Long Term Incentive Plan ("LTIP") via:

(i) Third vesting of 612,300 restricted shares ("RS") under the 2015 RS Grant;
(ii) Second vesting of 750,300 RS under the 2016 RS Grant;
(iii) First vesting of 811,900 RS under the 2017 RS Grant; and
(iv) Vesting of 1,801,500 performance-based shares ("PS") under the 2015 PS Grant

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 allotted shall not at any time exceed ten per centum (10%) of the total number of issued shares in the Company ("LTIP shares").

During the year, the Company made its fourth award of up to 6,247,700 LTIP shares, comprising 2,138,900 RS under the 2018 RS Grant and up to 4,108,800 PS under the 2018 PS Grant.

The LTIP shares were awarded, without any cash consideration, to those who have attained the identified performance objectives of the Group and of 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 33 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 allowance 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 allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Notes 17, 33 and 43 to the financial statements.

SUBSEQUENT EVENTS

Significant events subsequent to the end of financial year are disclosed in Note 43 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 29 March 2019.

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 122 to 233 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2018 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 29 March 2019.

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 122 to 233 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 29 March 2019

Foong Poh Seng

Before me,

Commissioner for Oaths
NG SAY HUNG
No. B185
No. 71-1, 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 2018 of the Group and of the Company, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 122 to 233.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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.

Recognition of revenue and cost on property development projects

The revenue and cost of property development projects contributed approximately 68% and 61% 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 the estimated value-in-use ("VIU") of the respective CGUs. 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 in deriving at the VIU of the CGUs.

In reviewing the VIU of the CGUs, we have obtained an understanding of the relevant internal controls over the process of estimating the VIU of the CGUs. 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 revenue growth rates, gross margins and terminal values by making comparisons to historical trends, taking into consideration the current and expected outlook of economic growth. We have 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.

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 2018, 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 32% of the Group's PPE. The Group estimated the recoverable amounts of the CGUs based on fair value less cost to sell ("FVLCTS"). Fair value of the respective CGUs is obtained from valuation reports performed by independent third party valuers. The aforementioned impairment review did not give rise to any impairment loss.

Impairment review of property, plant and equipment ("PPE") (cont'd.)

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

In reviewing the FVLCTS of the CGUs, we have considered the objectivity, independence, reputation and capabilities of the valuers. We have also obtained an understanding on the valuation methodology, basis and assumptions used by the valuers. 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.

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 Malaysian Financial Reporting Standards, International 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.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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.

- 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.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

OTHER MATTERS

As stated in Note 2.1 to the financial statements, Paramount Corporation Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.

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
AF: 0039
Chartered Accountants

Ng Yee Yee
No. 03176/05/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000 (Restated)
Revenue	4	907,670	762,996
Other income		28,811	98,938
Property development costs		(416,897)	(344,355)
Construction contract costs		(754)	(619)
Employee benefits expense	5	(195,177)	(177,013)
Depreciation and amortisation		(27,007)	(27,458)
Other expenses		(123,268)	(110,900)
Finance costs	7	(21,925)	(18,857)
Share of results of associates		(116)	(74)
Share of results of a joint venture		(66)	(45)
Profit before tax	8	151,271	182,613
Taxation	9	(41,780)	(32,095)
Profit after tax		109,491	150,518
Profit attributable to:			
Ordinary equity holders of the Company		91,814	133,648
Holders of Private Debt Securities ("PDS") of the Company		13,468	13,279
Non-controlling interest		4,209	3,591
		109,491	150,518
Earnings per share ("EPS") attributable to ordinary equity holders of the Company (sen)			
- Basic	10(a)	21.47	31.52
- Diluted	10(b)	20.64	30.41

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM'000	2017 RM'000 (Restated)
Profit net of tax	109,491	150,518
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	(195)	(32)
Total comprehensive income	109,296	150,486
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	91,619	133,616
Holders of PDS of the Company	13,468	13,279
Non-controlling interest	4,209	3,591
	109,296	150,486

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Non-current assets				
Property, plant and equipment	12	682,552	624,924	436,186
Inventories - land held for property development	13	649,961	798,984	870,967
Investment properties	14	206,016	204,787	177,750
Intangible assets	16	147,449	163,822	15,674
Investments in associates	18	9,116	9,907	10,220
Investment in a joint venture	19	2,904	-	45
Other investments	20	7,843	310	340
Deferred tax assets	30	41,611	50,015	26,156
		1,747,452	1,852,749	1,537,338
Current assets				
Inventories - property development costs	13	297,665	184,909	80,747
Inventories - completed properties and other inventories	13	25,441	26,411	28,848
Trade receivables	21	109,936	132,323	54,259
Other receivables	22	52,789	35,961	16,550
Other current assets	23	8,550	13,629	6,340
Contract assets	24	221,216	131,617	138,229
Tax recoverable		10,626	8,177	8,964
Other investments	20	-	10,047	288
Cash and bank balances	26	136,962	141,409	149,176
		863,185	684,483	483,401
Assets of disposal group/Non-current assets held for sale	15	64,993	5,732	6,666
		928,178	690,215	490,067
Total assets		2,675,630	2,542,964	2,027,405
Current liabilities				
Borrowings	27	453,922	161,170	207,864
Trade payables	28	99,794	82,222	80,670
Other payables	29	184,037	201,412	102,476
Tax payable		6,060	5,058	1,994
Contract liabilities	24	60,990	65,131	56,149
		804,803	514,993	449,153
Liabilities directly associated with the assets held for sale	15	30,415	-	-
		835,218	514,993	449,153
Net current assets		92,960	175,222	40,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Non-current liabilities				
Borrowings	27	446,739	662,662	428,690
Deferred tax liabilities	30	47,388	48,418	10,062
		494,127	711,080	438,752
Total liabilities		1,329,345	1,226,073	887,905
Equity				
Share capital	31	310,315	305,215	211,467
Reserves		760,976	736,894	728,246
Private debt securities	32	199,787	199,787	199,787
Non-controlling interest		75,207	74,995	-
Total equity		1,346,285	1,316,891	1,139,500
Total equity and liabilities		2,675,630	2,542,964	2,027,405

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	← Non-distributable		→	Distributable			
	Share capital RM'000	Employee share reserve # RM'000	Translation reserve RM'000	Retained earnings (Note 34) RM'000	Non-controlling interest RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2018 - as reported	305,215	7,139	55	724,384	74,995	199,787	1,311,575
Effect on adoption of MFRS	-	-	-	5,316	-	-	5,316
At 1 January 2018 - as restated	305,215	7,139	55	729,700	74,995	199,787	1,316,891
Total comprehensive income	-	-	(195)	91,814	4,209	13,468	109,296
Transactions with owners							
Vesting of LTIP shares on 15 March 2018 (Note 33)	5,100	(5,100)	-	-	-	-	-
Award of LTIP shares to employees (Note 33)	-	6,086	-	-	-	-	6,086
Private debt securities distribution (Note 32)	-	-	-	-	-	(13,468)	(13,468)
Dividends (Note 11)	-	-	-	(68,523)	-	-	(68,523)
Dividends paid to non-controlling interest	-	-	-	-	(4,042)	-	(4,042)
Arising from dilution of equity interest in a subsidiary	-	-	-	-	45	-	45
Total transactions with owners	5,100	986	-	(68,523)	(3,997)	(13,468)	(79,902)
At 31 December 2018	310,315	8,125	(140)	752,991	75,207	199,787	1,346,285

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable				Distributable			
	Share capital RM'000	Share premium RM'000	Employee share reserve # RM'000	Translation reserve RM'000	Retained earnings (Note 34) RM'000 (Restated)	Non-controlling interest RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2017 - as reported	211,467	91,771	4,271	87	627,040	-	199,787	1,134,423
Effect on adoption of MFRS	-	-	-	-	5,077	-	-	5,077
At 1 January 2017 - as restated	211,467	91,771	4,271	87	632,117	-	199,787	1,139,500
Total comprehensive income	-	-	-	(32)	133,648	3,591	13,279	150,486
Transactions with owners								
Vesting of LTIP shares on 20 March 2017 (Note 33)	1,977	-	(1,977)	-	-	-	-	-
Award of LTIP shares to employees (Note 33)	-	-	4,845	-	-	-	-	4,845
Private debt securities distribution (Note 32)	-	-	-	-	-	-	(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	729,700	74,995	199,787	1,316,891
Transfer pursuant to S618(2) of CA 2016 *	91,771	(91,771)	-	-	-	-	-	-
At 31 December 2017	305,215	-	7,139	55	729,700	74,995	199,787	1,316,891

\# 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 2018

	2018 RM'000	2017 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	151,271	182,613
Adjustments for:		
Depreciation of property, plant and equipment	23,417	24,374
Depreciation of investment properties	1,951	1,860
Amortisation of student population	1,639	1,224
Property, plant and equipment written off	239	209
Impairment of asset held for sale	-	868
Additions of allowance for impairment of receivables	670	654
Reversal of allowance for impairment of receivables	(258)	(60)
Share-based payment	6,086	4,845
Bad debts written off	155	178
Gain on disposal of assets held for sale	-	(145)
Gain on disposal of property, plant and equipment	(121)	(77,863)
Unrealised foreign exchange gain	(1)	(14)
Share of loss of associate	116	74
Share of loss of joint venture	66	45
Net derivative gain from interest rate swap	(53)	(196)
Interest expense	21,925	18,857
Interest income	(3,671)	(3,870)
Operating profit before working capital changes	203,431	153,653
Increase in receivables	(84,485)	(93,150)
Decrease in inventories - property development costs, completed properties and other inventories	69,428	70,030
Increase in payables	26,406	33,429
Cash generated from operations	214,780	163,962
Taxes paid	(46,414)	(61,077)
Interest paid	(44,267)	(37,851)
Net cash generated from operating activities	124,099	65,034

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM'000	2017 RM'000 (Restated)
Cash flows from investing activities		
Dilution/(Acquisition) of a subsidiary	45	(152,235)
Addition in course development	-	(67)
Increase in land held for development	(54,799)	(80,206)
Purchase of property, plant and equipment	(59,745)	(49,994)
Purchase of investment properties	(760)	(28,817)
Proceeds from disposal of property, plant and equipment	270	166,478
Proceeds from disposal of asset held for sale	5,432	211
Movement in asset held for sale	(13,420)	-
Movement in other investments	2,210	(9,759)
Interest received	3,671	3,870
Investment in associates	(86)	-
Investment in a joint venture	(2,160)	-
Net cash used in investing activities	(119,342)	(150,519)
Cash flows from financing activities		
Dividends paid	(68,523)	(36,065)
Dividends paid to non-controlling interest	(4,042)	(3,052)
Payment of PDS distribution	(13,468)	(13,279)
Proceeds from issuance of Islamic Medium Term Notes ("iMTN")	24,890	30,000
Drawdown of borrowings	175,656	303,974
Repayment of borrowings	(154,103)	(183,162)
Placements in banks restricted for use	(2,279)	(17,949)
Net cash (used in)/generated from financing activities	(41,869)	80,467
Net decrease in cash and cash equivalents	(37,112)	(5,018)
Cash and cash equivalents at beginning of year	109,427	114,445
Cash and cash equivalents at end of year (Note 26)	72,315	109,427

Note:

(a) Reconciliation of liabilities arising from financing activities:

	2018 RM'000	2017 RM'000
Borrowings (excluding overdraft)		
At 1 January	815,549	607,573
Proceeds from issuance of iMTN	24,890	30,000
Drawdown of borrowings	175,656	303,974
Repayment of borrowings	(154,103)	(183,162)
Acquisition of a subsidiary	-	57,164
At 31 December	861,992	815,549

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Revenue	4	113,772	270,923
Other income		12,207	72
Employee benefits expense	5	(18,614)	(15,999)
Depreciation		(467)	(520)
Other expenses		(25,637)	(24,938)
Finance costs	7	(10,926)	(15,176)
Profit before tax	8	70,335	214,362
Taxation	9	(3,267)	472
Profit net of tax, representing total comprehensive income for the year		67,068	214,834
Total comprehensive income attributable to:			
Ordinary equity holders of the Company		53,600	201,555
Holders of PDS of the Company		13,468	13,279
		67,068	214,834

