THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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

PARAMOUNT

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED TRANSACTION

PART B

(I) PROPOSED ISSUE OF BONUS SHARES; AND

(II) PROPOSED ISSUE OF FREE WARRANTS

PART C

PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part B

RHB InvestmentBank

RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The above proposals will be tabled at the Extraordinary General Meeting ("**EGM**") of Paramount. The Notice of the EGM together with the Proxy Form are enclosed herein.

Date and time of the EGM	:	Wednesday, 10 July 2019 at 10.30 a.m.
Venue of the EGM	:	Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.
Last date and time for lodging the Proxy Form	:	Tuesday, 9 July 2019 at 10.30 a.m.

If you are unable to attend, vote and speak at the EGM, you may appoint one or more proxies to attend, vote and speak on your behalf. If you wish to do so, you must deposit the Proxy Form enclosed in this Circular at the registered office of Paramount at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending, voting and speaking in person at the EGM should you subsequently wish to do so.

This Circular is dated 17 June 2019

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016, as amended, substituted or re-enacted from time to time and any re-enactment thereof
Batu Kawan Campus Properties	:	The KDU Penang University College Campus premises and the land held under title bearing particulars H.S.(D) 47091, PT No. 5828, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang
Batu Kawan Campus Properties SPA	:	The sale and purchase agreement dated 25 October 2018 between KDUPG as the vendor and DGSB as the purchaser in relation to the Batu Kawan Campus Properties for a 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
Batu Kawan Campus Properties Supplemental SPA	:	Supplemental sale and purchase agreement dated 6 December 2018 between KDUPG and DGSB to amend and vary certain terms and conditions of the Batu Kawan Campus Properties SPA
Batu Kawan Campus Properties Supplemental SPA 2	:	Second supplemental sale and purchase agreement dated 13 June 2019 between KDUPG and DGSB to amend and vary certain terms and conditions of the Batu Kawan Campus Properties SPA (read together with Batu Kawan Campus Properties Supplemental SPA)
Board	:	The Board of Directors of Paramount
Bonus Shares	:	Up to 180,045,328 new Paramount Shares to be issued pursuant to the Proposed Issue of Bonus Shares
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
By-Laws	:	The by-laws governing the LTIP
Call and Put Option Agreements	:	The Call Option Agreement and Put Option Agreement, collectively
Call Option Agreement	:	The call option agreement dated 6 December 2018 between, inter alia, Paramount and DGSB whereby DGSB had granted a call option in favour of Paramount where Paramount can require DGSB to sell to Paramount the Subject Campus Properties at the then prevailing market value of the Subject Campus Properties
Circular	:	This circular dated 17 June 2019
CMSA	:	Capital Markets and Services Act 2007, as amended, substituted or re-enacted from time to time and any re-enactment thereof
Companies	:	KDUUC, KDUPG and KDUPJ, collectively
CRNCPS	:	Cumulative redeemable non-convertible preference shares
CRNCPS Subscription Agreement	:	The subscription agreement dated 6 December 2018 between Paramount and DGSB in relation to the subscription by Paramount for up to 450,000,000 CRNCPS in DGSB from time to time at an issue price of RM1.00 per CRNCPS for a total cash consideration of up to RM450,000,000

CRNCPS Subscription Agreement (SPA Purchase Consideration)	:	The subscription agreement dated 6 December 2018 between Paramount and DGSB for the 126,000,000 CRNCPS at an issue price of RM1.00 per CRNCPS to be issued by DGSB to Paramount as part settlement of the Disposal Consideration of the Subject Campus Properties in relation to the SPAs
Deed Poll	:	Deed poll constituting the Warrants to be executed by the Company
DGSB or Purchaser or Lessor	:	Dynamic Gates Sdn Bhd (Company No. 1294251-P), being the purchaser in relation to the SPAs and the lessor in relation to the Master Lease Agreement
Director(s)	:	The director(s) of Paramount and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
Disposal Consideration	:	Total disposal consideration of RM420,000,000 for the Proposed Transaction
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting
Entitled Shareholder(s)	:	A shareholder of Paramount, who is registered as a member and whose name appears in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	:	The date on which shareholders of Paramount must be registered as members as at the close of business at 5.00 p.m., and whose names appear in the Record of Depositors of the Company in order to participate in the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants
EPS	:	Earnings per Share
FPE	:	Financial period ended
FYE	:	Financial year ended/ending
Jalan Anson Campus Properties	:	The KDU Penang University College Campus premises and the land held under titles bearing particulars: (i) Geran No. 103353, Lot No. 1232 Seksyen 13; (ii) Geran No. 103354, Lot No. 1234 Seksyen 13; and (iii) Geran No. 103100, Lot No. 1249 (formerly known as Lot No. 1233) Seksyen 13; all located in Bandar George Town, Daerah Timor Laut, Pulau Pinang.
Jalan Anson Campus Properties SPA	:	The sale and purchase agreement dated 25 October 2018 between KDUPG as the vendor and DGSB as the purchaser in relation to the 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 CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS
Janahasil or the Lessee	:	Janahasil Sdn Bhd (Company No. 315258-U), which is a wholly-owned subsidiary company of Paramount and the lessee in relation to the Master Lease Agreement
KDUPG	:	KDU University College (PG) Sdn Bhd (Company No. 879357-X)

KDUPG Shares	:	9,750,000 ordinary shares in KDUPG representing 65% of the issued ordinary share capital of KDUPG
KDUPJ	:	KDU College (PJ) Sdn Bhd (Company No. 879955-T)
KDUPJ Shares	:	3,500,000 ordinary shares in KDUPJ representing 70% of the issued ordinary share capital of KDUPJ
KDUUC	:	KDU University College Sdn Bhd (Company No. 76997-T)
KDUUC Shares	:	9,750,000 ordinary shares in KDUUC representing 65% of the issued ordinary share capital of KDUUC
LAT	:	Loss after tax
LBITDA	:	Loss before interest, tax, depreciation and amortisation
LBT	:	Loss before tax
Lease Rental Payments	:	The lease rental payments for the Subject Campus Properties as set out in Section 4 of Appendix VI of this Circular
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	21 May 2019, being the latest practicable date prior to the printing and despatch of this Circular
LTIP	:	The Company's existing long term incentive plan
LTIP Grantee	:	Grantee of the LTIP Shares
LTIP Shares	:	Paramount Shares granted under the Company's existing LTIP
Market Day(s)	:	Any day(s) between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
Master Lease Agreement	:	A master lease agreement dated 6 December 2018 entered into between Janahasil as lessee and DGSB as lessor for the leasing of the Subject Campus Properties by Janahasil from DGSB which will take effect upon the completion of the SPAs
MFRS 15	:	Malaysian Financial Reporting Standard 15: Revenue from Contracts with Customers issued by the Malaysian Accounting Standards Board
MOE	:	Ministry of Education (previously, Ministry of Higher Education) of Malaysia
MTN(s)	:	Medium-term notes to be issued by DGSB in connection with the Securitisation Exercise
NA	:	Net assets
NCRCPS	:	Non-cumulative redeemable convertible preference shares
Official List of Bursa Securities	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Outstanding LTIP Shares	:	16,768,600 LTIP Shares as at the LPD
Paramount or Company	:	Paramount Corporation Berhad (Company No. 8578-A)

Paramount Group or the Group	:	Paramount and its subsidiary companies, collectively
Paramount Shares or Shares	:	Ordinary shares in Paramount
PAT	:	Profit after tax
PBT	:	Profit before tax
PDS	:	Private debt securities
Previous Companies Act	:	The previously enacted Companies Act 1965 that has been repealed and replaced by the Act
Proposed Disposal	:	Proposed disposal of the Company's controlling equity interests in KDUUC, KDUPG and KDUPJ to UOWM for a total sale consideration of RM38,500,000 through the disposal of: (i) the KDUUC Shares for a cash consideration of RM16,000,000; (ii) the KDUPG Shares for a cash consideration of RM22,000,000; and (iii) the KDUPJ Shares for a cash consideration of RM500,000 based on the terms and conditions set out in the SPA-UOWM
Proposed Issue of Bonus Shares	:	Proposed bonus issue of up to 180,045,328 new Paramount Shares on the basis of two (2) Bonus Shares for every five (5) existing Paramount Shares held on the Entitlement Date
Proposed Issue of Free Warrants	:	Proposed issue of up to 180,045,328 Warrants in Paramount on the basis of two (2) Warrants for every five (5) existing Paramount Shares held on the Entitlement Date
Proposed Section 14 Development	:	Proposed development of two (2) contiguous parcels of leasehold commercial land measuring approximately 9.662 acres in total area situated in Section 14, Bandar Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan into four (4) blocks of high-rise residential buildings pursuant to a Development Rights Agreement entered into between Aneka Sepakat Sdn Bhd, a wholly-owned subsidiary of the Company, and Kumpulan Hartanah Selangor Berhad on 22 December 2017
Proposed Transaction	:	Proposed sale by wholly-owned subsidiary companies of Paramount: (I) KDUPG to DGSB of: (A) The 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 CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS and the subsequent leaseback by KDUPG of the entire campus properties; and (B) The 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 the subsequent leaseback by KDUPG of the entire campus properties; and