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets				
Property, plant and equipment	12	1,050	1,420	1,827
Investment properties	14	615	630	645
Investments in subsidiaries	17	815,199	914,444	667,776
Investment in a joint venture	19	3,015	45	45
Due from subsidiaries	25	59,244	204,932	-
Other investments	20	165	165	165
Deferred tax assets	30	-	43	-
		879,288	1,121,679	670,458
Current assets				
Other receivables	22	584	4,260	411
Due from subsidiaries	25	499,077	345,367	566,478
Tax recoverable		-	735	-
Other investment	20	-	10,047	-
Cash and bank balances	26	24,635	29,111	646
		524,296	389,520	567,535
Non-current asset held for sale	15	38,430	-	-
		562,726	389,520	567,535
Total assets		1,442,014	1,511,199	1,237,993
Current liabilities				
Borrowings	27	104,431	10,000	53,842
Other payables	29	25,155	15,375	4,480
Tax payable		970	-	216
Due to subsidiaries	25	10,192	155,721	157,963
		140,748	181,096	216,501
Net current assets		421,978	208,424	351,034
Non-current liabilities				
Borrowings	27	118,334	138,335	-
Deferred tax liabilities	30	1	-	59
		118,335	138,335	59
Total liabilities		259,083	319,431	216,560
Equity				
Share capital	31	310,315	305,215	211,467
Reserves		672,829	686,766	610,179
Private debt securities	32	199,787	199,787	199,787
		1,182,931	1,191,768	1,021,433
Total equity and liabilities		1,442,014	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 2018

	Non-distributable		Distributable		
	Share capital RM'000	Employee share reserve # RM'000	Retained earnings (Note 34) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2018	305,215	7,139	679,627	199,787	1,191,768
Total comprehensive income	-	-	53,600	13,468	67,068
Transactions with owners					
Vesting of LTIP shares on 15 March 2018 (Note 33)	5,100	(5,100)	-	-	-
Award of LTIP shares to employees (Note 33)	-	6,086	-	-	6,086
Private debt securities distribution (Note 32)	-	-	-	(13,468)	(13,468)
Dividends (Note 11)	-	-	(68,523)	-	(68,523)
Total transactions with owners	5,100	986	(68,523)	(13,468)	(75,905)
At 31 December 2018	310,315	8,125	664,704	199,787	1,182,931

	Non-distributable			Distributable		
	Share capital RM'000	Share premium RM'000	Employee share reserve # RM'000	Retained earnings (Note 34) 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 33)	1,977	-	(1,977)	-	-	-
Award of LTIP shares to employees (Note 33)	-	-	4,845	-	-	4,845
Private debt securities distribution (Note 32)	-	-	-	-	(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

\# 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 AT 31 DECEMBER 2018

	2018 RM'000	2017 RM'000
Cash flows from operating activities		
Profit before tax	70,335	214,362
Adjustments for:		
Depreciation of property, plant and equipment	452	505
Depreciation of investment properties	15	15
(Reversal)/Impairment of advances to subsidiaries	(11,906)	11,906
Interest expense	10,926	15,176
Impairment of investment in subsidiaries	18,449	7,330
Impairment of non-current assets held for sale	2,091	-
Unrealised foreign exchange loss	618	16
Share-based payment	3,141	2,362
Gain on disposal of property, plant and equipment	-	(23)
Dividend income	(71,654)	(229,031)
Interest income	(24,667)	(28,279)
Operating loss before working capital changes	(2,200)	(5,661)
Increase in receivables	(150)	(3,849)
Increase in payables	9,738	10,895
Cash generated from operations	7,388	1,385
Interest paid	(10,883)	(15,176)
Net tax paid	(1,517)	(581)
Net cash used in operating activities	(5,012)	(14,372)
Cash flows from investing activities		
Interest received	24,667	28,279
Dividends received	71,654	229,031
Investment in an other investment	-	(10,047)
Investment in a joint venture	(2,160)	-
Changes in subsidiaries balances	(136,303)	4,498
Subscription of ordinary shares in subsidiaries	(205)	(10,998)
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	-	(243,000)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	40,480	-
Redemption of other investments	10,046	-
Proceeds from disposal of property, plant and equipment	-	96
Purchase of property, plant and equipment	(82)	(171)
Net cash generated from/(used in) investing activities	8,097	(2,312)

	2018 RM'000	2017 RM'000
Cash flows from financing activities		
Drawdown of borrowings	89,557	154,080
Repayment of borrowings	(40,000)	(40,745)
PDS distribution	(13,468)	(13,279)
Placement in banks restricted for use	(35)	(2,173)
Dividends paid	(68,523)	(36,065)
Net cash (used in)/generated from financing activities	(32,469)	61,818
Net (decrease)/increase in cash and cash equivalents	(29,384)	45,134
Cash and cash equivalents at beginning of year	26,938	(18,196)
Cash and cash equivalents at end of year (Note 26)	(2,446)	26,938

Note:

(a) Reconciliation of liabilities arising from financing activities:

	2018 RM'000	2017 RM'000
Borrowings (excluding overdraft)		
At 1 January	148,335	35,000
Drawdown of borrowings	89,557	154,080
Repayment of borrowings	(40,000)	(40,745)
At 31 December	197,892	148,335

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 29 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

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

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The financial statements of the Group and of the Company for financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS Framework, hence MFRS 1 *First-time Adoption of Malaysian Financial Standards* has been applied. The MFRS Framework is effective for the Group from 1 January 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant financial report is 1 January 2017.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRS. The Group and the Company have elected not to apply MFRS 3 *Business Combinations* and MFRS 10 *Consolidated Financial Statements* retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRS.

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

2.1 Basis of preparation (cont'd.)

First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

In conjunction with the adoption of the MFRS Framework, the Group and the Company have also reassessed the current accounting policies. Except for the effect of the adoption of the MFRS Framework, the accounting policies and presentation adopted are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017.

The Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable periods presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to give effect to above changes. The two newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* have resulted in the following changes to the Group's financial statements. Accordingly, notes related to the statement of financial position as at date of transition to MFRSs are only presented for those items.

There are no adjustments to the Company's comparative figures arising from the adoption of the MFRS Framework. Accordingly, notes related to the Company's statement of financial position as at date of transition to MFRSs are not presented.

MFRS 9 Financial Instruments

The key effect of the adoption of this standard on the Group would principally be in respect of the assessment of impairment losses of outstanding external and internal debts based on the "expected credit loss" model instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of these debts, if any.

The adoption of MFRS 9 did not result in material impact to the financial statements.

MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 has resulted in the certain changes to the Group's financial statements as disclosed in Note 44.

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

2.2 Standards issued but not yet effective

The standards and amendments to standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and amendments to standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 Business Combinations (Definition of a Business)	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

Except for the new MFRS discussed below, there are no other new or revised MFRSs and amendments to MFRSs that are not yet effective and that would be expected to have a material impact on the Group and on the Company in the current or future reporting periods.

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

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

MFRS 16 Leases

In April 2017, MASB issued MFRS 16: *Leases* which sets out principles for the recognition, measurement, presentation and disclosure of leases, and replaces the existing MFRS 117: *Leases*. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, apart from those where the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis, including non-cancellable lease payments as well as payments to be made in optional periods if the lessee is reasonably certain to exercise the option of not terminating the lease.

Lessor accounting is substantially unchanged from the existing MFRS 117. However, MFRS 16 requires enhanced disclosure to be provided by lessors that will improve information disclosed about lessor's risk exposure, particularly to residual value risk.

A lessee can choose to apply the standard using either a full retrospective or a modified restrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted for entities that have applied MFRS 15.

The Group has assessed the estimated financial impact on its financial statements on initial application of MFRS 16. Upon adoption of MFRS 16, the significant impact on financial statements will arise from non-cancellable operating lease commitment of office buildings and school campus where the Group is currently assessing the potential impact. A preliminary assessment indicates that these arrangements will meet the definition of a lease under MFRS 16 and hence, the Group will recognise the right-of-use assets and a corresponding liability in respect of these leases. It is not practicable to provide reasonable estimate of the financial effect until the Group completes the review.

As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and the cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply into the requirements of MFRS 16 for the financial year ending 31 December 2019.

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

2.3 Basis of consolidation

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

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

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

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

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

Subsidiaries are consolidated 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.

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

2.3 Basis of consolidation (cont'd.)

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.

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.

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

2.5 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.

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

2.6 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.

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 straight-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.

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

2.6 Intangible assets (cont'd.)

(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 straight-line basis over their economic lives of 5 to 10 years, and assessed for impairment whenever there is an indication that the development costs may be impaired.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Repair and maintenance costs are recognised in profit or loss as incurred.

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

2.8 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?

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.

2.9 Disposal groups and non-current assets held for sale

The Group classifies disposal groups and non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups and non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the disposal group or asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

2.10 Inventories

(a) Property inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site, preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs
- Non-refundable commission cost

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sales.

Property inventories under construction are referred to as property development costs and comprise the cost of land, direct building costs and a share of development costs common to the entire development project where applicable. Once sold, the cost of these inventories is recognised in profit or loss as and when control passes to the respective customers.

Units of development properties completed and held for sale are stated at the lower of cost and net realisable value. Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

Property inventories where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle are referred to as land held for development and classified within non-current assets. Generally no significant development work would have been undertaken on these lands other than infrastructure work, earth work and landscape work incurred to prepare the land for development and these inventory properties are stated at cost plus incidental expenditure incurred to put the land in a condition ready for development. These property inventories are classified to current assets (i.e. property development costs) at the point when active development project activities have commenced and when it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) Stationery and consumables

Inventories of stationery and consumables are stated at lower of cost and net realisable value. 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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

2.11 Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to date. A contract asset is stated at cost less accumulated impairment.

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. In the case of property development, construction and education contracts, contract liability is the excess of the billings to date over the cummulative revenue earned. Contract liabilities include downpayment received from customer and other deferred income where the Group have billed and collected the payment before the goods are delivered or services are provided to the customers.

2.12 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. In assessing the fair value less costs to sell, fair value is obtained from valuation reports performed by independent third party valuers based on best information available.

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.

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

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

2.13 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement

For the purpose of subsequent measurement, financial assets of the Group and of the Company are classified in three categories:

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and Company's financial assets at amortised cost include trade receivables, other receivables and amounts due from subsidiaries.

(ii) 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 designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("OCI"), debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with the net changes in fair value recognised in the statements of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

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

2.13 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(iii) Financial assets at fair value through other comprehensive income (no recycling)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to income statement. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its unquoted equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

2.13 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (if any).

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and amounts due to subsidiaries.

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

2.13 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(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 at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statements of profit or loss.

The Group's financial liability include derivative liability. The Company has not designated any financial liability as at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Group's and the Company's financial liabilities at amortised cost include trade and other payables (other than derivative liability and provisions), loans and borrowings including bank overdrafts and amounts due to subsidiaries.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

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

2.13 Financial instruments (cont'd.)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of the 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.

2.14 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.

2.15 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.

2.16 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.

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

2.18 Leases

(a) As lessee

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

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate 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 2.19(d).

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.

2.19 Revenue and other income recognition

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

(a) Revenue from property development

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2.19 Revenue and other income recognition (cont'd.)

(a) Revenue from property development (cont'd.)

This is generally established when:

- The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan and the purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised residential property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group; and

- The Group has the right to payment for performance completed to date and is entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group and the Company recognise revenue over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(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) Revenue from educational fees

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

(d) Rental income

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

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

2.19 Revenue and other income recognition (cont'd.)

(e) Interest income

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

(f) Dividend income

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

(g) Membership fees

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

(h) Management fees

Management fees are recognised when services are rendered.

2.20 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.)

2.21 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.21 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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")

In the previous financial year, 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, was included in other payables or other receivables in the statements of financial position.

2.22 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.

(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.

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

2.22 Employee benefits (cont'd.)

(c) Employee share scheme (cont'd.)

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.

2.23 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.

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.

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

2.23 Foreign currencies (cont'd.)

(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.

2.24 Financial guarantee contracts

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

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

2.25 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.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.27 Fair value measurement

The Group measures financial instruments such as derivative and certain non-financial assets such as other investments are 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.

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.

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

2.27 Fair value measurement (cont'd.)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 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 MFRS 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(a) Classification between investment properties and property, plant and equipment (cont'd.)

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.

The acquired student population is recognised separable from goodwill 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

A financial guarantee contract is a contract that requires the guarantor to make specified payments to reimburse the holder of a guarantee for a loss it incurs because a specified guaranteed debtor fails to make payment when due. The Company initially recognised the financial guarantee contracts at its fair value, net of transaction costs. Subsequently, the financial guarantee contracts are measured at the higher of (i) the amount determined in accordance with MFRS 137: *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with MFRS 118: *Revenue*.

As at reporting date, no value are ascribed on guarantee provided by the Company as the Directors regard the value of credit enhancement provided by these guarantees as minimal and the probabilty of default, based on historical track records of the parties receiving the guarantees are remote.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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) 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.

(b) 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 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.

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 independent third party valuers 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 valuers. The details of the PPE are disclosed in Note 12.

4. REVENUE

	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Revenue from contracts with customers				
Sale of completed properties	10,580	15,711	-	-
Sale of properties under construction	616,386	496,494	-	-
Construction contracts	-	31	-	-
Educational fees	250,639	227,585	-	-
Sales of goods	25,445	18,862	-	-
Club membership fee	679	645	-	-
Interest income from advances to subsidiaries	-	-	24,414	27,975
Management fees from subsidiaries	-	-	17,704	13,585
	903,729	759,328	42,118	41,560
Other revenue				
Dividends from subsidiaries	-	-	71,654	229,031
Interest income from deposits with licensed banks	-	-	-	304
Rental income on investment properties	3,941	3,668	-	28
	3,941	3,668	71,654	229,363
Total revenue	907,670	762,996	113,772	270,923
Timing of revenue recognition				
Goods transferred at a point in time	28,362	32,074	-	-
Goods and services transferred over time	875,367	727,254	42,118	41,560
	903,729	759,328	42,118	41,560

5. EMPLOYEE BENEFITS EXPENSE

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages and salaries	153,189	140,016	12,573	10,314
Contributions to defined contribution plan	19,415	16,306	1,502	1,227
Share-based payment*	6,086	4,845	3,141	2,362
Other benefits	16,487	15,846	1,398	2,096
	195,177	177,013	18,614	15,999

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM9,329,000 (2017: RM8,025,000) and RM6,740,000 (2017: RM6,161,000) respectively.

5. EMPLOYEE BENEFITS EXPENSE (CONT'D.)

* During the financial year, the Group granted up to 6,247,700 (2017: 7,456,600) 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 33.

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries	3,638	2,934	2,438	2,195
Fees	185	185	185	185
Bonus and other benefits	4,685	4,211	3,573	3,286
Defined contribution plan	821	695	544	495
Executive directors' remuneration excluding benefits-in-kind	9,329	8,025	6,740	6,161
Estimated monetary value of benefits-in-kind	205	198	197	194
	9,534	8,223	6,937	6,355
Non-executive:				
Fees	649	634	633	614
Other emoluments	36	32	33	28
	685	666	666	642
Total	10,219	8,889	7,603	6,997
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	9,329	8,025	6,740	6,161
Total non-executive directors' remuneration excluding benefits-in-kind (Note 8)	685	666	666	642
Total directors' remuneration excluding benefits-in-kind	10,014	8,691	7,406	6,803

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 2018 and 31 December 2017 are as follows:

	Salaries, bonus and EPF RM'000	Fees RM'000	Other emoluments* RM'000	Total RM'000
2018				
Directors of the Group				
Executive:				
Dato' Teo Chiang Quan	4,659	115	80	4,854
Chew Sun Teong	2,883	70	1,727	4,680
	7,542	185	1,807	9,534
Non-executive:				
Fatimah Binti Merican	-	43	2	45
Dato' Rohana Tan Sri Mahmood	-	95	5	100
Datuk Seri Yam Kong Choy	-	95	4	99
Tan Sri Foong Cheng Yuen	-	99	5	104
Ong Keng Siew	-	105	7	112
Quah Chek Tin	-	110	7	117
Quah Poh Keat	-	102	6	108
	-	649	36	685
Directors of the Company				
Executive:				
Dato' Teo Chiang Quan	2,071	115	71	2,257
Chew Sun Teong	2,883	70	1,727	4,680
	4,954	185	1,798	6,937
Non-executive:				
Fatimah Binti Merican	-	43	2	45
Dato' Rohana Tan Sri Mahmood	-	85	3	88
Datuk Seri Yam Kong Choy	-	95	4	99
Tan Sri Foong Cheng Yuen	-	93	4	97
Ong Keng Siew	-	105	7	112
Quah Chek Tin	-	110	7	117
Quah Poh Keat	-	102	6	108
	-	633	33	666

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 2018 and 31 December 2017 are as follows (cont'd.):

	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

* 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.

7. FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Term loans	32,861	23,016	7,257	5,032
- Islamic Medium Term Notes (iMTN)	7,617	6,333	-	-
- Other borrowings	3,789	8,502	2,553	2,597
- Advances from subsidiaries	-	-	1,116	7,547
	44,267	37,851	10,926	15,176
Less: Interest expense capitalised in:				
- Investment properties (Note 14)	(2,172)	(80)	-	-
- Capital work-in-progress(Note 12(b))	(2,299)	(1,094)	-	-
- Land held for property development (Note 13(a))	(10,242)	(13,207)	-	-
- Property development costs (Note 13(b))	(7,629)	(4,613)	-	-
	21,925	18,857	10,926	15,176

8. PROFIT BEFORE TAX

Profit before tax are derived after charging/(crediting):

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration (Note 6)	685	666	666	642
Auditors' remuneration				
- statutory audit	640	620	110	110
Operating lease:				
- minimum lease payments for premises	18,499	8,880	921	852
- minimum lease payments for equipment	1,165	1,114	-	-
Direct operating expenses of investment properties	18	17	-	7
Impairment of non-current assets held for sale (Note 15)	-	868	2,091	-
Depreciation of:				
- property, plant and equipment (Note 12)	23,417	24,374	452	505
- investment properties (Note 14)	1,951	1,860	15	15
Amortisation of intangible assets (Note 16)	1,639	1,224	-	-
Property, plant and equipment written off	239	209	-	-
Gain on disposal of:				
- assets held for sale	-	(145)	-	-
- property, plant and equipment	(121)	(77,863)	-	(23)
(Reversal of)/allowance for impairment on advances to subsidiaries (Note 25)	-	-	(11,906)	11,906
Additions of allowance for impairment of receivables (Notes 21 and 22)	670	654	-	-
Reversal of allowance for impairment of receivables (Notes 21 and 22)	(258)	(60)	-	-
Bad debts written off	155	178	-	-
Impairment of investment in subsidiaries	-	-	18,449	7,330
Bad debts recovered	(3)	(5)	-	-
Interest income from:				
- deposits with licensed banks	(3,671)	(3,870)	(253)	(304)
- advances to subsidiaries	-	-	(24,414)	(27,975)
Rental income	(7,089)	(6,723)	-	-
Net foreign exchange loss/(gain):				
- realised	(480)	(334)	-	-
- unrealised	(1)	(14)	618	16
Net derivative gain on interest rate swaps	(53)	(196)	-	-

During the financial year, the Group recognised a net gain of RM53,000 (2017: RM196,000) arising from fair value changes of interest rate swaps. The fair value changes are attributable to changes in interest rate yield. The method and assumptions applied in determining the fair value of interest rate swaps are disclosed in Note 39.

9. TAXATION

	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Current income tax:				
Malaysian income tax	42,700	46,042	2,411	594
Under/(over) provision in prior years	821	13,512	812	(964)
Real property gains tax	-	7	-	-
	43,521	59,561	3,223	(370)
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	(4,611)	(27,308)	(47)	(75)
Under/(over) provision in prior years	2,870	(158)	91	(27)
	(1,741)	(27,466)	44	(102)
Taxation	41,780	32,095	3,267	(472)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

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

9. TAXATION (CONT'D.)

A reconciliation of tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	2018 RM'000	2017 RM'000 (Restated)
Group		
Profit before tax	151,271	182,613
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	36,305	43,827
Effect of share of results of associates and a joint venture	44	29
Income not subject to tax	(4,633)	(19,497)
Effect of tax reduction on incremental business income	-	(1,112)
Effect of PDS's distribution deductible for tax purposes	(3,232)	(3,187)
Effect of income subject to real property gains tax	-	(28)
Expenses not deductible for tax purposes	15,561	14,524
Deferred tax assets recognised on temporary differences	(6,367)	(18,224)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	411	2,409
Under/(over) provision of deferred tax in prior years	2,870	(158)
Under provision of current income tax in prior years	821	13,512
Taxation	41,780	32,095

	2018 RM'000	2017 RM'000
Company		
Profit before tax	70,335	214,362
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	16,880	51,447
Income not subject to tax	(20,054)	(54,979)
Effect of PDS's distribution deductible for tax purposes	(3,232)	(3,187)
Expenses not deductible for tax purposes	8,770	7,238
Under/(over) provision of deferred tax in prior years	91	(27)
Under/(over) provision of current income tax in prior years	812	(964)
Taxation	3,267	(472)

10. EARNINGS PER SHARE

(a) Basic

	Group 2018	Group 2017 (Restated)
Profit attributable to ordinary equity holders of the Company (RM'000)	91,814	133,648
Issued ordinary shares at beginning of the year ('000)	424,296	422,934
Effect of vesting of LTIP shares ('000)	3,313	1,135
Weighted average number of ordinary shares in issue ('000)	427,609	424,069
Basic earnings per share (sen)	21.47	31.52

(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 2018	Group 2017 (Restated)
Profit attributable to ordinary equity holders of the Company (RM'000)	91,814	133,648
Weighted average number of ordinary shares in issue ('000)	427,609	424,069
Dilutive effect on shares issued from the LTIP ('000)	17,193	15,490
Adjusted weighted average number of ordinary shares ('000)	444,802	439,559
Diluted earnings per share (sen)	20.64	30.41

11. DIVIDENDS

	Amount		Net dividends paid per ordinary share	
	2018 RM'000	2017 RM'000	2018 Sen	2017 Sen
Recognised during the year:				
For the financial year ended 31 December 2018				
Interim single tier dividend of 2.5 sen	10,707	-	2.50	-
For the financial year ended 31 December 2017				
Interim single tier dividend of 2.5 sen	-	10,607	-	2.50
Single tier special dividend of 7.5 sen	32,120	-	7.50	-
Final single tier dividend of 6.0 sen	25,696	-	6.00	
For the financial year ended 31 December 2016				
Final single tier dividend of 6.0 sen	-	25,458	-	6.00
	68,523	36,065	16.00	8.50

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2018 on 433,344,720 ordinary shares, amounting to a dividend payable of RM26,000,683 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 2019.

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 2017	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
Additions	45,111	16,933	62,044
Transfer from land held for development (Note 13(a))	40,231	-	40,231
Disposals	(203)	(1,817)	(2,020)
Write-off	-	(2,172)	(2,172)
Reclassified to held for sale (Note 15)	-	(79,722)	(79,722)
Reclassified from held for sale (Note 15)	300	-	300
At 31 December 2018	703,833	150,122	853,955
Accumulated depreciation and impairment			
At 1 January 2017	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
Depreciation charge for the year (Note 8)	8,506	14,911	23,417
Disposals	(153)	(1,718)	(1,871)
Write-off	-	(1,933)	(1,933)
Reclassified to held for sale (Note 15)	-	(58,580)	(58,580)
At 31 December 2018	59,714	111,689	171,403
Net carrying amount			
At 31 December 2018	644,119	38,433	682,552
At 31 December 2017	567,033	57,891	624,924

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 2017	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
Additions	-	-	3,692	41,419	45,111
Transfer from land held for development (Note 13(a))	40,231	-	-	-	40,231
Disposal	-	(203)	-	-	(203)
Reclassified from held for sale (Note 15)	-	-	300	-	300
At 31 December 2018	164,732	83,174	329,351	126,576	703,833
Accumulated depreciation					
At 1 January 2017	-	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
Depreciation charge for the year	-	895	7,611	-	8,506
Disposals	-	(153)	-	-	(153)
At 31 December 2018	-	8,884	50,830	-	59,714
Net carrying amount					
At 31 December 2018	164,732	74,290	278,521	126,576	644,119
At 31 December 2017	124,501	75,235	282,140	85,157	567,033

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

Company

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Cost	
At 1 January 2017	4,274
Additions	171
Disposals	(328)
At 31 December 2017	4,117
Additions	82
At 31 December 2018	4,199
Accumulated depreciation	
At 1 January 2017	2,447
Depreciation charge for the year (Note 8)	505
Disposals	(255)
At 31 December 2017	2,697
Depreciation charge for the year (Note 8)	452
At 31 December 2018	3,149
Net carrying amount	
At 31 December 2018	1,050
At 31 December 2017	1,420

(a) The freehold land and building with carrying value of RM354,670,000 (2017: RM228,015,000) has been pledged as security for borrowings as disclosed in Note 27.