		(II) KDUUC to DGSB of the 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 and the subsequent leaseback by KDUUC of the entire campus properties.
Put Option Agreement	:	The put option agreement dated 6 December 2018 between, inter alia, Paramount and DGSB whereby Paramount had granted a put option in favour of DGSB where DGSB can require Paramount to purchase from DGSB the Subject Campus Properties at the then prevailing market value of the Subject Campus Properties
Rahim & Co	:	Rahim & Co. International Sdn Bhd (Company No. 1126597-X)
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
RHB Investment Bank or Principal Adviser	:	RHB Investment Bank Berhad (Company No. 19663-P), being the Principal Adviser for Part B of this Circular
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	The KDUUC Shares, KDUPG Shares and KDUPJ Shares, collectively
SC	:	Securities Commission Malaysia
Securitisation Exercise	:	The Proposed Transaction to be undertaken by way of a securitisation exercise whereby DGSB will act as the purchaser for the Subject Campus Properties
SPAs	:	The Jalan Anson Campus Properties SPA, Batu Kawan Campus Properties SPA and Utropolis Glenmarie Campus Properties SPA
SPA-UOWM	:	Share Purchase Agreement dated 19 November 2018 between Paramount and UOWM for the Proposed Disposal
Sq. m.	:	Square meters
Subject Campus Properties	:	Jalan Anson Campus Properties, Batu Kawan Campus Properties and Utropolis Glenmarie Campus Properties, collectively
Supplemental Letter	:	Supplemental letter to the SPA-UOWM dated 12 June 2019 signed by Paramount and UOWM to include the Put Option (as defined therein) in the SPA-UOWM whereby Paramount shall have the right to require UOWM to buy the Put Option Shares (as defined therein) on the eighth anniversary of the completion date of the SPA-UOWM
Supplemental SPAs	:	The Batu Kawan Campus Properties Supplemental SPA, Batu Kawan Campus Properties Supplemental SPA 2 and Utropolis Glenmarie Campus Properties Supplemental SPA, collectively
UOW	:	University of Wollongong, a public research and teaching university from New South Wales, Australia
UOWGE	:	UOW Global Enterprise Ltd (Company No. XLZ00232685), a wholly-owned investment arm of UOW
UOWM	:	UOWM Sdn Bhd (Company No. 1303649-W)

Utropolis Glenmarie Campus Properties	:	The Utropolis Glenmarie Campus premises and the land held under title bearing particulars Geran No. 312848, Lot No. 91902 Mukim Damansara, Daerah Petaling, Selangor
Utropolis Glenmarie Campus Properties SPA	:	The sale and purchase agreement dated 25 October 2018 between KDUUC as the vendor and DGSB as the purchaser in relation to the 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
Utropolis Glenmarie Campus Properties Supplemental SPA	:	Supplemental sale and purchase agreement dated 6 December 2018 between KDUUC and DGSB to amend and vary certain terms and conditions of the Utropolis Glenmarie Campus Properties SPA
VWAP	:	Volume weighted average price
Warrants	:	Up to 180,045,328 free warrants to be issued pursuant to the Proposed Issue of Free Warrants

All references to "we", "us", "our" and "our Company" are to our Company, or where the context otherwise requires, our Company and our subsidiaries. Our "Group" collectively refers to our Company and our subsidiaries.

All references to "you" in this Circular are to our shareholders who are entitled to attend and vote at our forthcoming EGM.

Words importing the singular only shall include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted. All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

Certain figures included in this Circular have been subject to rounding adjustments.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that Paramount's plans and objectives will be achieved.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED TRANSACTION

PARAMOUNT

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)
(Incorporated in Malaysia)

Registered Office:

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

17 June 2019

Board of Directors:

Dato' Teo Chiang Quan	*(Chairman/Executive Director)*
Jeffrey Chew Sun Teong	*(Group Chief Executive Officer/Executive Director)*
Datuk Seri Michael Yam Kong Choy	*(Senior Independent Non-Executive Director)*
Dato' Rohana Tan Sri Mahmood	*(Independent Non-Executive Director)*
Ong Keng Siew	*(Independent Non-Executive Director)*
Quah Poh Keat	*(Independent Non-Executive Director)*
Fatimah binti Merican	*(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

PROPOSED TRANSACTION

1. INTRODUCTION

On 25 October 2018, the Board had announced that KDUPG and KDUUC, being wholly-owned subsidiary companies of Paramount, had, on 25 October 2018 entered into the following conditional sale and purchase agreements with DGSB:

(a) Jalan Anson Campus Properties SPA;

(b) Batu Kawan Campus Properties SPA; and

(c) Utropolis Glenmarie Campus Properties SPA.

In conjunction with the Proposed Transaction, the Board had on 6 December 2018, announced that the following agreements had been entered into by the parties thereto:

(i) Batu Kawan Campus Properties Supplemental SPA and Utropolis Glenmarie Campus Properties Supplemental SPA ;

(ii) Master Lease Agreement;

(iii) Call and Put Option Agreements;

(iv) CRNCPS Subscription Agreement (SPA Purchase Consideration); and

(v) CRNCPS Subscription Agreement.

On 13 June 2019, the Board announced that KDUPG and DGSB had entered into the Batu Kawan Campus Properties Supplemental SPA 2.

For shareholders' information, further to the Master Lease Agreement, Janahasil will onward sublease the Jalan Anson Campus Properties and Batu Kawan Campus Properties to KDUPG and the Utropolis Glenmarie Campus Properties to KDUUC. The terms of the aforementioned subleases have yet to be finalised as at this juncture but are expected to be finalised by the end of the third (3^{rd}) quarter of 2019 and prior to the completion of the SPA-UOWM referred to in Part C of this Circular. Paramount will make the necessary announcements to Bursa Securities on the terms of these subleases upon signing of the sublease agreements.

On 25 January 2019, the Board had announced that Bursa Securities had via its letter dated 24 January 2019, given its approval for an extension of time up to 7 March 2019 for Paramount to comply with Paragraph 9.33(1)(a) of the Listing Requirements in relation to the Proposed Transaction.

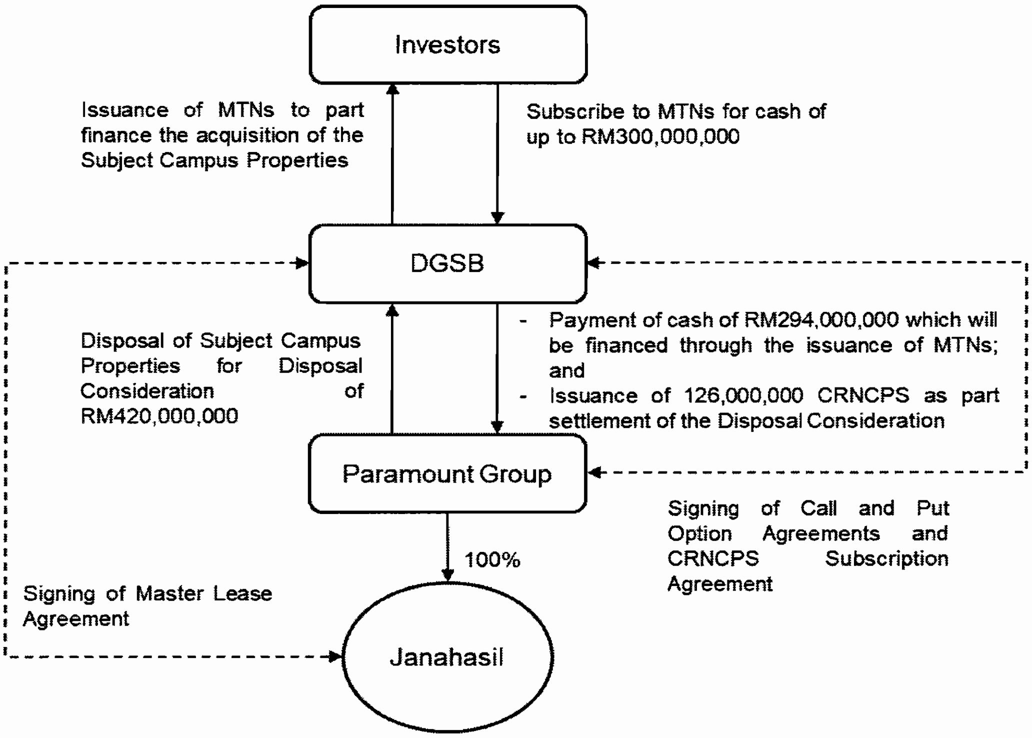
On 8 March 2019, the Board had announced that Bursa Securities had via its letter dated 8 March 2019, given its approval for a further extension of time up to 7 June 2019 for Paramount to comply with Paragraph 9.33(1)(a) of the Listing Requirements in relation to the Proposed Transaction.

The Proposed Transaction to be undertaken by way of the Securitisation Exercise is to streamline the assets owned by the Group to achieve a more efficient capital structure, the details of which are set out in Section 6 of Part A of this Circular. The Securitisation Exercise involves the incorporation of a special purpose vehicle, namely DGSB, to acquire the Subject Campus Properties from KDUUC and KDUPG which are wholly-owned subsidiaries of Paramount as at the LPD. The Disposal Consideration for the Subject Campus Properties will be satisfied by DGSB through the payment of cash amounting to RM294,000,000 and the issuance of 126,000,000 CRNCPS in DGSB.

DGSB will issue asset-backed securities, namely MTNs, of up to RM300,000,000 to potential investors to fund the abovementioned cash portion of the Disposal Consideration as the asset-backed securities has lower transaction costs as compared to obtaining conventional bank borrowings. In addition, the Securitisation Exercise is to also facilitate the Proposed Disposal as set out in Part C of this Circular given that UOWM intends to acquire Paramount's equity interests in KDUUC and KDUPG only, excluding the Subject Campus Properties. Please refer to Section 6 of Part A of this Circular for the rationale and justification for the Proposed Transaction. The Securitisation Exercise will be implemented under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC ("**LOLA Framework**") as the MTNs to be issued under the Securitisation Exercise is an unlisted capital market product. KDUUC and KDUPG would also need to observe the relevant guidelines under the LOLA Framework notwithstanding that the MTNs are to be issued by DGSB.

Further, DGSB has granted a call option in favour of Paramount pursuant to the Call Option Agreement, and Paramount has granted a put option in favour of DGSB pursuant to the Put Option Agreement for the purpose of acquiring the Subject Campus Properties at the then prevailing market value of the Subject Campus Properties.

The overview of the Proposed Transaction structure is illustrated below:



The Proposed Transaction is not a related-party transaction pursuant to Part E of Chapter 10 of the Listing Requirements. DGSB was incorporated as the special purpose vehicle for the purpose of undertaking the Securitisation Exercise and none of the Directors, major shareholders of Paramount or persons connected with them has any interest, direct or indirect, in the SPAs, Supplemental SPAs, CRNCPS Subscription Agreement (SPA Purchase Consideration), Master Lease Agreement, Call and Put Option Agreements and CRNCPS Subscription Agreement entered into in conjunction with the Proposed Transaction. Please refer to Section 11 of Part A of this Circular for further information.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED TRANSACTION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED TRANSACTION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED TRANSACTION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED TRANSACTION

2.1 Proposed sale

KDUPG and KDUUC have agreed to sell and DGSB has agreed to purchase the Subject Campus Properties free from all encumbrances, caveat or any third party claiming interest of any nature whatsoever and with vacant possession or legal possession but subject to the conditions of title (whether express or implied), if any, for the Disposal Consideration.