(b) The Group's capital work-in-progress includes borrowing costs capitalised arising from borrowings drawdown specifically for the purpose of the construction of the building. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RM2,299,000 (2017: RM1,094,000).

(c) During the financial year, an amount of RM40,231,000 was reclassified from land held for development to property, plant and equipment, due to the change of intention on the usage of the land for own use.

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

(d) In the previous 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 was deemed completed on 29 September 2017, and the leaseback commenced on 30 September 2017.

13. INVENTORIES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
		(Restated)	**(Restated)**
Non-current			
At cost:			
Land held for property development (Note a)	649,961	798,984	870,967
Current			
At cost:			
- Property developmnt costs (Note b)	297,665	184,909	80,747
At cost:			
- Completed properties	22,881	23,342	28,848
- Stationery and consumables	2,560	3,069	-
	25,441	26,411	28,848
Total current inventories	323,106	211,320	109,595
Total inventories	973,067	1,010,304	980,562

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM420,431,000 (2017: RM347,381,000).

13. **INVENTORIES (CONT'D.)**

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

	Group 2018 RM'000	Group 2017 RM'000 (Restated)
Freehold land		
At 1 January	518,196	587,958
Additions	26,569	-
Transfer to property development costs (Note b)	(69,792)	(69,762)
Transfer to property, plant and equipment (Note 12)	(26,282)	-
At 31 December	448,691	518,196
Leasehold land		
At 1 January	63,840	65,828
Additions	12,023	-
Transfer to property development costs (Note b)	(22,837)	(1,988)
Disposal	(39,734)	-
At 31 December	13,292	63,840
Development costs		
At 1 January	216,948	217,181
Costs incurred during the financial year	73,498	93,413
Transfer to investment properties (Note 14)	(248)	-
Transfer to property development costs (Note b)	(80,956)	(93,646)
Transfer to property, plant and equipment (Note 12)	(13,949)	-
Disposal	(7,315)	-
At 31 December	187,978	216,948
Carrying amount at 31 December	649,961	798,984

The freehold land held for property development with carrying value of RM379,392,000 (2017: RM614,977,000) has been pledged as security for term loans as disclosed in Note 27.

The Group's land held for property development include borrowing costs arising from borrowings drawdown 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 amounted to RM10,242,000 (2017: RM13,207,000).

13. INVENTORIES (CONT'D.)

(b) Property development costs, at cost

	Group 2018 RM'000	Group 2017 RM'000 (Restated)
Freehold land		
At 1 January	275,267	205,943
Additions	-	-
Transfer from land held for property development (Note a)	69,792	69,762
Transfer to completed properties	(62)	(438)
At 31 December	344,997	275,267
Leasehold land		
At 1 January	-	-
Transfer from land held for property development (Note a)	22,837	1,988
Transfer to completed properties	-	(1,988)
At 31 December	22,837	-
Cumulative property development costs		
At 1 January	1,805,389	1,451,836
Cost incurred during the year	320,123	277,405
Transfer from land held for property development (Note a)	80,956	93,646
Transfer to completed properties	(9,133)	(17,498)
At 31 December	2,197,335	1,805,389
Cumulative costs recognised in income statement		
At 1 January	(1,895,747)	(1,577,032)
Recognised during the financial year	(371,757)	(318,715)
At 31 December	(2,267,504)	(1,895,747)
Property development costs at 31 December	297,665	184,909

The Group's property development costs include borrowing costs arising from borrowings drawdown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under property development costs amounted to RM7,629,000 (2017: RM4,613,000).

14. INVESTMENT PROPERTIES

Group

	Buildings RM'000	Freehold land RM'000	Investment properties under construction RM'000	Total RM'000
Cost				
At 1 January 2017	92,896	9,271	76,967	179,134
Additions	4,837	-	24,060	28,897
At 31 December 2017/ 1 January 2018	97,733	9,271	101,027	208,031
Additions	1,245	-	1,687	2,932
Transfer from land held for property development (Note 13(a))	-	-	248	248
At 31 December 2018	98,978	9,271	102,962	211,211
Accumulated depreciation and impairment losses				
At 1 January 2017	1,384	-	-	1,384
Depreciation charge for the year (Note 8)	1,860	-	-	1,860
At 31 December 2017/1 January 2018	3,244	-	-	3,244
Depreciation charge for the year (Note 8)	1,951	-	-	1,951
At 31 December 2018	5,195	-	-	5,195
Net carrying amount				
At 31 December 2018	93,783	9,271	102,962	206,016
At 31 December 2017	94,489	9,271	101,027	204,787

14. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
Cost	
At 1 January 2017/31 December 2017	
At 1 January 2018/31 December 2018	750
Accumulated depreciation	
At 1 January 2017	105
Depreciation charge for the year (Note 8)	15
At 31 December 2017/1 January 2018	120
Depreciation charge for the year (Note 8)	15
At 31 December 2018	135
Net carrying amount	
At 31 December 2018	615
At 31 December 2017	630

The freehold land and buildings of the Group with carrying value of RM67,442,000 (2017: RM69,182,000) has been pledged as security for term loans as disclosed in Note 27.

The fair value of the investment properties of the Group and of the Company 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 39.

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 RM2,172,000 (2017: RM80,000). The Group ceased to capitalise the borrowing costs upon substantial completion of the construction of the investment properties.

15. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE

Included in disposal group classified as held for sale on the statements of financial position of the Group and of the Company as at 31 December 2018 are the following:

Group
The assets and liabilities of subsidiary companies, KDU University College Sdn Bhd ("KDUUC"), KDU College (PJ) Sdn Bhd ("KDUPJ") and KDU University College (PG) Sdn Bhd ("KDUPG"). Details of the proposed disposal are disclosed in Note 17; and

Company
The carrying amounts of investment in subsidiaries, KDUUC, KDUPJ and KDUPG of RM40,251,000 as disclosed in Note 17.

Accordingly, the Group's interest in KDUUC, KDUPJ and KDUPG have been classified as held for sale and have been valued at lower of carrying amount and fair value less cost to sell.

	Group RM'000	Company RM'000
Carrying amount		
At 1 January 2017	6,666	-
Disposals	(66)	-
Impairment loss (Note 8)	(868)	-
At 31 December 2017/1 January 2018	5,732	-
Reclassified to property, plant and equipment (Note 12)	(300)	-
Disposals	(5,432)	-
Assets reclassified to held for sale	64,993	40,521
Impairment loss (Note 8)	-	(2,091)
Liabilities reclassified to held for sale	(30,415)	-
At 31 December 2018	34,578	38,430

15. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE (CONT'D.)

Details of assets and liabilities classified as disposal groups and non-current assets held for sale are as follows:

	Group 2018 RM'000	Company 2018 RM'000
Assets		
Property, plant and equipment (Note 12)	21,142	-
Intangible asset (Note 16)	14,734	-
Deferred tax assets	9,800	-
Trade and other receivables	2,398	-
Other current assets	1,749	-
Tax recoverable	1,446	-
Cash and bank balances	13,420	-
Other investments	304	-
Assets of disposal groups classified as held for sale	64,993	-
Investment in subsidiary companies	-	40,521
Impairment loss (Note 8)	-	(2,091)
Non-current assets classified as held for sale	-	38,430
Assets of disposal group/Non-current assets classified held for sale	64,993	38,430
Liabilities		
Deferred tax liabilities	685	-
Other payables	3,047	-
Other current liabilities	26,683	-
Liabilities of disposal groups classified as held for sale	30,415	-

16. INTANGIBLE ASSETS

Group

	Goodwill RM'000	Brand names RM'000	Student population RM'000	Course development RM'000	Total RM'000
2018					
At 1 January 2018	72,973	73,863	16,666	320	163,822
Amortisation for the year (Note 8)	-	-	(1,626)	(13)	(1,639)
Reclassified to held for sale (Note 15)	(14,734)	-	-	-	(14,734)
At 31 December 2018	58,239	73,863	15,040	307	147,449
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

Impairment test on goodwill and brand names:

(1) Allocation of goodwill and brand names

Goodwill and brand names are allocated to the Group's education business segment.

(2) Key assumptions used in value-in-use ("VIU") calculation of CGUs

The recoverable amounts of CGUs are determined based on the VIU of the respective CGUs, calculated using cash flow projections based on financial budgets approved by management covering a five-year period (2017: three-year period).

The following describes key assumptions on which management based its cash flow projections for VIU calculations of the CGUs to undertake impairment test of the goodwill and brand names:

16. INTANGIBLE ASSETS (CONT'D.)

(2) Key assumptions used in value-in-use ("VIU") calculation of CGUs (cont'd.)

(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 range between 11.5% to 12.0% (2017: 12%).

(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 2.0% (2017: 1.0% to 1.5%).

(3) Sensitivity to changes in assumptions

The goodwill and brand names arising from education business segment remained sensitive towards possible negative changes in terminal growth rates and discount rates. Should the terminal growth rates decrease by 1.0% with all other factors held constant, the carrying amount of the CGU allocated to the goodwill and brand names is expected to be impaired by RM5,023,000. Similarly, if the discount rates increase by 1.0% with all other variables held constant, the carrying amount of the goodwill and brand names is expected to be impaired by RM14,892,000.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	279,154	278,949
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	661,750	702,230
Less: Accumulated impairment losses	(85,184)	(66,735)
Less: Reclassified to non-current assets held for sale (Note 15)	(40,521)	-
	815,199	914,444

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.

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 RM18,449,000 (2017: RM7,330,000) as disclosed in Note 8.

The unquoted shares held by the Company with carrying value of RM192,000,000 (2017: RM 192,000,000) has been pledged as security for term loan as disclosed in Note 27.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Effective interest 2018 %	Effective interest 2017 %	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	Inactive
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.	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

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

Name of subsidiaries	Effective interest 2018 %	Effective interest 2017 %	Share capital '000	Principal activities
Incorporated in Malaysia (cont'd.)				
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
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.	70	100	RM150	Property development
Paramount Education Sdn. Bhd.	100	100	RM10,000	Investment holding
Aneka Sepakat Sdn. Bhd.	100	100	RM100	Property development
Paramount Capital Resources Sdn.Bhd.	100	100	***	In house treasury management
Paramount Greencity Sdn. Bhd.	100	-	****	Inactive
Magna Intelligent Sdn. Bhd.	100	-	****	Investment holding
R.E.A.L. Education Group Sdn. Bhd.	66	66	RM10,813	Educational services
R.E.A.L. Kids (Ampang) Sdn. Bhd.	66	66	RM200	Educational services
R.E.A.L. Education Corporation Sdn. Bhd.	66	66	RM350	Educational services
Cambridge Education For Life Sdn. Bhd.	53	53	RM1,000	Educational services
R.E.A.L. Education International Sdn. Bhd.	66	66	RM1,500	Inactive
Cambridge Children's House Sdn. Bhd.	66	66	*	Inactive
Cambridge English For Life Sdn. Bhd.	53	53	RM100	Educational services

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Effective interest 2018 %	Effective interest 2017 %	Share capital '000	Principal activities
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
#	Subsidiaries not audited in accordance with requirements of respective countries

17.1 Acquisition or incorporation of subsidiary companies

<u>Current financial year</u>

(i) On 25 May 2018, the Company acquired Magna Intelligent Sdn. Bhd. with a share capital of RM1 represented by 1 ordinary share.

(ii) On 1 August 2018, the Company acquired Paramount Greencity Sdn. Bhd. with a share capital of RM1 represented by 1 ordinary share.

<u>Previous financial year</u>

(i) On 7 February 2017, the Company incorporated Paramount Education Sdn. Bhd. with a share capital of RM100 represented by 100 ordinary shares. Subsequently, 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.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.1 Acquisition or incorporation of subsidiary companies (cont'd.)

Previous financial year (cont'd.)

(i) The fair values of the assets and liabilities of the acquired subsidiary at the date of acquisition were as follows:

2017 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.)

Previous financial year (cont'd.)

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

(ii) On 13 December 2017, the Company acquired Aneka Sepakat Sdn. Bhd. with a share capital of RM1 represented by 1 ordinary share.

(iii) On 14 December 2017, the Company incorporated Paramount Property (Lakeside) Sdn. Bhd. with a share capital of RM100 represented by 100 ordinary shares.

(iv) 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 Planned disposal of subsidiary companies

On 19 November 2018, the Company entered into a Share Purchase Agreement ("SPA") with UOWM Sdn. Bhd. ("UOWM") for the proposed disposal of the Company's controlling equity interest in KDUUC, KDUPG and KDUPJ (collectively referred to as "disposal group") to UOWM for a total sale consideration of RM38,500,000 through the disposal of:

(a) 9,750,000 ordinary shares in KDUUC representing 65% of the issued ordinary share capital of KDUUC for a cash consideration of RM16,000,000;

(b) 9,750,000 ordinary shares in KDUPG representing 65% of the issued ordinary share capital of KDUPG for a cash consideration of RM22,000,000; and

(c) 3,500,000 ordinary shares in KDUPJ representing 70% of the issued ordinary share capital of KDUPJ for a cash consideration of RM500,000

On 9 January 2019, the Company entered into a Share Purchase Agreement ("SPA") with Zahrulannuar bin Mat Desa for the proposed disposal of the remaining 1,500,000 ordinary shares in KDUPJ, representing 30% of the issued ordinary share capital of KDUPJ for a total sale consideration of RM1.

Accordingly, the Group's interest in the subsidiaries and the assets and liabilities associated with the disposal group have been reclassified to non-current assets/ disposal group held for sale as disclosed in Note 15.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.3 Subsidiary with non-controlling interest

The equity interests held by non-controlling interest are as follows:

	Equity interest held by non-controlling interest	
	2018	**2017**
	%	**%**
R.E.A.L. Group	34	34
Paramount Property (Lakeside) Sdn. Bhd.	30	-

On 12 September 2018, the Company has further subscribed to 104,900 ordinary shares of Paramount Property (Lakeside) Sdn. Bhd., out of total issued shares of 149,900. As a result, PCB's shareholding in Paramount Property (Lakeside) Sdn. Bhd. was diluted to 70%.

Summarised financial information of the subsidiary which has material 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	**2018**	**2017**
	RM'000	**RM'000**
Non-current assets	340,439	341,858
Current assets	35,394	40,367
Non-current liabilities	(105,082)	(102,006)
Current liabilities	(60,561)	(69,446)
Net assets	210,190	210,773
Equity attributable to equity holder of parent	135,026	135,778
Non-controlling interest	75,164	74,995
Total equity	210,190	210,773
Year ended 31 December		
Revenue	104,758	79,108
Total comprehensive income for the year	11,788	10,193
Total comprehensive income attributable to:		
- Owners of the parent	7,577	6,602
- Non-controlling interest	4,211	3,591
	11,788	10,193

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

17.3 Subsidiary with non-controlling interest (cont'd.)

Group	2018 RM'000	2017 RM'000
Net cash generated from/(used in):		
Operating activities	9,811	13,218
Investing activities	(4,350)	(18,009)
Financing activities	(7,657)	(828)
Net change in cash and cash equivalents	(2,196)	(5,619)
Dividends paid to non-controlling interest	(4,044)	(3,052)

18. INVESTMENTS IN ASSOCIATES

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	11,064	10,978
Share of post-acquisition reserves	(1,948)	(1,071)
	9,116	9,907

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

	Group	
	2018 RM'000	2017 RM'000
Assets and liabilities		
Current assets, representing total assets	24,836	26,340
Current liabilities, representing total liabilities	(6,604)	(6,527)
Results		
Revenue	19	13
Loss for the year	(233)	(148)

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation loss of RM761,000 (2017: foreign currency translation gain of RM239,000).

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

Reconciliation of net assets to carrying amount as at 31 December:

	Group	
	2018	2017
	RM'000	RM'000
Net assets	18,232	19,813
Interest in associates	50%	50%
Group's share of net assets, representing carrying amount of investment in associates	9,116	9,907

Details of the associates are as follows:

	Effective Interest		Share capital	Principal activities
Name of associates	2018	2017	'000	
	%	%		
Incorporated in Malaysia				
Pusat Bahasa Cambridge English For Life Sdn. Bhd.	20	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

* Share capital of AUD2
AUD Represents currency denoted in Australian Dollars

19. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	450	45	450	45
Redeemable non-cumulative preference shares ("RNCPS")	2,565	-	2,565	-
Share of post-acquisition reserves	(111)	(45)	-	-
	2,904	-	3,015	45

19. INVESTMENT IN A JOINT VENTURE (CONT'D.)

During the financial year, the Group injected additional capital of RM2,970,000 in the joint venture by way of ordinary shares and RNCPS.

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	**2018 RM'000**	**2017 RM'000**
Total assets	21,712	1,660
Total liabilities	(20,958)	(1,810)
Results		
Revenue	-	-
Profit/(loss) for the year	4	(250)

Reconciliation of net assets to carrying amount as at 31 December:

	2018 RM'000	**2017 RM'000**
Net assets/(liabilities)	754	(150)
Interest in joint venture	45%	45%
Group's share of net assets/(liabilities)	339	(68)
Add: Intragroup adjustments	2,565	-
Unrecognised share of losses	-	68
Carrying amount of investment in joint venture	2,904	-

In the previous financial year, 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 by RM68,000. During the financial year, the share of losses have been recognised upon additional investment in interest in the joint venture.

Details of the joint venture are as follows:

Name of joint venture	**Effective Interest 2018 %**	**Effective Interest 2017 %**	**Share capital '000**	**Principal activities**
Incorporated in Malaysia				
Super Ace Resources Sdn. Bhd.	45	45	RM1,000	Inactive

20. OTHER INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current:				
At fair value:				
Club memberships	280	310	165	165
Unquoted share	7,563	-	-	-
	7,843	310	165	165
Current:				
Short-term investment, at fair value	-	10,047	-	10,047
	7,843	10,357	165	10,212

Non-current investments are carried at fair value through other comprehensive income.

In the previous financial year, short-term investment comprised fund investment carried at fair value through profit or loss.

21. TRADE RECEIVABLES

	Group	
	2018	2017
	RM'000	RM'000
Third parties	69,956	88,497
Stakeholders' sum	40,347	44,511
	110,303	133,008
Less: Allowance for impairment	(367)	(685)
Trade receivables, net	109,936	132,323

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2017: 14 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

21. TRADE RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2018 RM'000	Group 2017 RM'000
Neither past due nor impaired	67,768	75,292
1 to 30 days past due not impaired	18,294	20,463
31 to 60 days past due not impaired	11,040	9,522
61 to 90 days past due not impaired	3,363	2,880
91 to 120 days past due not impaired	7,252	7,649
More than 121 days past due not impaired	2,219	16,517
	42,168	57,031
Impaired	367	685
	110,303	133,008

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 RM42,168,000 (2017: RM57,031,000). There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

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 2018 RM'000	Group 2017 RM'000
Trade receivables - nominal amount	367	685
Less: Allowance for impairment	(367)	(685)
	-	-

21. TRADE RECEIVABLES (CONT'D.)

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	685	199
Addition during the year (Note 8)	667	630
Reversal for the year (Note 8)	(243)	(59)
Written off during the year	(236)	(85)
Transfer to held for sale	(506)	-
At 31 December	367	685

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

22. OTHER RECEIVABLES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits	44,034	25,559	524	3,434
Sundry receivables	8,755	9,621	60	16
Amount due from joint venture	-	810	-	810
	52,789	35,990	584	4,260
Less: Allowance for impairment	-	(29)	-	-
Other receivables, net	52,789	35,961	584	4,260

Movement in allowance accounts:

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	29	40
Addition during the year (Note 8)	3	24
Reversal during the year (Note 8)	(15)	(1)
Written off during the year	(4)	(34)
Transfer to held for sale	(13)	-
At 31 December	-	29

23. OTHER CURRENT ASSETS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Prepaid expenses	8,550	13,629	6,340

24. CONTRACT ASSET/(LIABILITIES)

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Contract assets			
Accrued billings in respect of property development costs (Note a)	221,216	131,617	138,229
Contract liabilities			
Progress billings in respect of property development costs (Note a)	-	-	(21,211)
Fees in advance (Note b)	(60,893)	(65,131)	(33,463)
Deferred income	(97)	-	-
Due to customers on contracts	-	-	(1,475)
	(60,990)	(65,131)	(56,149)

Set out below is the amount of revenue recognised from:

	2018 RM'000	2017 RM'000 (Restated)
Amounts included in contract liabilities at the beginning of the year	(65,131)	(56,149)

(a) Revenue from property development

Revenue from property development activities are recognised over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

24. CONTRACT ASSET/(LIABILITIES) (CONT'D.)

(a) Revenue from property development (cont'd.)

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM959,974,000. The remaining performance obligations expected to be recognised over years as follows:

	2018 RM'000
Within one year	632,620
More than one year but not later than five years	327,354
	959,974

(b) Revenue from education

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

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM60,893,000. The remaining performance obligations expected to be recognised over years as follows:

	2018 RM'000
Within one year	60,893

In adopting MFRS 15 retrospectively, the Group has applied certain expedients including not restating contracts that have been completed at the beginning of the earliest period presented in these financial statements which is 1 January 2017, and not disclosing the transaction price allocated to remaining unsatisfied performance obligation prior to the date of initial application on 1 January 2018.

25. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest of 4.70% to 6.50% (2017: 4.70% to 6.50%) per annum.

	Company	
	2018	2017
	RM'000	RM'000
Non-current		
Due from subsidiaries	59,244	216,838
Less: Allowance for impairment	-	(11,906)
	59,244	204,932
Current		
Due from subsidiaries	499,077	345,367
Total	558,321	550,299
Current		
Due to subsidiaries	10,192	155,721

Movement in allowance accounts:

	Company	
	2018	2017
	RM'000	RM'000
At 1 January	11,906	-
Addition during the year (Note 8)	-	11,906
Reversal during the year (Note 8)	(11,906)	-
At 31 December	-	11,906

During the financial year, all amount due from subsidiaries have been novated to Paramount Capital Resources Sdn. Bhd. As a result, an impairment of RM11,906,000 has been reversed.

26. CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	100,628	86,148	3,500	3,366
Deposits with licensed banks	36,334	55,261	21,135	25,745
Cash and bank balances	136,962	141,409	24,635	29,111
Cash and bank balances restricted for use	(19,686)	(8,615)	(2,173)	(2,139)
Deposits restricted for use	-	(3,000)	-	-
Deposits maturing more than 3 months from reporting date	(6,292)	(12,084)	(35)	(34)
Bank overdraft (Note 27)	(38,669)	(8,283)	(24,873)	-
Cash and cash equivalents	72,315	109,427	(2,446)	26,938

Included in cash and cash equivalents of the Group are amounts of RM50,408,000 (2017: RM45,642,000) 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 RM350,000 (2017: RM1,091,000) 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 RMNil and RM7,839,000 respectively (2017: RM3,000,000 and RM7,105,000) 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 and DSRA are secured against the Sukuk Programmes and term loans as disclosed in Note 27.

Included also in cash and bank balances restricted for use of the Group are amount of RM11,497,000 (2017: RM419,000) in the Project Development Account ("PDA") and Redemption Account ("RA") which are restricted in usage and do not form part of cash and cash equivalents.

Included in cash on hand and at banks of the Group and of the Company are interest-bearing bank balances amounting to RM26,742,000 (2017: RM27,890,000) and RM3,430,000 (2017: RM1,159,000) which bear interest ranging from 1.23% to 3% (2017: 1.23% to 4.85%) per annum.

Deposits with licensed banks are made for varying periods of between 1 day and 12 months (2017: 1 day and 12 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 2018 for the Group and the Company were 1.95% to 4.20% (2017: 1.95% to 4.07%) per annum and 2.90% to 3.20% (2017: 2.90% to 3.56%) per annum respectively.

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

27. BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current				
Unsecured:				
Bank overdraft - Floating rate (Note 26)	24,873	-	24,873	-
Revolving credit - Floating rate	50,000	10,000	50,000	10,000
	74,873	10,000	74,873	10,000
Secured:				
Bank overdraft - Floating rate (Note 26)	13,796	8,283	-	-
Revolving credit - Floating rate	44,250	41,713	-	-
Term loans - Floating rate	167,250	101,174	29,558	-
iMTN Sukuk programmes - Floating rate	153,753	-	-	-
	379,049	151,170	29,558	-
	453,922	161,170	104,431	10,000
Non-current				
Secured:				
Term loans - Floating rate	446,739	533,996	118,334	138,335
iMTN Sukuk programmes - Floating rate	-	128,666	-	-
	446,739	662,662	118,334	138,335
Total	900,661	823,832	222,765	148,335

The maturities of the borrowings as at 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Within one year	453,922	161,170	104,431	10,000
More than 1 year but not later than 2 years	55,559	51,541	29,558	27,675
More than 2 years but not later than 5 years	315,927	507,355	88,776	55,349
More than 5 years	75,253	103,766	-	55,311
	900,661	823,832	222,765	148,335

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 4.90% to 5.40% (2017: 4.70% to 5.00%) per annum during the financial year.