2.1.1 Descriptions of the Subject Campus Properties

i. Jalan Anson Campus Properties

The Jalan Anson Campus Properties is a purpose-built private college campus occupied by KDUPG, and it comprises the following buildings/ structures:

(a) A five (5)-storey building within Phase 1 referred to as Old Wing;

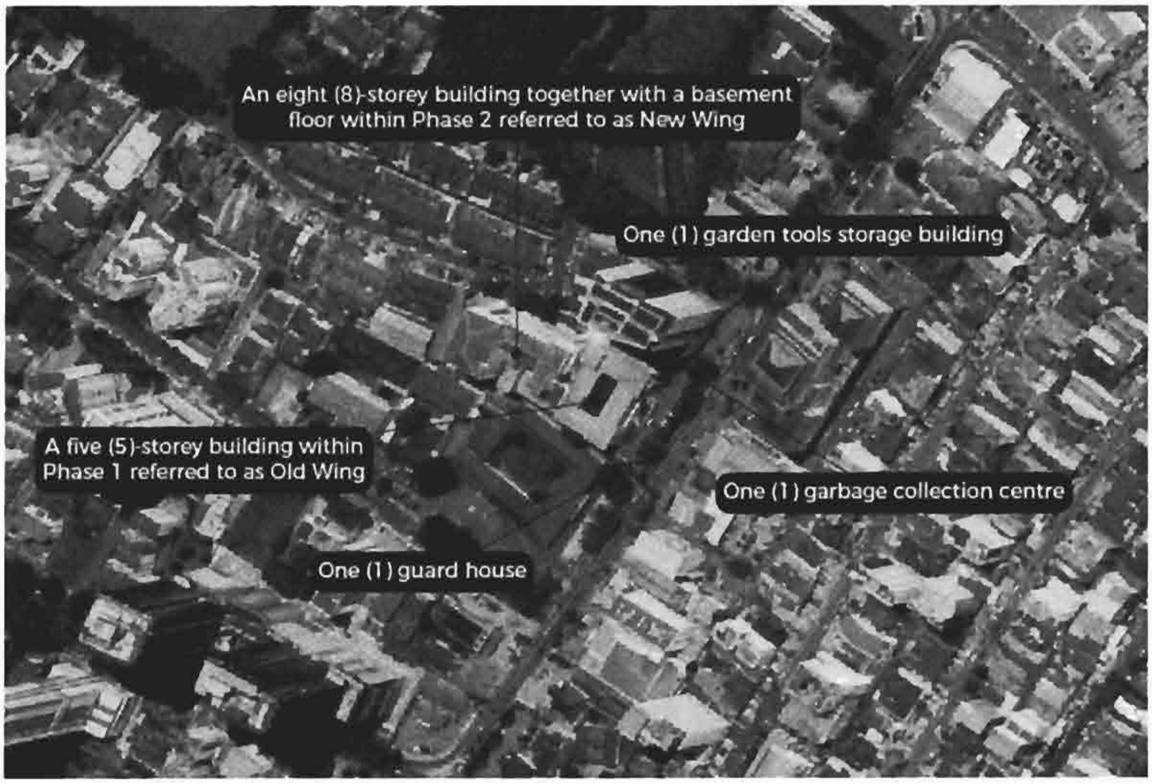
(b) An eight (8)-storey building together with a basement floor within Phase 2 referred to as New Wing;

(c) One (1) guard house;

(d) One (1) garbage collection centre; and

(e) One (1) garden tools storage building.

The map/eagle view of the area including all buildings/structures for the Jalan Anson Campus Properties is set out below:



Other salient information on the Jalan Anson Campus Properties are set out below:

Title	:	GRN 103353, GRN 103100 and GRN 103354, Lot Nos. 1232, 1249 (formerly known as Lot 1233) and 1234, all located within Seksyen 13, Bandar George Town, District of Timor Laut, State of Pulau Pinang
Postal address	:	KDU Penang University College, No. 32, Jalan Anson, Georgetown, 10400 Pulau Pinang

Tenure	:	Freehold
Category of land use	:	Nil *('Tiada')*
Express condition	:	(First Grade) The land comprised in this title: (a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the National Land Code or on the creation of a Land Administrator's right of way; and (b) subject to the implied condition that the land is liable to be re-entered if it is abandoned for more than three (3) years shall revert to the State only if the proprietor for the time being dies without heirs; and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)
Restriction-in-interest	:	Nil

Land area :

Lot No.	**sq.m.**
1232	1,518
1249 (formerly Lot 1233)	5,699
1234	774
Total	**7,991**

Existing use	:	The property is occupied by KDUPG as its tertiary education campus with the cafeteria being rented out to the cafeteria operator at a yearly rental of approximately RM60,000

Approximate age of buildings :

Building	**Age of building (years)**
A five (5)-storey building within Phase 1 referred to as Old Wing	21

		An eight (8)-storey building together with a basement floor within Phase 2 referred to as New Wing	16
Gross built-up area	:	**Building**	**sq. m.**
		A five (5)-storey building within Phase 1 referred to as Old Wing	11,625.60
		An eight (8)-storey building together with a basement floor within Phase 2 referred to as New Wing	17,097.42
		One (1) guard house	10.41
		One (1) garbage collection centre	10.22
		One (1) garden tools storage building	4.65
		Total	**28,748.30**
Net lettable space	:	28,723.02 sq. m.	
Percentage of occupancy	:	Fully occupied	
Market valuation	:	RM50,000,000 as assessed by Rahim & Co. on 5 October 2018 and re-inspected on 21 December 2018 based on the Cost Approach Rahim & Co. had also used the Investment Approach as a check on the abovementioned valuation amount. Please refer to Section 2.1.2 of Part A of this Circular for further details on the Cost Approach and Investment Approach	
Net book value[(1)]	:	(a) Land: RM4,968,383 (b) Building: RM19,143,884	
Encumbrances	:	None, but a lien holder's caveat was entered into by OCBC Bank (Malaysia) Berhad via Presentation No. 0799B2017001080 registered on 10 February 2017	

Note:

(1) Based on Paramount Group's audited financial statements for the FYE 31 December 2018.

ii. **Batu Kawan Campus Properties**

The Batu Kawan Campus Properties is a newly completed purpose-built college campus to be occupied by KDUPG, and it comprises the following buildings/ structures:

(a) Block A – a five (5)-storey building to be used as an administration centre;

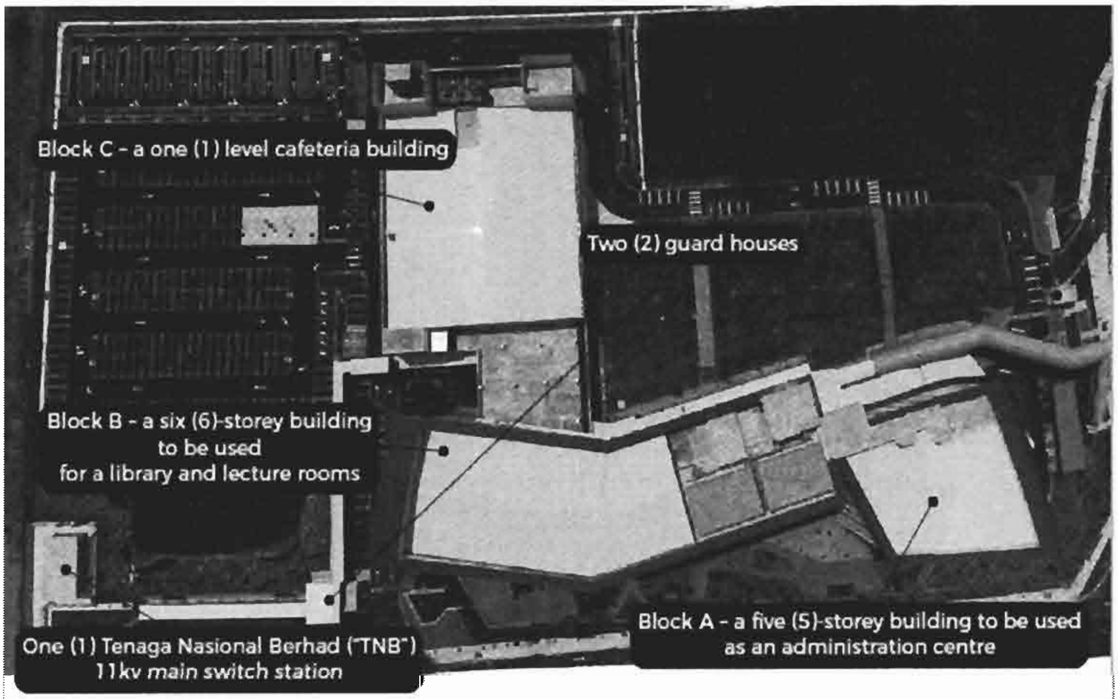
(b) Block B – a six (6)-storey building to be used for a library and lecture rooms;

(c) Block C – a one (1) level cafeteria building;

(d) Two (2) guard houses; and

(e) One (1) Tenaga Nasional Berhad ("**TNB**") 11kv main switch station.

The map/eagle view of the area including all buildings/structures for the Batu Kawan Campus Properties is set out below:



The construction of the Batu Kawan Campus Properties was financed by KDUPG's Islamic medium-term notes (sukuk) programme amounting up to RM200 million. As at the LPD, the total sukuk issued and outstanding under the programme amounted to RM69.75 million and it will be redeemed by KDUPG in the manner as set out in Section 5 of Part A of this Circular.

Other salient information on the Batu Kawan Campus Properties are set out below:

Title	:	HSD 47091, Lot No. PT 5828, located within Mukim 13, District of Seberang Perai Selatan, State of Pulau Pinang
Postal address	:	KDU Penang University College, PMT 755, Persiaran Cassia Barat 3, Bandar Cassia, 14110 Pulau Pinang
Tenure	:	Freehold
Category of land use	:	Building *('Bangunan')*
Express condition	:	This alienated land shall be used for institutional use only *('Tanah yang diberimilik ini hendaklah digunakan untuk tujuan institusi sahaja')*
Restriction-in-interest	:	This alienated land shall not be transferred, charged, leased, sub-leased or involved in any form of transaction without obtaining the prior approval of the State Authority. *('Tanah yang diberimilik ini tidak boleh dipindahmilik, dicagar, pajak, pajakan kecil atau sebarang bentuk urusniaga tanpa mendapat kebenaran Pihak Berkuasa Negeri terlebih dahulu')*
Land area	:	4.2089 hectares
Proposed use	:	Tertiary education campus consisting of: (a) Block A – a five (5)-storey building to be used as an administration centre; (b) Block B – a six (6)-storey building to be used for a library and lecture rooms; (c) Block C – a one (1) level cafeteria building; (d) Two (2) guard houses; and (e) One (1) TNB 11kv main switch station
Approximate age of buildings	:	<1 year
Gross built-up area[1]	:	See below

Building	**sq. m.**
Block A	3,924.80
Block B	10,811.18
Block C	3,142.98
Two (2) guard houses	26.00

		One (1) TNB 11kV main switch station	115.00
		Total	**18,019.96**

Net lettable space	:	18,019.96 sq. m., but the building is newly completed and has not been occupied and/or tenanted as at the LPD
Percentage of occupancy	:	Not applicable as the building is newly completed and has not been occupied and/or tenanted as at the LPD KDUPG intends to occupy the entire building for the purposes of its KDU tertiary education business
Market valuation	:	RM120,000,000 as assessed by Rahim & Co. on 5 October 2018 and re-inspected on 21 December 2018 based on the Cost Approach. Only the Cost Approach was adopted as the buildings were still under construction when the valuation took place The valuation of RM120,000,000 was on the basis that the construction for the buildings, consisting of Blocks A, B and C, two (2) guard houses and one (1) TNB 11kv main switch station, are completed in accordance to the approved building plans and that the Certificate of Completion and Compliance has been issued Please refer to Section 2.1.2 of Part A of this Circular for further details on the Cost Approach For shareholders' information, as at the LPD, the construction for the buildings has been completed and that the Certificate of Completion and Compliance has been obtained on 22 April 2019
Net book value[(1)]	:	(a) Land: RM19,134,790 (b) Building: RM98,029,892 (estimated cost based on completed properties)
Encumbrances	:	Charged to OCBC Bank (Malaysia) Berhad, via Presentation No. 0799SC2017019957, registered on 8 August 2017

Note:

(1) Based on Paramount Group's audited financial statements for the FYE 31 December 2018.

iii. **Utropolis Glenmarie Campus Properties**

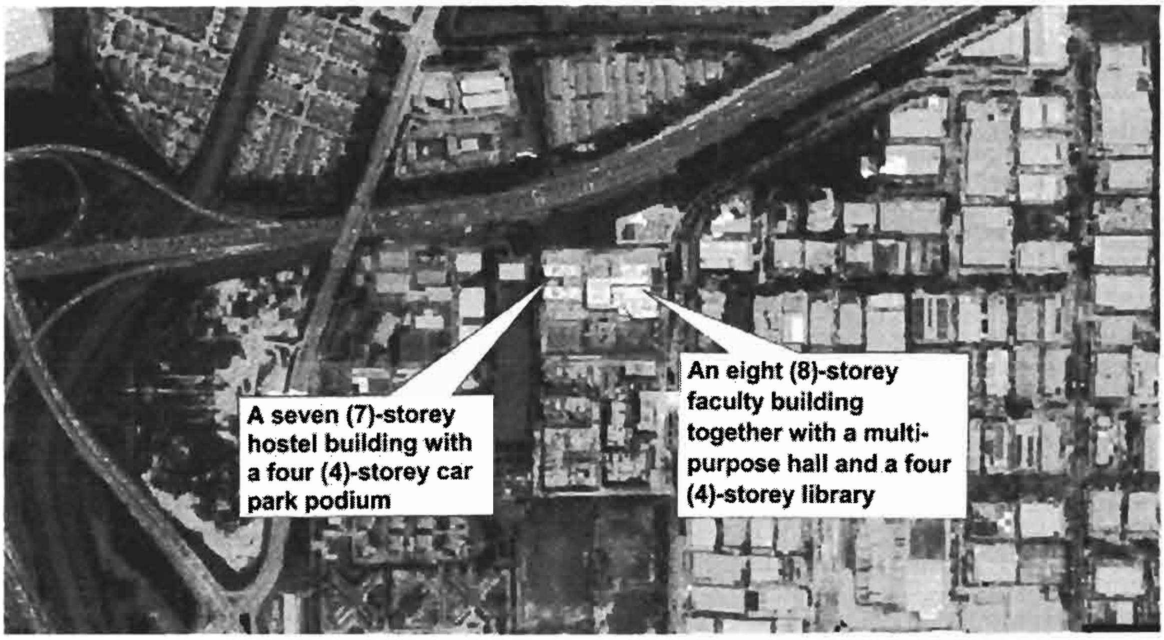
The Utropolis Glenmarie Campus Properties is a purpose-built college campus occupied by KDUUC, and it comprises the following buildings:

(a) An eight (8)-storey faculty building together with a multi-purpose hall and a four (4)-storey library; and

(b) A seven (7)-storey hostel building with a four (4)-storey car park podium.

All the main buildings are linked by a covered walkway.

The map/eagle view of the area including all buildings/structures for the Utropolis Glenmarie Campus Properties is set out below:



Other salient information on the Utropolis Glenmarie Campus Properties are set out below:

Title	:	GRN 312848, Lot 91902, Mukim of Damansara, District of Petaling, State of Selangor
Postal address	:	KDU University College, Utropolis, Glenmarie, Jalan Kontraktor U1/14, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan
Tenure	:	Freehold
Category of land use	:	Building *("Bangunan")*
Express condition	:	Commercial Building *("Bangunan Perniagaan")*
Restriction-in-interest	:	Nil

Land area	:	40,474 sq. m.
Existing use	:	The property is occupied by KDUUC as its tertiary education campus and other tenants. The total rental income from the other tenants amounts to approximately RM2.57 million per annum
Approximate age of buildings	:	4 years

Gross built-up area	:	**Building**	**sq. m.**
		An eight (8)-storey faculty building together with a multi-purpose hall and a four (4)-storey library	60,542.28
		A seven (7)-storey hostel building together with a four (4)-storey car park podium	33,392.81
		Total	**93,935.09**

Net lettable space	:	93,337.76 sq.m.
Percentage of occupancy	:	Fully occupied
Market valuation	:	RM250,000,000 as assessed by Rahim & Co. on 4 October 2018 and re-inspected on 20 December 2018 based on the Cost Approach Rahim & Co. had also used the Investment Approach as a check on the abovementioned valuation amount. Please refer to Section 2.1.2 of Part A of this Circular for further details on the Cost Approach and Investment Approach
Net book value[1]	:	(a) Land: RM33,314,411 (b) Building: RM166,757,200
Encumbrances	:	Charged to OCBC Al-Amin Bank Berhad via Presentation No. 31989/2013, registered on 8 April 2013

Note:

(1) Based on Paramount Group's audited financial statements for the FYE 31 December 2018.

2.1.2 Salient features of the Valuation Report

The independent property valuer, Rahim & Co, had assessed the Utropolis Glenmarie Campus Properties on 4 October 2018 and re-inspected it on 20 December 2018, whereas the Jalan Anson Campus Properties and Batu Kawan Campus Properties were assessed on 5 October 2018 and re-inspected on 21 December 2018. Rahim & Co, had used the Cost Approach and Investment Approach to assess the market value of the Subject Campus Properties.

The Cost Approach is the market approach which involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement construction cost of the building less depreciation, if necessary.

The Investment Approach is the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual income. The annual income is capitalised using a rate of interest to arrive at the capital value of the property.

Rahim & Co. had adopted the figures derived from the Cost Approach and used the Investment Approach as a cross check. The shortage of concluded rental evidences have resulted in Rahim & Co. having to depend on two (2) concluded rentals in the past years to arrive at the notional income flow. Hence, these factors reduce the accuracy of the Investment Approach as compared to the Cost Approach in terms of the value.

Rahim & Co. is of the opinion that the Cost Approach is a more appropriate approach as the said approach is referring to the current replacement construction cost that is required to build a similar building less depreciation, if necessary.

2.1.3 Salient terms of the sale and purchase agreements

Please refer to Section 1 of Appendix VI of this Circular for the salient terms of the SPAs in relation to the Proposed Transaction. No payment of deposit is required to be made by DGSB to the respective vendors under the SPAs as DGSB was incorporated as a special purpose vehicle for the purpose of undertaking the Securitisation Exercise as stated in Section 1 of Part A of this Circular and DGSB would not have sufficient funds for any payment until the completion of the Securitisation Exercise. Please refer to Appendix I of this Circular for further details on DGSB.

2.1.4 Mode of settlement

The Disposal Consideration will be satisfied via the combination of cash and issuance of new CRNCPS in DGSB upon the fulfilment of the conditions precedent of the SPAs.

The combination of cash and issuance of new CRNCPS in DGSB was agreed upon by Paramount and DGSB after taking into consideration the utilisation of proceeds as set out in Section 5 of Part A of this Circular as well as the potential benefits which may be enjoyed by Paramount through the receipt of dividend income and redemption premium of the CRNCPS by DGSB. Please refer to Section 2 of Appendix VI of this Circular for further details for the salient terms of the CRNCPS Subscription Agreement (SPA Purchase Consideration).

The illustrative summary of the Disposal Consideration breakdown for the Subject Campus Properties are set out in Section 3 of Appendix VI of this Circular.

2.1.5 Basis and justification in arriving at the Disposal Consideration

The Disposal Consideration for the Proposed Transaction was arrived at on a willing buyer willing seller basis, after taking into consideration the total market value of the Subject Campus Properties of RM420,000,000. Rahim & Co. had assessed the Utropolis Glenmarie Campus Properties on 4 October 2018 and re-inspected it on 20 December 2018, whereas the Jalan Anson Campus Properties and Batu Kawan Campus Properties were assessed on 5 October 2018 and re-inspected on 21 December 2018. Rahim & Co, had adopted the figures derived from the Cost Approach and used the Investment Approach as a cross check to assess the market value of the Subject Campus Properties.