27. 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 26; 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 26.

The effective interest rates of the borrowings (other than Sukuk Programmes) as at 31 December 2018 and 31 December 2017 are as follows:

	2018 per annum	**2017 per annum**
- Term loans	4.4% - 5.5%	4.3% - 5.7%
- Revolving credit	4.8% - 5.2%	4.5% - 5.9%
- Bank overdraft	5.0%	4.9%

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

28. TRADE PAYABLES

	Group 2018 RM'000	Group 2017 RM'000
Trade payables	78,849	56,730
Retention sums on contracts	20,945	25,492
	99,794	82,222

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2017: 30 to 90 days). The retention sums are payable upon expiry of the defect liability period of 18 to 24 months (2017: 18 to 24 months).

29. OTHER PAYABLES

	Group			Company	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Sundry payables	146,367	160,624	74,013	21,266	15,375
Tenants deposits	-	-	170	-	-
Refundable deposits	33,766	40,592	27,901	-	-
Earnest deposits received	3,889	-	-	3,889	-
Derivative liability from interest rate swap	15	196	392	-	-
	184,037	201,412	102,476	25,155	15,375

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2017: 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 RM62,700,000 (2017: RM119,700,000). The interest rate swap receive floating interest equal to the Kuala Lumpur Interbank Offered Rate ("KLIBOR"), pays fixed rate of interest 3.75% (2017: 3.75% to 4.08%) per annum, and matures on 30 September 2019.

30. DEFERRED TAX (ASSETS)/LIABILITIES

Group	2018 RM'000	2017 RM'000 (Restated)	2016 RM'000 (Restated)
At 1 January	(1,597)	(16,094)	(12,542)
Recognised in the income statement (Note 9)	(1,741)	(27,466)	(3,552)
Transfer to disposal group held for sale	9,115	-	-
Arising from acquisition of a subsidiary	-	41,963	-
At 31 December	5,777	(1,597)	(16,094)

Presented after appropriate offsetting as follows:

Deferred tax assets	(41,611)	(50,015)	(26,156)
Deferred tax liabilities	47,388	48,418	10,062
	5,777	(1,597)	(16,094)

	At 1 January 2018 RM'000 (Restated)	Recognised in the income statement RM'000	Arising from transfer to disposal group held for sale RM'000	At 31 December 2018 RM'000
Deferred tax liabilities of the Group:				
Property, plant and equipment	26,691	45	(685)	26,051
Intangible assets	21,727	(390)	-	21,337
	48,418	(345)	(685)	47,388
Deferred tax assets of the Group:				
Unutilised tax losses and unabsorbed capital allowances	(23,171)	(5,583)	14,529	(14,225)
Deferred development expenditure	(6,916)	3,955	-	(2,961)
Others	(19,928)	232	(4,729)	(24,425)
	(50,015)	(1,396)	9,800	(41,611)
	(1,597)	(1,741)	9,115	5,777

30. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2017 RM'000 (Restated)	Recognised in the income statement RM'000 (Restated)	Arising from acquisition of subsidiary RM'000	At 31 December 2017 RM'000 (Restated)
Deferred tax liabilities of the Group:				
Property, plant and equipment	10,062	(3,699)	20,328	26,691
Intangible assets	-	-	21,727	21,727
	10,062	(3,699)	42,055	48,418
Deferred tax assets of the Group:				
Unutilised tax losses and unabsorbed capital allowances	(19,351)	(3,820)	-	(23,171)
Deferred development expenditure	(7,990)	1,074	-	(6,916)
Others	1,185	(21,021)	(92)	(19,928)
	(26,156)	(23,767)	(92)	(50,015)
	(16,094)	(27,466)	41,963	(1,597)

	2018 RM'000	2017 RM'000
Company		
At 1 January	(43)	59
Recognised in the income statement (Note 9)	44	(102)
At 31 December	1	(43)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(58)	(104)
Deferred tax liabilities	59	61
	1	(43)

	At 1 January 2018 RM'000	Recognised in the income statement RM'000	At 31 December 2018 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	61	(2)	59
Deferred tax assets of the Company:			
Unabsorbed capital allowances	(40)	40	-
Others	(64)	6	(58)
	(104)	46	(58)
	(43)	44	1

30. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	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)

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

	Group 2018 RM'000	2017 RM'000
Unutilised tax losses	28,680	26,785
Unabsorbed capital allowances	1,482	1,712
Other deductible temporary differences	550	502
	30,712	28,999

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group are available 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. Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the Group as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed losses will be disregarded.

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.

31. SHARE CAPITAL

	Number of ordinary shares		Amounts	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Authorised				
At 1 January	-	1,000,000	-	500,000
Abolishment under Companies Act 2016	-	(1,000,000)	-	(500,000)
At 31 December	-	-	-	-

31. SHARE CAPITAL (CONT'D.)

	Number of ordinary shares		Amounts	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid				
At 1 January	424,296	422,934	305,215	211,467
Ordinary shares issued pursuant to LTIP	3,976	1,362	5,100	1,977
Transfer pursuant to Section 618(2) of Companies Act 2016	-	-	-	91,771
At 31 December	428,272	424,296	310,315	305,215

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 2,174,500 ordinary shares to its eligible employees, pursuant to the vesting of the restricted shares under the 2015, 2016 and 2017 RS Grants of LTIP, that awarded on 13 March 2015,14 March 2016 and 13 March 2017, respectively. The Company also issued another 1,801,500 ordinary shares to its eligible employess, pursuant to the vesting of the performance-based shares under the 2015 PS Grant of LTIP, awarded on 13 March 2015.

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.

32. PRIVATE DEBT SECURITIES

	Group and Company	
	2018	2017
	RM'000	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.

32. PRIVATE DEBT SECURITIES (CONT'D.)

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.

On 7 February 2019, the Company has redeemed RM50,000,000 in nominal value of the PDS.

33. 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 per 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 the 2015 PS Grant and vested on 13 March 2018.

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.

33. EMPLOYEE SHARE SCHEME (CONT'D.)

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.

2018 LTIP

(d) On 11 June 2018, the Company made its fourth award of up to 6,247,700 LTIP shares, comprising:

(i) 2,138,900 RS under the 2018 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2019; and

(ii) up to 4,108,800 PS under the 2018 PS Grant to be vested on 13 March 2021.

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	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	7,139	4,271
First award of up to 5,444,300 LTIP shares	686	771
Second award of up to 6,063,200 LTIP shares	1,072	1,579
Third award of up to 7,456,600 LTIP shares	2,186	2,495
Fourth award of up to 6,247,700 LTIP shares	2,142	-
Vesting of RS under the 2015 RS Grant	(817)	(884)
Vesting of RS under the 2016 RS Grant	(1,037)	(1,093)
Vesting of RS under the 2017 RS Grant	(1,284)	-
Vesting of PS under the 2015 PS Grant	(1,962)	-
At 31 December	8,125	7,139

On 15 March 2018, 612,300, 750,300 and 811,900 new ordinary shares in the Company were allotted and issued at the issue prices of RM1.334, RM1.383 and RM1.581 per share pursuant to the third vesting of RS under the 2015 RS Grant, the second vesting of RS under the 2016 RS Grant and the first vesting of RS under 2017 RS Grant, respectively. Pursuant to the final vesting of PS under 2015 PS Grant, 1,801,500 new ordinary shares in the Company were alloted and issued at the issue price of RM1.089.

33. 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:

	2018 LTIP	2017 LTIP	2016 LTIP	2015 LTIP
Fair value per share				
- Restricted shares				
- 1st vesting	RM1.885	RM1.581	RM1.459	RM1.468
- 2nd vesting	RM1.786	RM1.480	RM1.383	RM1.399
- 3rd vesting	RM1.697	RM1.386	RM1.312	RM1.334
- Performance-based shares	RM1.470	RM1.202	RM1.087	RM1.089
Dividend yield (%)	5.35%	6.90%	5.50%	4.90%
Expected volatility (%)	22.61%	25.63%	24.77%	22.98%
Risk-free interest rate (% p.a)	3.59%	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	Annually for 3 years
- Performance-based shares	3 years	3 years	3 years	3 years
Underlying share price	RM1.96	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.

34. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 31 December 2017 under the single tier system.

35. OPERATING LEASE ARRANGEMENTS

(a) The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease agreements for the use of land, buildings and certain plant and equipment. These leases have an average life of 3 to 10 years with renewal or purchase option included in the contracts. There are no restrictions placed upon the Company by entering into the leases.

35. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Future minimum lease payments:				
Not later than 1 year	19,224	15,075	972	814
Later than 1 year and not later than 5 years	53,517	59,152	1,876	-
Later than 5 years	44,006	46,729	-	-
	116,747	120,956	2,848	814

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	
	2018	2017
	RM'000	RM'000
Not later than 1 year	4,103	1,002
Later than 1 year and not later than 5 years	2,754	535
	6,857	1,537

36. COMMITMENTS

	Group	
	2018	2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	112,068	75,868
- Investment properties	9,284	4,805
- Land held for future development	134,732	-
- Development right value	132,541	-
Approved but not contracted for:		
- Property, plant and equipment	12,585	93,167
- Investment properties	-	14,104
	401,210	187,944

37. RELATED PARTY DISCLOSURES

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
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	3,018	1,995	-	-
Sale of properties to Mr Benjamin Teo Jong Hian and Ms Eunice Teo Wan Tien, the children of Dato' Teo Chiang Quan	1,422	-	-	-
Sale of a property to Ms Lim Lai Bee and Mr Yam Jia Wei, the spouse and son of Datuk Seri Yam Kong Choy	786	-	-	-
Sale of a property to Ms Teh Say Yan, the sister of Datin Teh Geok Lian	801	-	-	-
Sale of a property to Mr Chew Sun Teong, a director of the Company	780	-	-	-

37. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of motor vehicle to Dato' Teo Chiang Quan, a director of the Company	87	-	-	-
Sale of motor vehicle to Ms Tay Lee Kong, a director of subsidiaries	-	96	-	96
Rental income received from Peoplender Sdn. Bhd., a company in which Dato' Teo Chiang Quan and Mr Chew Sun Teong have financial interests	66	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	880	852	880	852
Rental charges paid to Damansara Uptown Car Parks Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	109	65	65	65
Rental charges paid to Damansara Uptown Retail Centre Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	277	-	-	-
Rental income received from Damansara Uptown Retail Centre Sdn. Bhd.	8	-	-	-
Rental charges paid to CNS Corporation Sdn. Bhd., a company in which Mr Sim Quan Seng a director of subsidiaries, has a financial interest	150	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	252	-	-
License fees paid to Damansara Uptown Retail Centre Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	21	-	-	-
Management fees received from subsidiaries	-	-	17,704	13,585
Interest income received from subsidiaries	-	-	24,414	27,975

37. 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits	21,623	19,924	11,787	10,810
Defined contribution plan	1,925	1,703	1,003	824
	23,548	21,627	12,790	11,634

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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive	9,534	8,223	6,937	6,355
Non-executive	685	666	666	642
	10,219	8,889	7,603	6,997

38. 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 2.13 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	Note	At amortised cost RM'000	At fair value through profit or loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
2018					
Financial assets:					
Other investments	20	-	-	7,843	7,843
Trade receivables	21	109,936	-	-	109,936
Other receivables	22	52,789	-	-	52,789
Cash and bank balances	26	136,962	-	-	136,962
Total financial assets		299,687	-	7,843	307,530
Financial liabilities:					
Derivative liability, included in other payables	29	-	15	-	15
Trade payables	28	99,794	-	-	99,794
Other payables (other than derivative liability and provision)	*	183,022	-	-	183,022
Borrowings	27	900,661	-	-	900,661
Total financial liabilities		1,183,477	15	-	1,183,492

38. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

Group	Note	At amortised cost RM'000	At fair value through profit or loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
2017					
Financial assets:					
Other investments	20	-	10,047	310	10,357
Trade receivables	21	132,323	-	-	132,323
Other receivables	22	35,961	-	-	35,961
Cash and bank balances	26	141,409	-	-	141,409
Total financial assets		309,693	10,047	310	320,050
Financial liabilities:					
Derivative liability, included in other payables	29	-	196	-	196
Trade payables	28	82,222	-	-	82,222
Other payables (other than derivative liability and provision)	*	199,212	-	-	199,212
Borrowings	27	823,832	-	-	823,832
Total financial liabilities		1,105,266	196	-	1,105,462

38. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

Company	Note	At amortised cost RM'000	At fair value through other comprehensive income RM'000	Total RM'000
2018				
Financial assets:				
Other investment	20	-	165	165
Other receivables	22	584	-	584
Amounts due from subsidiaries	25	558,321	-	558,321
Cash and bank balances	26	24,635	-	24,635
Total financial assets		583,540	165	583,705
Financial liabilities:				
Other payables (other than provision)	*	24,912	-	24,912
Amounts due to subsidiaries	25	10,192	-	10,192
Borrowings	27	222,765	-	222,765
Total financial liabilities		257,869	-	257,869
Company				
2017				
Financial assets:				
Other investment	20	10,047	165	10,212
Other receivables	22	4,260	-	4,260
Amount due from subsidiaries	25	550,299	-	550,299
Cash and bank balances	26	29,111	-	29,111
Total financial assets		593,717	165	593,882
Financial liabilities:				
Other payables (other than provision)	*	15,172	-	15,172
Amount due to subsidiaries	25	155,721	-	155,721
Borrowings	27	148,335	-	148,335
Total financial liabilities		319,228	-	319,228

* These balances exclude non-financial instruments balances which are not within the scope of MFRS 9: *Financial Instruments.*

39. 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 2018				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	113,900	113,900
Assets and liabilities measured at fair value				
Other investments - assets	-	7,843	-	7,843
Interest rate swap - liabilities	-	(15)	-	(15)
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800
Assets measured at fair value				
Other investment	-	165	-	165
31 December 2017				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	113,900	113,900
Assets and liabilities measured at fair value				
Other investment - assets	10,047	310	-	10,357
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				
Other investment	10,047	165	-	10,212

During the year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

39. 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:

<u>Short term investment</u>

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:

<u>Derivatives</u>

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.

<u>Other investments</u>

Other investments are measured at the acquisition price agreed at arm's length which represents fair values due to either the acquisition date was close to reporting date or it reflects the faire value of the rights to access.

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:

<u>Investment properties</u>

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.

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

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)	21
Other receivables (current)	22
Trade and other payables (current)	28 & 29
Borrowings (current & non-current)	27

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Board Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM1,026,164,000 (2017: RM718,637,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2018		2017	
	RM'000	**% of total**	**RM'000**	**% of total**
Group				
Property	106,965	97%	129,401	98%
Education	2,971	3%	2,922	2%
	109,936	100%	132,323	100%

The Group and the Company do not have any major concentration of credit risk related to any major customer.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several banks.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
2018				
Group				
Financial liabilities:				
Trade and other payables	283,831	-	-	283,831
Borrowings	499,424	445,577	106,448	1,051,449
Total undiscounted financial liabilities	783,255	445,577	106,448	1,335,280
2018				
Company				
Financial liabilities:				
Other payables	25,155	-	-	25,155
Due to subsidiaries	10,192	-	-	10,192
Borrowings	115,766	142,711	-	258,477
Total undiscounted financial liabilities	151,113	142,711	-	293,824
2017				
Group				
Financial liabilities:				
Trade and other payables	283,634	-	-	283,634
Borrowings	199,892	664,946	125,811	990,649
Total undiscounted financial liabilities	483,526	664,946	125,811	1,274,283
2017				
Company				
Financial liabilities:				
Other payables	15,375	-	-	15,375
Due to subsidiaries	155,721	-	-	155,721
Borrowings	17,501	145,621	21,881	185,003
Total undiscounted financial liabilities	188,597	145,621	21,881	356,099

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their floating rate borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group 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 RM4,941,000 (2017: RM4,209,000) 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.

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in accordance to changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using debt to equity ratio, which is total debts divided by total equity.

		Group	
	Note	**2018**	**2017**
Total debts (RM'000)	27	900,661	823,832
Total equity (RM'000)		1,346,285	1,316,891
Debts to equity ratio		67%	63%

42. 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.

42. SEGMENTAL INFORMATION (CONT'D.)

	Property		Education		Investment and others		Adjustments and eliminations		Note	Per consolidated financial statements	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)		2018 RM'000	2017 RM'000 (Restated)
Revenue:											
External customers	631,586	516,521	276,084	246,447	-	28	-	-		907,670	762,996
Inter-segment sales	315,989	227,008	-	5,924	128,719	271,329	(444,708)	(504,261)	A	-	-
Total revenue	947,575	743,529	276,084	252,371	128,719	271,357	(444,708)	(504,261)		907,670	762,996
Results:											
Interest income	6,309	5,648	4,592	4,724	39,621	29,020	(46,851)	(35,522)	A	3,671	3,870
Interest expense	3,854	6,367	9,205	8,163	25,167	15,176	(16,301)	(10,849)	A	21,925	18,857
Depreciation and amortisation	4,678	4,130	18,394	22,808	467	520	3,468	-		27,007	27,458
Share of results of associates and joint venture	-	-	-	-	(182)	(119)	-	-		(182)	(119)
Segment profit	125,613	85,208	39,195	95,222	76,206	252,189	(89,743)	(250,006)	B	151,271	182,613
Assets:											
Investment in associates and joint venture	-	-	-	-	12,020	9,907	-	-		12,020	9,907
Additions to non-current assets	125,273	137,686	51,712	35,541	81	171	-	-	C	177,066	173,398
Segment assets	1,982,995	1,891,061	1,179,856	1,111,835	932,836	502,466	(1,420,057)	(962,398)	D	2,675,630	2,542,964
Segment liabilities	1,330,894	1,250,910	467,087	427,816	722,170	342,578	(1,190,806)	(795,231)	E	1,329,345	1,226,073

42. 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:

	2018 RM'000	2017 RM'000
Inter-segment dividends	(71,654)	(229,581)
Inter-segment interests	(30,550)	(24,673)
Other inter-segment transactions	12,461	4,248
	(89,743)	(250,006)

C Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000 (Restated)
Property, plant and equipment	62,044	51,088
Inventories	112,090	93,413
Investment properties	2,932	28,897
	177,066	173,398

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

	2018 RM'000	2017 RM'000 (Restated)
Investment in associates	(1,973)	(1,115)
Inter-segment assets	(1,290,879)	(831,912)
Unrealised gains from inter-segment transactions	(127,205)	(129,371)
	(1,420,057)	(962,398)

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 2018 and 2017, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events during the financial year

(a) On 12 January 2018, the Group entered into a Sale and Purchase Agreement (SPA) with Makmur Asiamaju Sdn Bhd for the proposed acquisition of a piece of freehold residential land measuring approximately 41.406 acres in total area held under title H.S.(D) 36154 PT 50495 situated in Mukim Dengkil, Daerah Sepang, Negeri Selangor at a total cash consideration of RM149,702,565. On 26 March 2019, subsequent to the reporting date, the Group has completed the acquisition.

(b) KDU University College (PG) Sdn Bhd (KDUPG) and KDU University College Sdn Bhd (KDUUC), being wholly-owned subsidiary companies, had, on 25 October 2018 entered into the following conditional sale and purchase agreements (SPA's) with Dynamic Gates Sdn Bhd (DGSB or Purchaser):

(i) The sale and purchase between KDUPG as the vendor and DGSB as the purchaser in relation to the KDU Penang University College Campus premises located in Bandar George Town, Daerah Timor Laut, Pulau Pinang (Jalan Anson Campus Properties) for a total disposal consideration of RM50,000,000 to be satisfied via the combination of RM35,000,000 in cash and issuance of 15,000,000 new cumulative redeemable non-convertible preference shares (CRNCPS) in DGSB at an issue price of RM1.00 per CRNCPS;

(ii) The sale and purchase between KDUPG as the vendor and DGSB as the purchaser in relation to the KDU Penang University College Campus premises held under title bearing particulars H.S.(D) 47091, PT No. 5828, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang (Batu Kawan Campus Properties) for a total disposal consideration of RM120,000,000 to be satisfied via the combination of RM84,000,000 in cash and issuance of 36,000,000 new CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS; and

(iii) The sale and purchase between KDUUC as the vendor and DGSB as the purchaser in relation to the Utropolis Glenmarie Campus Premises held under title bearing particulars Geran No. 312848, Lot No. 91902 Mukim Damansara, Daerah Petaling, Selangor (Utropolis Glenmarie Campus Properties) for a total disposal consideration of RM250,000,000 to be satisfied via the combination of RM175,000,000 in cash and issuance of 75,000,000 new CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS.

(The Jalan Anson Campus Properties, Batu Kawan Campus Properties and Utropolis Glenmarie Campus Properties are hereinafter collectively referred to as the "Subject Campus Properties").

In addition to the above, Janahasil Sdn Bhd ("Janahasil"), a wholly-owned subsidiary company, has entered into a master lease agreement with DGSB on 6 December 2018 which will take effect upon the completion of the SPAs to lease the Jalan Anson Campus Properties, the Batu Kawan Campus Properties and the Utropolis Glenmarie Campus Properties from DGSB. Thereafter, Janahasil will onward sublease the Jalan Anson Campus Properties and Batu Kawan Campus Properties to KDUPG and the Utropolis Glemarie Campus Properties to KDUUC.

DGSB was incorporated as the special purpose vehicle for the purpose of the securitisation exercise undertaken by the Group. The Proposed Transaction is to streamline the assets owned by the Group to achieve a more efficient capital structure.

The purchase of the Subject Campus Properties by DGSB will be financed via proceeds raised by DGSB through the issuance of asset-backed securities, namely medium-term notes of up to RM300,000,000.

As at reporting date, the transaction has yet to be completed pending fulfillment of certain conditions precedent.

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (CONT'D.)

(c) On 8 November 2018, the Company proposed to undertake the following proposals:

(i) a bonus issue of 171,308,768 new ordinary shares in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company ("Paramount Shares") held on an entitlement date to be determined and announced later ("Entitlement Date"); and

(ii) an issue of 171,308,768 free warrants in the Company ("Warrants") on the basis of two (2) Warrants for every five (5) existing Paramount Shares held on the Entitlement Date.

As at reporting date, the proposed issuance of bonus shares with free warrant has yet to complete.

Subsequent events after the financial year

(a) On 21 February 2019, the Company incorporated Paramount FoodPrint Sdn. Bhd. with share capital of RM100, represented by 100 ordinary shares.

(b) On 5 March 2019, the Company acquired Paramount Property (Seaview) Sdn. Bhd. (formerly known as Success Pridecity Sdn. Bhd.) with a share capital of RM1 represented by 1 ordinary share.

(c) On 13 March 2019, the Company made its fifth award of up to 5,399,900 L TIP shares, comprising:

(i) 2,091,500 RS under the 2019 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2020; and

(ii) up to 3,308,400 PS under the 2018 PS Grant to be vested on 13 March 2022.

(d) On 25 February and 26 March 2019, Paramount Capital Resources Sdn. Bhd. made the first and second issuances of RM121,168,000 and RM6,332,000 in nominal value of Sukuk Murabahah respectively, with a ten (10) years tenure under the Sukuk Murabahah Programme of up to RM800 million.

44. CHANGES IN COMPARATIVES

MFRS 15: Revenue from contracts with customers

The key effects as a results of adopting this standard on the property development activities of the Group are as follows:

(i) in respect of sales of properties that do not come under the purview of FRSIC Consensus 23 Application of MFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties issued by the Malaysian Institute of Accountants, the Group has to assess if the property has an alternative use to the Group and whether the sales and purchase arrangement provides the Group with an enforceable right to payment for work completed to date, in determining whether or not the sale of property units should be recognised at a point in time (completion method) or over time (percentage of completion method);

(ii) it requires the expenses attributable to securing contracts with customers such as commission expense, be capitalised and expensed by reference to the progress towards satisfaction of the performance obligation; and

44. CHANGES IN COMPARATIVES (CONT'D.)

MFRS 15: Revenue from contracts with customers (cont'd.)