The Disposal Consideration is justifiable as the Disposal Consideration is at the market value of the Subject Campus Properties as assessed by Rahim & Co. The Disposal Consideration is approximately RM78.65 million or 23.04% above the total audited net book value of the Subject Campus Properties of approximately RM341.35 million as at 31 December 2018.

2.1.6 Salient terms of the CRNCPS Subscription Agreement (SPA Purchase Consideration)

Please refer to Section 2 of Appendix VI of this Circular for the salient terms of the CRNCPS Subscription Agreement (SPA Purchase Consideration).

2.1.7 Liabilities in relation to the Proposed Transaction which remain with Paramount

There are no other liabilities including contingent liabilities and/ or guarantees in relation to the Proposed Transaction which will remain with Paramount.

2.1.8 Date and original cost of investment

The date and original cost of investment for the Subject Campus Properties are set out below:

	Date[(1)]	Original cost of investment RM
Jalan Anson Campus Properties	21 April 1993	[(2)]35,235,940
Batu Kawan Campus Properties	5 December 2014	[(3)]117,164,682
Utropolis Glenmarie Campus Properties	31 January 2012	[(4)]225,242,934
Total		**377,643,556**

Notes:

(1) Based on the land acquisition date.

(2) Taking into consideration the building construction cost amounting to approximately RM30.27 million. The construction of the building commenced in 1994 and was completed in 1997 upon obtaining the certificate of fitness.

(3) Taking into consideration the total estimated building construction cost of approximately RM98.03 million. The construction of the building commenced in 2015 and was completed in 2019 and the Certificate of Completion and Compliance has been obtained on 22 April 2019.

(4) Taking into consideration the building construction cost amounting to approximately RM191.93 million. The construction of the building commenced in 2012 and was completed in 2014 upon obtaining the certificate of fitness.

2.1.9 Expected gains arising from the Proposed Transaction

In accordance with MFRS 15, the Proposed Transaction will not give rise to any gains accruing to Paramount Group from the disposal of the Subject Campus Properties to DGSB as the Proposed Transaction will be undertaken via the Securitisation Exercise whereby the control of the Subject Campus Properties is deemed to remain with Paramount Group. For shareholders' information, the relevant provisions under MFRS 15 for the aforementioned are set out below:-

Reference under MFRS 15	Provisions
Paragraph 34	When evaluating whether a customer obtains control of an asset, an entity shall consider any agreement to repurchase the asset.
Paragraph B64	A repurchase agreement is a contract in which an entity sells an asset and also promises or has the option (either in the same contract or in another contract) to repurchase the asset. The repurchased asset may be the asset that was originally sold to the customer, an asset that is substantially the same as that asset, or another asset of which the asset that was originally sold is a component.
Paragraph B65	Repurchase agreements generally come in three forms: (a) an entity's obligation to repurchase the asset (a forward); (b) an entity's right to repurchase the asset (a call option); and (c) an entity's obligation to repurchase the asset at the customer's request (a put option).
Paragraph B66	If an entity has an obligation or a right to repurchase the asset (a forward or a call option), a customer does not obtain control of the asset because the customer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset even though the customer may have physical possession of the asset. Consequently, the entity shall account for the contract as either of the following: (a) a lease in accordance with MFRS 117 Leases if the entity can or must repurchase the asset for an amount that is less than the original selling price of the asset; or (b) a financing arrangement in accordance with paragraph B68 if the entity can or must repurchase the asset for an amount that is equal to or more than the original selling price of the asset.

3. SALIENT TERMS OF THE SUPPLEMENTAL SPAS, MASTER LEASE AGREEMENT AND CALL AND PUT OPTION AGREEMENTS

3.1 Salient terms of the Supplemental SPAs

Please refer to Section 3 of Appendix VI of this Circular for the salient terms of the Supplemental SPAs.

3.2 Salient terms of the Master Lease Agreement

Please refer to Section 4 of Appendix VI of this Circular for the salient terms of the Master Lease Agreement.

3.3 Salient terms of the Call and Put Option Agreements

Please refer to Section 5 of Appendix VI of this Circular for the salient terms of the Call and Put Option Agreements.

4. SALIENT TERMS OF THE CRNCPS SUBSCRIPTION AGREEMENT

Please refer to Section 6 of Appendix VI of this Circular for the salient terms of the CRNCPS Subscription Agreement.

5. UTILISATION OF PROCEEDS

The cash proceeds portion of the Disposal Consideration of RM294,000,000 arising from the Proposed Transaction is intended to be utilised by Paramount Group in the manner as set out below:

Details of utilisation	Timeframe for utilisation	Amount of proceeds RM'000
(i) Refinancing of borrowings/ financing[(1)]	Within six (6) months from completion of the Proposed Transaction	241,500
(ii) Partial redemption of PDS[(2)]	Within 12 months from completion of the Proposed Transaction	50,000
(iii) Estimated expenses in relation to the Proposed Transaction[(3)]	Within one (1) month from completion of the Proposed Transaction	2,500
Total		**294,000**

Notes:

(1) As at the LPD, Paramount Group's total borrowings amounted to approximately RM1,096.23 million, and RM241.50 million from the total cash proceeds has been earmarked for refinancing of the following:

Type of facility	*Purpose of facility*	*Interest rate per annum*	*Repayment amount RM'000*
Bank overdraft and revolving credit facility	*Working capital*	*Cost of fund + 1.5%*	*20,861*
Islamic medium-term notes (sukuk) programmes	*To finance the land and construction costs of the Utropolis Glenmarie Campus Properties[(a)]*	*Cost of fund + 1%*	*100,890*
	To finance the land and construction costs of the Batu Kawan Campus Properties[(b)]	*Cost of fund + 1%*	*69,749*
Revolving credit facility	*To finance the redemption of PDS*	*Cost of fund + 1.15%*	*50,000*
Total			***241,500***

The above refinancing will be implemented via the Disposal Consideration received from the issuance of asset-backed securities by DGSB. Pursuant to MFRS 15, the control of the Subject Campus Properties is deemed to remain with Paramount Group and as such, the asset-backed securities to be issued by DGSB will form part of Paramount Group's borrowings. Please refer to Section 11 of Part A of this Circular for further details in relation to the "control" of the Subject Campus Properties. As such, Paramount Group does not expect the above refinancing activities to result in an improved gearing ratio for Paramount Group. For the avoidance of doubt, the terms of the asset-backed securities, namely the MTNs, have yet to be finalised at this juncture. In the event the expected interest rate for the MTNs are higher than the existing financing facilities' interest rate and the Lease Rental Payment is insufficient to pay for the higher interest cost under the MTNs, Paramount will subscribe for such number of CRNCPS to be issue by DGSB pursuant to the CRNCPS Subscription Agreement to finance the abovementioned shortfall in interest cost. Please refer to Sections 4 and 5 of Appendix VI of this Circular for further details on the Master Lease Agreement and CRNCPS Subscription Agreement, respectively.

(a) The investors for the Islamic medium-term notes (sukuk) programmes are Hong Leong Bank Berhad, OCBC Al-Amin Bank Berhad and RHB Islamic Bank Berhad.

(b) The investors for the Islamic medium-term notes (sukuk) programmes are OCBC Al-Amin Bank Berhad.

(2) As at the LPD, Paramount's total PDS amounted to approximately RM150.00 million. After the partial redemption of PDS of approximately RM50.00 million, Paramount's total PDS shall be reduced to approximately RM100.00 million and it is expected to result in savings of approximately RM750,000 per annum taking into account the differential amount between the distribution rate of 6.50% per annum and the indicative coupon rate of the asset-backed securities.

(3) The gross proceeds from the Proposed Transaction earmarked for the estimated expenses of the Proposed Transaction is intended to be utilised to fund the estimated expenses of the Proposed Transaction, the breakdown of which is set out below:

	RM'000
Professional fees[(a)]	*2,326*
Regulatory fees	*109*
Other incidental expenses	*65*
Total	***2,500***

Note:

(a) Professional fees mainly consist of arranger fees for the Securitisation Exercise, solicitors fees, tax advisor fees and independent property valuer fees.

Pending the utilisation of the cash proceeds from the Proposed Transaction for the above purposes, the cash proceeds would be placed in deposits with financial institutions or short-term money market instruments.

6. RATIONALE AND JUSTIFICATION

The Proposed Transaction is expected to streamline the assets owned by Paramount Group to achieve a more efficient capital structure by better matching the maturity profile of the borrowings to the lease period of the Subject Campus Properties which allows Paramount Group greater flexibility in its repayment terms. The Proposed Transaction enables Paramount Group to:

i. realise the fair market value of the Subject Campus Properties whilst retaining the use of the Subject Campus Properties via the Master Lease Agreement, which will ensure that the KDU tertiary institutions will be able to continue their business operations unhindered. Paramount would also retain the rights (but not obliged) to acquire the Subject Campus Properties for future recurring income via the Put Option and Call Option subsequent to the completion of the Proposed Disposal as set out in Part C of this Circular;

ii. raise the required funds in the most expeditious manner to refinance Paramount Group's borrowings and partial redemption of PDS, compared to other fund raising exercises. The Proposed Transaction will be undertaken via the Securitisation Exercise whereby DGSB will issue asset-backed securities of up to RM300 million;

iii. the partial redemption of PDS is expected to improve Paramount Group's cash flows as it will result in annual savings of approximately RM0.75 million based on the differential amount between the distribution rate of 6.50% per annum and the indicative coupon rate of the asset-backed securities. This would enable Paramount Group to redirect the savings for working capital purposes. In addition, Paramount will receive rental income through Janahasil under the sublease agreements as set out in Section 1 of Part A of this Circular to be entered into between Janahasil with KDUPG and KDUUC respectively prior to the completion of the Proposed Disposal as set out in Part C of this Circular. The abovementioned rental income is expected to net-off against the Lease Rental Payments under the Master Lease Agreement; and

iv. facilitate the Proposed Disposal as set out in Part C of this Circular as UOWM intends to acquire Paramount's equity interests in KDUUC and KDUPG only, excluding the Subject Campus Properties.

7. RISK FACTORS OF THE PROPOSED TRANSACTION

The potential risk factors relating to the Proposed Transaction, which may not be exhaustive, are set out below:

i. Non-completion of the Proposed Transaction

The completion of the Proposed Transaction is conditional upon the conditions precedent of the SPAs being fulfilled or waived. In the event that any of the conditions precedent is not fulfilled, the Proposed Transaction may be delayed or terminated and all the potential benefits arising therefrom may not materialise. There can be no assurance that all of the conditions precedent are able to be fulfilled. Nevertheless, Paramount anticipates that such a risk can be mitigated by proactively engaging with the relevant authorities/ parties to obtain all the necessary approvals and documents required for the completion of the SPAs. Should there be any delay beyond the period as stipulated under the SPAs for fulfillment of the conditions precedent, the Board will ensure that KDUPG and/or KDUUC negotiate with the Purchaser with a view of reaching a mutual agreement to extend the said period.

ii. Contractual risk

KDUPG and KDUUC have given warranties and/ or undertakings, as set out in the SPAs, in favour of DGSB. In this respect, KDUPG and KDUUC may be subject to the risk of claims from DGSB in accordance with the terms and conditions of the SPAs for the breach of any warranties and/ or undertakings given. In this regard, the Board and the management of Paramount will endeavour to ensure compliance with KDUPG and KDUUC's obligations under the SPAs in order to minimise the risk of any breach of the warranties and/ or undertakings given.

iii. Risk of holding unlisted securities

Given that the CRNCPS would not be listed, there is no avenue to liquidate the CRNCPS for cash until maturity. However, the CRNCPS will be fully redeemed upon settlement of all obligations of DGSB under the Securitisation Exercise, where in the meantime it will carry a cumulative dividend of 15% per annum calculated based on the issue price of the CRNCPS of RM1.00 each. Nevertheless, the dividend is subject to the availability of distributable profits of DGSB and settlement of all obligations of DGSB under the Securitisation Exercise.

Notwithstanding that each CRNCPS shall rank pari passu with each other and confer on the holder thereof the right to receive, in priority to the holders of any other class of shares in the capital of DGSB, a CRNCPS shall not entitle the holder thereof to participate in the profits or surplus assets of DGSB in a winding up or upon reduction of capital of DGSB beyond such rights as are expressly set out under the Constitution of DGSB.

8. EFFECTS OF THE PROPOSED TRANSACTION

8.1 Issued share capital

The Proposed Transaction will not have any effect on the issued share capital of the Company as the Disposal Consideration will be satisfied via the combination of cash and issuance of CRNCPS in DGSB which does not involve the issuance of any new Paramount Shares.

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8.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of Paramount as at 31 December 2018 and assuming that the Proposed Transaction had been effected on that date, the pro forma effects of the Proposed Transaction is not expected to have any material effect on the consolidated NA per Paramount Share. However, the gearing ratio of Paramount Group is expected to increase as follows:

Group level	Audited as at 31 December 2018	(I) [1]After adjustment for subsequent events	(II) [2]After (I) and assuming all the Outstanding LTIP Shares are vested	(III) After (II), the Proposed Transaction and the Proposed Disposal	(IV) After (III), the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants	(V) After (IV) and assuming full exercise of the Warrants
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	310,315	316,862	[3]341,715	341,715	341,715	[10] 638,790
Employee share reserve	8,125	[3]1,578	-	-	-	-
Translation reserve	(140)	(140)	(140)	(140)	(140)	(140)
Retained earnings	752,991	752,991	752,991	[4][5]770,205	[9]769,905	769,905
Shareholders' equity / NA	**1,071,291**	**1,071,291**	**1,094,566**	**1,111,780**	**1,111,480**	**1,408,555**
PDS	199,787	149,787	149,787	[6] 99,787	99,787	99,787
Non-controlling interest	75,207	75,207	75,207	75,207	75,207	75,207
Total Equity	**1,346,285**	**1,296,285**	**1,319,560**	**1,286,774**	**1,286,474**	**1,583,549**
No. of Shares in issue ('000)	428,272	433,345	450,114	450,114	630,159	810,204
NA per Share (RM)	2.50	2.47	2.43	2.47	1.76	1.74
Total borrowings (RM'000)	900,661	950,661	950,661	[7][8] 973,161	973,161	973,161
Gearing (times)	0.84	0.89	0.87	0.88	0.88	0.69

Notes:

(1) After taking into consideration the issuance of 5,072,800 new Shares as announced on 22 March 2019, pursuant to the vesting of LTIP Shares, as well as the partial redemption of RM50.00 million PDS on 7 February 2019 via the drawdown of revolving credit by Paramount Group.

(2) Assuming the vesting of all 16,768,600 Outstanding LTIP Shares.

(3) The employee share reserve account comprises of 16,768,600 LTIP Shares with an estimated total value of RM24,853,068, of which approximately RM1.578 million has been recognised as at the LPD.

(4) After taking into consideration the estimated expenses of RM2.50 million in relation to the Proposed Transaction.

(5) After taking into consideration the pro forma gain on disposal of RM20.21 million and the estimated expenses of RM500,000 in relation to the Proposed Disposal.

(6) After taking into consideration the partial redemption of PDS amounting to RM50.00 million via the proceeds raised in relation to the Proposed Transaction.

(7) After taking into consideration the indicative RM294.00 million raised by DGSB through the issuance of asset-backed securities, which will form part of Paramount Group's borrowings, to refinance the borrowings/ financing of Paramount Group amounting to RM241.50 million in relation to the Proposed Transaction.

(8) After taking into consideration the total proceeds to be raised amounting to RM38.50 million from the Proposed Disposal, of which RM30.00 million has been earmarked for the repayment of borrowings.

(9) After deducting the estimated expenses in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants amounting to RM300,000.

(10) After taking into consideration the exercise of 180,045,328 Warrants at the indicative exercise price of RM1.65 per Warrant.

8.3 Substantial shareholding structure

The Proposed Transaction will not have any effect on the substantial shareholders' shareholdings in the Company as the Disposal Consideration will be satisfied via the combination of cash and issuance of CRNCPS in DGSB which does not involve the issuance of any new Paramount Shares.

8.4 Earnings and EPS

The Proposed Transaction will not give rise to any gains accruing to Paramount Group from the disposal of the Subject Campus Properties to DGSB in accordance with MFRS 15 as the Proposed Transaction will be undertaken via the Securitisation Exercise and pursuant to MFRS 15, the control of the Subject Campus Properties is deemed to remain with Paramount Group.

Assuming the Proposed Transaction had been effected at the beginning of the FYE 31 December 2018, the effect on the consolidated EPS of Paramount is illustrated as follows:

	Audited FYE 31 December 2018 RM'000	**After the Proposed Transaction RM'000**
Profit attributable to ordinary equity holders	91,814	91,814
Effects of the Proposed Transaction on the earnings of Paramount Group:		
• Expected savings from partial redemption of PDS	-	[(1)]750
• Estimated expenses in relation to the Proposed Transaction	-	(2,500)
Total profit attributable to ordinary equity holders	**91,814**	**90,064**
Weighted average number of Paramount Shares in issue ('000)	427,609	427,609
Basic EPS (sen)	21.47	21.06

Note:

(1) After taking into consideration the differential amount between the PDS distribution rate of 6.50% per annum and the indicative coupon rate of the asset-backed securities of 5.00%.

9. APPROVALS REQUIRED/OBTAINED AND INTER-CONDITIONALITY

9.1 Approvals

The Proposed Transaction is subject to the following being obtained:

(i) the approval of Paramount's shareholders at the forthcoming EGM;

(ii) state authority consent for the transfer and charge of the Batu Kawan Campus Properties;

(iii) consent from Penang Development Corporation ("**PDC**") in relation to the sale of the Batu Kawan Campus Properties, which has been obtained via its letter dated 28 May 2019 ("**PDC Consent Letter**") and is subject to the following conditions:

No.	Conditions	Status of compliance
(1)	Payment of consent fee amounting to RM2.52 million to PDC within 14 days from the date of the PDC Consent Letter;	To be complied. Paramount has submitted an application to PDC on 29 May 2019 for an extension of time of up to 11 July 2019 to fulfill this condition.
(2)	An agreement is to be executed between PDC and DGSB pertaining to the development of the land; and	To be complied.
(3)	A letter of undertaking from Paramount to PDC for Paramount to be bound by the terms and conditions stipulated in the purchase and development agreement dated 11 May 2015.	Complied.

(iv) the approval of any other relevant authority or party, if required.

9.2 Inter-conditionality

The Proposed Transaction is not conditional upon:

(i) the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants as set out in Part B of this Circular;

(ii) the Proposed Disposal as set out in Part C of this Circular; and

(iii) any other corporate proposals undertaken or to be undertaken by the Company.

For shareholders' information, although the three (3) SPAs are not inter-conditional with one another, the SPAs were entered into for the purpose of the Securitisation Exercise, and it is stated in each of the SPAs that completion of the SPAs are subject to the fulfilment of all conditions precedent in the programme agreement of the Securitisation Exercise ("**Programme Conditions Precedent**"). In the event any of the sales and purchase agreements for the Subject Campus Properties fail to be completed pursuant to any unforeseen circumstances, Paramount and DGSB may still proceed with the Securitisation Exercise of the other remaining Subject Campus Properties, subject to the Programme Conditions Precedent in respect of the sale and purchase agreement which is unable to be completed being waived by the lead arranger of the Securitisation Exercise.