The key effects as a results of adopting this standard on the property development activities of the Group are as follows: (cont'd.)

(iii) it views payments on behalf of customers such as legal fees and stamp duty, as consideration payable to customers and is presented as a reduction of the transaction price which would then be accounted for in the profit or loss over the tenure of the respective property development project instead of being accounted for as a direct charge to the profit or loss when the obligation arises.

The following comparatives of the Group for the financial year ended 31 December 2017 have been adjusted as a result of MFRS Framework and certain reclassifications to conform to current year's presentation.

Statements of financial position
As at 31 December 2017

Group	As previously reported RM'000	Adoption of MFRS 15 RM'000	Reclassification RM'000	As Restated RM'000
Non-current asset				
Deferred tax asset	31,670	(1,790)	20,135	50,015
Land held for property development	800,238	(800,238)	-	-
Inventories - land held for property development	-	798,984	-	798,984
Current asset				
Property development costs	182,109	(182,109)	-	-
Inventories - property development costs	-	184,909	-	184,909
Inventories	26,374	(26,374)	-	-
Inventories - completed properties and other inventories	-	26,411	-	26,411
Contract assets	-	131,617	-	131,617
Other current assets	140,310	(126,681)	-	13,629
Current liabilities				
Other payables	201,999	(587)	-	201,412
Contract liabilities	-	65,131	-	65,131
Other current liabilities	65,131	(65,131)	-	-
Non-current liabilities				
Deferred tax liabilities	28,283	-	20,135	48,418
Equity				
Reserves	731,578	5,316	-	736,894

44. CHANGES IN COMPARATIVES (CONT'D.)

Statements of financial position
As at 1 January 2017

Group	As previously reported RM'000	Adoption of MFRS 15 RM'000	Reclassification RM'000	As Restated RM'000
Non-current asset				
Deferred tax asset	22,611	(1,614)	5,159	26,156
Land held for property development	870,967	(870,967)	-	-
Inventories - land held for property development	-	870,967	-	870,967
Current asset				
Property development costs	76,957	(76,957)	-	-
Inventories - property development costs	-	80,747	-	80,747
Inventories	28,789	(28,789)	-	-
Inventories - completed properties and other inventories	-	28,848	-	28,848
Contract assets	-	138,229	-	138,229
Other current assets	143,269	(136,929)	-	6,340
Current liabilities				
Other payables	103,536	(1,060)	-	102,476
Contract liabilities	-	56,149	-	56,149
Other current liabilities	56,631	(56,631)	-	-
Non-current liabilities				
Deferred tax liabilities	4,903	-	5,159	10,062
Equity				
Reserves	723,169	5,077	-	728,246

Income statement
For the financial year ended 31 December 2017

Group	As previously reported RM'000	Adoption of MFRS 15 RM'000	Reclassification RM'000	As Restated RM'000
Revenue	758,325	(6,779)	11,450	762,996
Other income	110,388	-	(11,450)	98,938
Property development costs	(339,367)	(4,988)	-	(344,355)
Other expenses	(123,111)	12,211	-	(110,900)
Taxation	(31,890)	(205)	-	(32,095)

OTHER INFORMATION

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Proxy Form

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ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

Issued share capital of the Company: 433,344,720 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	129	2.75	4,192	0.00
100 - 1,000	361	7.70	230,461	0.05
1,001 - 10,000	2,493	53.18	12,319,804	2.84
10,001 - 100,000	1,402	29.91	41,868,804	9.66
100,001 - 21,667,235*	301	6.42	251 ,504,959	58.04
21,667,236 and above**	2	0.04	127,416,500	29.40
Total	4,688	100.00	433,344,720	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	20.810
2.	Southern Palm Industries Sdn Bhd	37,236,500	8.592
3.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Paramount Equities Sdn Bhd (CBM-Team 2)	20,000,000	4.615
4.	Southern Acids (M) Berhad	19,316,500	4.457
5.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS-PB)	13,452,500	3.104
6.	Bunga Indah (M) Sdn Bhd	11,583,000	2.672
7.	Southern Realty (Malaya) Sdn Bhd	10,496,500	2.422
8.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	6,748,600	1.557
9.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Kenanga)	6,663,300	1.537
10.	Eliyezer Resources Sdn Bhd	6,244,000	1.440
11.	Teo Chiang Quan	5,337,500	1.231
12.	Amanahraya Trustees Berhad Public Optimal Growth Fund	5,000,000	1.153

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D.)

	Name of Shareholder	No. of Shares Held	%
13.	Amanahraya Trustees Berhad Public Smallcap Fund	4,861,000	1.121
14.	Amanahraya Trustees Berhad PB Smallcap Growth Fund	4,442,200	1.025
15.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LPF)	4,007,200	0.924
16.	Ong Keng Siew	3,987,700	0.920
17.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LGF)	3,867,000	0.892
18.	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund	3,573,900	0.824
19.	Kenanga Nominees (Asing) Sdn Bhd RHB Securities Singapore Pte. Ltd. For Teo Pek Swan (6Q-31037)	3,565,000	0.822
20.	Chew Sun Teong	3,378,600	0.779
21.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	3,184,000	0.734
22.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	2,958,300	0.682
23.	Eunice Teo Wan Tien	2,410,500	0.556
24.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LBF)	1,959,700	0.452
25.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment-HW Shariah Flexi Fund	1,849,700	0.426
26.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Public Industry Growth Fund (N14011930270)	1,769,000	0.408
27	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,734,425	0.400
28.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Teh Wao Kheng (PB)	1,712,000	0.395
29.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (DR)	1,572,300	0.362
30.	Mikdavid Sdn Bhd	1,516,500	0.349

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Paramount Equities Sdn Bhd	110,180,000	25.43	-	-
Dato' Teo Chiang Quan	5,610,500	1.29	113,457,700 (1)	26.18
Southern Palm Industries Sdn Bhd	37,236,500	8.59	19,316,500 (2)	4.46
Southern Edible Oil Industries (M) Sdn Bhd	1,165,500	0.27	56,553,000 (3)	13.05
Southern Realty (Malaya) Sdn Bhd	10,496,500	2.42	57,718,500 (4)	13.32
Banting Hock Hin Estate Co Sdn Bhd	644,000	0.15	68,215,000 (5)	15.74

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Dato' Teo Chiang Quan	5,610,500	1.29	113,457,700 (1)	26.18
Ong Keng Siew	3,987,700	0.92	-	-
Jeffrey Chew Sun Teong	3,378,600	0.78	-	-
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

SCHEDULE OF PROPERTIES HELD BY THE GROUP

	Location of Property	Date of Acquisition	Description & Existing Use	Age of Building	Tenure	Land Aerea (Sq.Ft)	NBV (RM'000) As At 31.12.2018
1	Lt PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	KDU University College Campus	4 years	Freehold	435,626	**200,072**
2	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	6,141,960	**186,581**
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	892,980	**138,982**
4	Lot 21590 & Lot PT 5828 Mukim 13, Seberang Prai Selatan Penang	5.12.2014	KDU Penang, University College campus - under construction	-	Freehold	672,657	**106,153**
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	**89,900**
6	Lot PT 510 Pekan Hicom District of Petaling Selangor Darul Ehsan	7.06.2012	Land approved for industrial and commercial development - Sekitar26	-	Freehold	505,296	**76,889**
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	10,802,880	**69,635**
8	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	888,624	**65,023**
9	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, 27.07.2016	Agriculture lands (Held for future development)	-	Freehold	3,014,352	**63,752**
10	Lot 94 Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan held under Title No. PN17345	2.20.2008	Land approved for commercial and residential use (Held for future development)	-	99 years lease expiring 04-6-2063	74,052	**48,560**

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-NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting of the Company will be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 29 May 2019 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1.	To lay before the meeting the Audited Financial Statements for the year ended 31 December 2018 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 2018.	**Resolution 1**
3.	To approve the payment of Directors' fees and meeting allowances totalling RM851,006.85 for the year ended 31 December 2018.	**Resolution 2**
4.	To approve the payment of Directors' fees and meeting allowances not exceeding an aggregate amount of RM1,000,000.00 for the financial year ending 31 December 2019.	**Resolution 3 (Please See Explanatory Note B)**
5.	To re-elect Dato' Teo Chiang Quan who retires pursuant to Clause 85 of the Company's Constitution.	**Resolution 4**
6.	To re-elect Puan Fatimah Binti Merican who retires pursuant to Clause 86 of the Company's Constitution.	**Resolution 5**
7.	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:

8. **Authority for Dato' Rohana Tan Sri Mahmood to continue in office as an Independent Non-Executive Director** — **Resolution 7**

   "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 (9) 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 C)

9. **Authority for Datuk Seri Michael Yam Kong Choy to continue in office as an Independent Non-Executive Director** — **Resolution 8**

   "That authority be and is hereby given to Datuk Seri Michael Yam Kong Choy who has served as an Independent Non-Executive Director of the Company for a term of more than nine (9) 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 C)

10. **Authority to Directors to allot and issue shares** **Resolution 9**

"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 D)

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 2018, will be paid on 4 July 2019 to shareholders whose names appear in the Record of Depositors on 20 June 2019.

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 2019 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 2019

NOTES

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Ninth Annual General Meeting (**AGM**).

Appointment of Proxy

1. A member entitled to attend, participate, speak and vote at the above meeting is entitled to appoint more than one (1) proxy to attend, speak and vote on his/her/its stead 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), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee (as defined under the Securities Industry (Central Depositories) Act, 1991) which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 that it holds.

4. The instrument appointing a proxy (**Proxy Form**) must be in writing under the hand of the member or his/her attorney duly authorised in writing, or if the member is a corporation, must be executed under its common seal or under the hand of two (2) authorised officers, one (1) of whom shall be its director or its attorney duly authorised in writing, or if the corporation has only one (1) director, by that sole director in the presence of a witness who attests the director's signature in accordance with the provisions of Section 66 of the Companies Act, 2016. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below.

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 above meeting or any adjournment thereof.

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

a) The total amount of RM851,006.85 recommended in Resolution 2 represents the actual total amount of Directors' fees and meeting allowances payable to the Directors for their services rendered in the financial year ended 31 December 2018; and

b) The aggregate amount not exceeding RM1,000,000.00 proposed in Resolution 3 represents an estimated provision for Directors' fees and meeting allowances payable in respect of the financial year ending 31 December 2019 to the Company's Directors, including new Directors as may be appointed by the Board from time to time during the 2019 financial year.

Explanatory Note C

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 Datuk Seri Michael Yam Kong Choy, who have served as INEDs for more than nine (9) years, and had recommended that both Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy be allowed to remain as INEDs of the Company based on the justifications as set out in the Statement on Corporate Governance on page 89 in this annual report.

Explanatory Note D

The Ordinary Resolution proposed under item 10, 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-Eighth AGM held on 30 May 2018, which will lapse at the conclusion of the Forty-Ninth 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-Ninth Annual General Meeting of the Company to be held at Ballroom 2, Level 3D, Sheraton Petaling Jaya Hotel, Jalan Utara C, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 29 May 2019 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 5) 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 for the year ended 31 December 2018		
Resolution 3	Directors' fees and meeting allowances for the year ending 31 December 2019		
Resolution 4	Re-election of Dato' Teo Chiang Quan as a Director		
Resolution 5	Re-election of Puan Fatimah Binti Merican as a 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	Datuk Seri Michael Yam Kong Choy to continue in office as an Independent Non-Executive Director		
Resolution 9	Authority to Directors to allot and issue shares		

Dated this ________ day ____________________ 2019

CDS ACCOUNT NO.	NO. OF SHARES HELD

____

Signature/Common Seal

NOTES

1. A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint more than one (1) proxy to attend, speak and vote on his/her/its stead 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), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee (as defined under the Securities Industry (Central Depositories) Act, 1991) which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 that it holds.

4. The instrument appointing a proxy (**Proxy Form**) must be in writing under the hand of the member or his/her attorney duty authorised in writting, or if the member is a corporation, must be executed under its common seal or under the hand of two (2) authorised officers, one (1) of whom shall be its director or its attorney duly authorised in writing, or if the corporation has only one (1) director, by that sole director in the presence of a witness who attests the director's signature in accordance with the provisions of Section 66 of the Companies Act, 2016. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below.

5. 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.

6. 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 above meeting or any adjournment thereof.

7. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.

1. Fold along this line first

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

2. Then fold along this line

www.pcb.my

PARAMOUNT CORPORATION BERHAD (8578-A)

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