10. HIGHEST PERCENTAGE RATIOS

The highest percentage ratios applicable to the agreements entered into pursuant to Paragraph 10.02(g) of the Listing Requirements as announced by the Company on 6 December 2018, which were computed based on the audited consolidated financial statements of Paramount Group for the FYE 31 December 2017, are set out below:-

Transaction/ Agreements	Highest percentage ratio	Remarks
Proposed Transaction	40.51%	Computed based on the Disposal Consideration which is the prevailing market value of RM420.00 million for the Subject Campus Properties as compared to the audited consolidated NA of Paramount Group as at 31 December 2017 of approximately RM1,036.79 million.
CRNCPS Subscription Agreement	43.40%	Computed based on the subscription amount of up to RM450.00 million as compared to the audited consolidated NA of Paramount Group as at 31 December 2017 of approximately RM1,036.79 million.
Master Lease Agreement	-	Not applicable.
Call and Put Option Agreements	40.51%	Computed based on the prevailing market value of RM420.00 million for the Subject Campus Properties as compared to the audited consolidated NA of Paramount Group as at 31 December 2017 of approximately RM1,036.79 million.
Highest aggregated percentage ratios applicable for the Proposed Transaction, CRNCPS Subscription Agreement and Call and Put Option Agreements	124.42%	Aggregated pursuant to Paragraph 10.12 of the Listing Requirements as the transactions involved the same party or with parties connected with one another and involved the interests in three (3) particular assets, and the terms of the transactions were agreed upon within a period of 12 months.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of Paramount or persons connected with them has any interest, direct or indirect, in the SPAs, Supplemental SPAs, CRNCPS Subscription Agreement (SPA Purchase Consideration), Master Lease Agreement, Call and Put Option Agreements and CRNCPS Subscription Agreement entered into in conjunction with the Proposed Transaction.

Although in accordance with MFRS 15, control of the Subject Campus Properties is deemed to remain with Paramount by virtue of the call option granted to Paramount under the Call Option Agreement which allows Paramount to require DGSB to sell the Subject Campus Properties to Paramount at the then prevailing market value of the said properties, the Proposed Transaction is not a related party transaction pursuant to Part E of Chapter 10 of the Listing Requirements, as DGSB is a special purpose vehicle with its board of directors comprising entirely independent directors who are not connected with any Director and/or major shareholder of Paramount, and the one (1) ordinary share in DGSB representing 100% of the issued share capital of DGSB, is held by an independent and registered trustee for a charitable organisation. In addition, there are no common directors on the boards of Paramount and DGSB. Please refer to Appendix I of this Circular for further details on DGSB.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all relevant aspects of the SPAs, Supplemental SPAs, CRNCPS Subscription Agreement (SPA Purchase Consideration), Master Lease Agreement, Call and Put Option Agreements, and CRNCPS Subscription Agreement which are integral parts of the Proposed Transaction and the rationale of the Proposed Transaction, is of the opinion that the Proposed Transaction and the abovementioned agreements entered into in conjunction with the Proposed Transaction are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Transaction to be tabled at the forthcoming EGM.

13. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Transaction, and as disclosed below, there were no other corporate proposals announced but have yet to be completed as at the LPD:

(i) the Proposed Section 14 Development;

(ii) the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants; and

(iii) the Proposed Disposal.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, and subject to all relevant approvals being obtained, the Proposed Transaction is expected to be completed by the third (3rd) quarter of 2019.

The tentative timetable in relation to the Proposed Transaction is set out below:

Month	Event
End June 2019	• State authority consent for the transfer and charge of the Batu Kawan Campus Properties
10 July 2019	• EGM for the Proposed Transaction
End July 2019	• Completion for the issuance of MTNs to part finance the Proposed Transaction • Payment of the Disposal Consideration • Completion of the Proposed Transaction

15. EGM

The EGM, notice of which is enclosed in this Circular, will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Wednesday, 10 July 2019 at 10.30 a.m. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Transaction.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein and deposit it at the registered office of our Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending, voting and speaking in person at the EGM, should you subsequently wish to do so.

16. FURTHER INFORMATION

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

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

DATO' TEO CHIANG QUAN
Chairman/Executive Director

PART B

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE

(I) PROPOSED ISSUE OF BONUS SHARES; AND

(II) PROPOSED ISSUE OF FREE WARRANTS

PARAMOUNT

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)
(Incorporated in Malaysia)

Registered Office:

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

17 June 2019

Board of Directors:

Dato' Teo Chiang Quan	*(Chairman/Executive Director)*
Jeffrey Chew Sun Teong	*(Group Chief Executive Officer/Executive Director)*
Datuk Seri Michael Yam Kong Choy	*(Senior Independent Non-Executive Director)*
Dato' Rohana Tan Sri Mahmood	*(Independent Non-Executive Director)*
Ong Keng Siew	*(Independent Non-Executive Director)*
Quah Poh Keat	*(Independent Non-Executive Director)*
Fatimah binti Merican	*(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

(I) PROPOSED ISSUE OF BONUS SHARES; AND

(II) PROPOSED ISSUE OF FREE WARRANTS

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1. INTRODUCTION

On 8 November 2018, RHB Investment Bank had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

On 10 January 2019, on behalf of the Board, RHB Investment Bank announced that Bursa Securities had via its letter dated 9 January 2019, given its approval for an extension of time up to 7 March 2019 for Paramount to comply with Paragraph 9.33(1)(a) of the Listing Requirements in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

On 7 March 2019, on behalf of the Board, RHB Investment Bank announced that Bursa Securities had via its letter dated 7 March 2019, given its approval for a further extension of time up to 7 June 2019 for Paramount to comply with Paragraph 9.33(1)(a) of the Listing Requirements in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

On 23 April 2019, RHB Investment Bank had, on behalf of the Board, announced the revisions to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

On 7 May 2019, RHB Investment Bank had, on behalf of the Board, announced that Bursa Securities had, via its letter dated 7 May 2019, given its approval for the following:

(i) admission to the Official List of Bursa Securities and listing of and quotation for up to 180,045,328 Warrants to be issued pursuant to the Proposed Issue of Free Warrants;

(ii) listing of and quotation for up to 180,045,328 Bonus Shares to be issued pursuant to the Proposed Issue of Bonus Shares; and

(iii) listing of and quotation for up to 180,045,328 new Paramount Shares to be issued arising from the exercise of the Warrants.

The approval granted by Bursa Securities for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are subject to the conditions as stated in Section 7 of Part B of this Circular.

On 30 May 2019, on behalf of the Board, RHB Investment Bank announced that Bursa Securities had via its letter dated 30 May 2019, given its approval for an extension of time up to 17 June 2019 for Paramount to comply with Paragraph 9.33(1)(b) of the Listing Requirements in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

THE PURPOSE OF PART B OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS

2.1 Details of the Proposed Issue of Bonus Shares

The Proposed Issue of Bonus Shares entails the issuance of up to 180,045,328 Bonus Shares on the basis of two (2) Bonus Shares for every five (5) existing Paramount Shares held by the entitled shareholders of Paramount whose names appear in the Record of Depositors of Paramount as at the close of business on the Entitlement Date, and assuming that all 16,768,600 Outstanding LTIP Shares are vested before the Entitlement Date.

The basis of the Proposed Issue of Bonus Shares was arrived at after taking into consideration the potential dilution to the consolidated EPS of Paramount in relation to the future earnings of the Group, as well as the potential adjustments to the price of Paramount Shares arising from the Proposed Issue of Bonus Shares.

As at the LPD:

(i) the issued share capital of Paramount is RM316,861,517 comprising 433,344,720 Paramount Shares; and

(ii) there are 16,768,600 LTIP Shares.

The actual number of Bonus Shares to be issued will depend on the number of Paramount Shares in issue on the Entitlement Date.

Fractional entitlements arising from the Proposed Issue of Bonus Shares, if any, shall be disregarded and dealt with in such a manner as the Board shall in its absolute discretion deem fit and expedient, and in the best interest of the Company and our shareholders.

The Proposed Issue of Bonus Shares is not intended to be implemented in stages over a period of time.

For illustration purpose, based on the 5-day VWAP of Paramount Shares up to and including the LPD of RM2.10, the theoretical ex-bonus price ("**TEBP**") of Paramount Shares is RM1.50 per Share. Further, the Board confirms that the share price adjusted for the Proposed Issue of Bonus Shares is not less than RM0.50 based on the daily VWAP during the past 3-month period before the application date, being 25 April 2019, which complies with Paragraph 6.30(1A) of the Listing Requirements.

2.1.1 Capitalisation of reserves

Pursuant to the Act, a bonus issue of shares can be undertaken by way of issuing bonus shares as fully paid shares at no consideration and without any capitalisation of the company's share premium and/or reserves.

In view of the above, the Board has resolved that the Bonus Shares shall be issued as fully paid shares at no consideration and without any capitalisation of the Company's share premium and/or reserves, in compliance with the provisions of the new Act.

2.1.2 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing Paramount Shares as at the date of allotment of the Bonus Shares, save and except that the Bonus Shares will not be entitled to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of the Bonus Shares.

2.1.3 Listing of and quotation for the Bonus Shares

Bursa Securities had via its letter dated 7 May 2019, approved the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities, subject to the conditions as stated in Section 7 of Part B of this Circular.

2.2 Details of the Proposed Issue of Free Warrants

The Proposed Issue of Free Warrants entails the issuance of up to 180,045,328 Warrants on the basis of two (2) Warrants for every five (5) existing Paramount Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Issue of Bonus Shares. For the avoidance of doubt, the Warrants to be issued pursuant to the Proposed Issue of Free Warrants will be issued at no cost to the Entitled Shareholders and the Bonus Shares are not included in the basis for entitlement to the Warrants.

The basis of the Proposed Issue of Free Warrants was arrived at after taking into consideration the potential dilution to the consolidated EPS of Paramount in relation to the future earnings and prospects of the Group.

The actual number of Warrants to be issued will depend on the number of Paramount Shares in issue on the Entitlement Date.

Fractional entitlements arising from the Proposed Issue of Free Warrants, if any, shall be disregarded and dealt with in such a manner as the Board shall in its absolute discretion deem fit and expedient, and in the best interest of the Company and our shareholders.

The Proposed Issue of Free Warrants is not intended to be implemented in stages over a period of time.

The Warrants will be issued in registered form and constituted by the Deed Poll.

2.2.1 Basis of determining and justification for the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants will be determined and fixed by the Board at a later date after the receipt of all relevant approvals but before the announcement of the Entitlement Date and taking into consideration the following:

(i) the TEBP of Paramount Shares calculated based on the 5-day VWAP of Paramount Shares before the price-fixing date; and

(ii) a premium of approximately 10% over the TEBP of Paramount Shares based on the 5-day VWAP of Paramount Shares before the price-fixing date. For illustration purpose, the indicative exercise price of the Warrants is assumed to be at RM1.65, being a premium of approximately 10% over the TEBP of RM1.50 calculated based on the 5-day VWAP of Paramount Shares up to and including the LPD of RM2.10.

The premium of approximately 10% over the TEBP of Paramount Shares was determined after taking into consideration, amongst others, the following:

(i) the prevailing market conditions and the historical market price of Paramount Shares;

(ii) the Warrants being exercisable at any time within a five (5)-year period from the date of issue of the Warrants; and

(iii) the potential future earnings of Paramount Group.

For illustrative purposes, the premium of the indicative exercise price to TEBP, based on the historical VWAP of Paramount Shares up to and including the LPD are set out below:

	Share Price	TEBP	Indicative Exercise Price	Premium of Indicative Exercise Price to TEBP
	RM	RM	RM	%
5-day VWAP of Paramount Shares up to and including the LPD	2.10	1.50	1.65	10.00
1-month VWAP of Paramount Shares up to and including the LPD	2.10	1.50	1.65	10.00
3-month VWAP of Paramount Shares up to and including the LPD	2.10	1.50	1.65	10.00
6-month VWAP of Paramount Shares up to and including the LPD	2.08	1.49	1.65	10.74
1-year VWAP of Paramount Shares up to and including the LPD	2.09	1.49	1.65	10.74

2.2.2 Ranking of new Paramount Shares to be issued arising from the exercise of the Warrants

The new Paramount Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing Paramount Shares at the date of allotment of the new Paramount Shares, save and except that the new Paramount Shares to be issued arising from the exercise of the Warrants will not confer upon the holders thereof any entitlement to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of such new Paramount Shares.

2.2.3 Listing of and quotation for the Warrants and new Paramount Shares to be issued arising from the exercise of the Warrants

Bursa Securities had via its letter dated 7 May 2019, approved the admission of the Warrants to the Official List of Bursa Securities, and the listing of and quotation for the Warrants as well as the listing of and quotation for the new Paramount Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as stated in Section 7 of Part B of this Circular.

2.2.4 Indicative salient terms of the Warrants

Issue size	:	Up to 180,045,328 Warrants
Form and denomination	:	The Warrants will be issued in registered form and constituted by the Deed Poll.
Tenure	:	Five (5) years commencing from and inclusive of the date of issuance of the Warrants.

Exercise rights	:	Each Warrant entitles the holder thereof, at any time during the exercise period, to subscribe for one (1) new Paramount Share at the exercise price.
Exercise period	:	The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. in Malaysia on the expiry of the tenure. Any Warrants which have not been exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise price	:	The exercise price of the Warrants will be determined by the Board and announced at a later date, after taking into consideration a premium of approximately 10% over the TEBP of Paramount Shares based on the 5-day VWAP of Paramount Shares before the price-fixing date.
Mode of exercise	:	The Warrant holder is required to deliver and lodge an exercise form set out in the Deed Poll with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price.
Participating rights of the Warrant holders	:	The Warrants do not entitle the Warrant holders to any voting rights or to participate in any distribution and/or offer of securities in the Company until and unless the Warrant holders exercise their right to subscribe for new Paramount Shares.
Adjustments in the exercise price and/or the number of Warrants	:	The exercise price and/or number of Warrants may be adjusted under certain circumstances in accordance with the provisions of the Deed Poll.
Rights in the event of winding up, compromise or arrangement	:	As long as any of the exercise rights remain exercisable, if a resolution has been passed for a members' voluntary winding up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies then: (i) if such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) is one in which the Warrant holders, or some persons designated by them for such purposes by a special resolution, are to be a party, the terms of such winding up, compromise and arrangement are binding on all the Warrant holders;

(ii) in a voluntary winding up or compromise or arrangement in any other case, every Warrant holder is entitled upon and subject to the conditions in the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks from the granting of the court order approving the winding up, compromise or arrangement, by the irrevocable surrender of his Warrants to the Company by submitting his duly completed warrant exercise form, authorising the debiting of his Warrants, together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company or the Company, as the case may be, must give effect to such election accordingly; and

(iii) all exercise rights, which have not been exercised within the above six (6) weeks shall lapse and the Warrants will cease to be valid for any purpose.

Modification of the rights of the Warrant holders	:	Unless otherwise stated in the Deed Poll and subject to the approval of Bursa Securities and/or any other relevant authority, any modification, amendment, deletion or addition to the Deed Poll must be:

(i) effected by a deed poll to be executed by the Company and expressed to be a supplemental of the Deed Poll;

(ii) sanctioned by a special resolution of the Warrant holders; and

(iii) comply with the provisions of the Deed Poll.

Notice of every modification, amendment or addition to the Deed Poll is to be given to the Warrant holders within 21 Market Days from the date of such modification, amendment or addition or such other time period as may be prescribed by Bursa Securities or such other relevant authorities from time to time in accordance with the provisions of the Deed Poll.

		Subject to the provisions of the Deed Poll, the Company may, from time to time, without the consent of the Warrant holders but subject to the prior approval of the relevant authorities as may be applicable, modify the Deed Poll provided that such modification does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with the mandatory provisions of the prevailing laws of Malaysia, Rules of Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or the Listing Requirements.
Transferability	:	The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of the Warrants shall comprise one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new Paramount Shares at any time during the exercise period, or such other denomination as may be varied from time to time by Bursa Securities.
Listing status	:	The Warrants will be listed and quoted on the Main Market of Bursa Securities.
Governing law	:	The Warrants and the Deed Poll shall be governed by the applicable laws and regulations of Malaysia.

2.2.5 Utilisation of proceeds

The Proposed Issue of Free Warrants will not raise any immediate funds for the Company as the Warrants will be issued at no cost to the Entitled Shareholders.

The gross proceeds to be raised by the Company from the exercise of the Warrants is dependent on the exercise price of the Warrants and the total number of Warrants exercised during the tenure of the Warrants. As such, the exact amount of proceeds to be raised and the timeframe for the utilisation of the proceeds cannot be determined at this juncture.

For illustration purpose, assuming up to 180,045,328 Warrants are fully exercised at the indicative exercise price of RM1.65 per Warrant, the gross proceeds to be raised potentially by the Company shall be approximately RM297.07 million which is expected to be utilised in the following manner:

Purposes		**RM' million**
(i)	Capital expenditure - Acquisition of new land bank / investment opportunities in the related businesses of the Group	200.00
(ii)	Repayment of bank borrowings	97.07
Total		**297.07**

For avoidance of doubt, the proceeds to be utilised for each component above may be varied depending on the actual number of Warrants exercised and subject to the Group's operating requirements at the time of utilisation.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS

The Proposed Issue of Bonus Shares is intended to reward our existing shareholders for your loyalty and continuing support in conjunction with Paramount's 50th anniversary celebration, by enabling you to have a greater participation in the equity of the Company in terms of the increased number of Paramount Shares held whilst maintaining your percentage of equity interest. In addition, the Proposed Issue of Bonus Shares will possibly be able to encourage trading liquidity of Paramount Shares on Bursa Securities.

The Company is embarking on the Proposed Issue of Free Warrants instead of other fund raising proposals as the Board is of the view that the Proposed Issue of Free Warrants:

(i) serves to reward existing shareholders of the Company for their support by enabling them to participate in a derivative of the Company without incurring any cost;

(ii) the proceeds to be raised by the Company, as and when the Warrants are exercised, is expected to strengthen the capital base of the Group as a result of an increase in the consolidated shareholders' funds of the Group which in turn will result in a lower gearing level for the Group;

(iii) provides an opportunity to our existing shareholders to further increase their equity participation in the future prospects and growth of the Company by exercising the Warrants at a pre-determined price over the tenure of the Warrants; and

(iv) provides the Group with additional working capital as and when the Warrants are exercised during the tenure of the Warrants without incurring additional interest expenses as compared to bank borrowings.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew by 4.5% in the first quarter of 2019. Overall gross domestic product growth was moderate at 4.5% in the first quarter of 2019, driven mainly by the expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1%.

Domestic demand remained the key driver of growth. Domestic demand expanded by 4.4% in the first quarter of 2019, driven by firm household spending amid weaker capital expenditure.

After three (3) consecutive quarters of robust spending, private consumption growth moderated but remained strong at 7.6%. This mainly reflected the normalisation in spending following the frontloading of purchases during the tax holiday period. Nonetheless, household spending continued to be supported by income and employment growth. Public consumption expanded at a faster pace of 6.3%, attributable to higher growth in spending on supplies and services.

Private investment growth slowed to 0.4%. Investment activity was affected by heightened uncertainty surrounding global trade negotiations and prevailing weaknesses in the broad property segment. Nevertheless, spending on large multi-year projects provided some support to investment growth, particularly in the primary-related manufacturing and utilities services sub-sectors. Public investment declined further by 13.2%, on account of lower capital spending by the Federal Government and public corporations.

Moderation across most sectors partially offset by a rebound in growth of the agriculture sector. The services sector growth moderated as the wholesale and retail trade subsector registered slower growth following the post-tax holiday normalisation. However, this was partially offset by higher car sales following the release of new models. Growth in the finance and insurance subsector was sustained, supported by higher insurance premiums relative to claims which offset slower financing. The utilities subsector recorded an improvement given higher demand for electricity, particularly from households amid warmer weather conditions. The information and communication subsector remained supported by demand for data communication services.

Growth in the manufacturing sector moderated, mainly driven by the slowdown in the electronics and electrical ("**E&E**") and primary-related clusters. The slower growth in the E&E cluster was due to lower global demand for semiconductors. The implementation of stricter vehicle emission standards in the European Union and expiring tax rebates for cars in People's Republic of China weighed on demand for automotive semiconductors. Growth in the primary-related cluster also moderated as unplanned closure of gas facilities in Sarawak in February affected the production of refined petroleum products, particularly liquefied natural gas. Meanwhile, recovery in the production of palm-oil based products led to an improvement in the consumer-related cluster during the quarter.

The construction sector registered lower growth reflecting slower activities in the non-residential, civil engineering and special trade subsectors. The near completion of large petrochemical projects resulted in a lower growth for the civil engineering subsector. The special trade subsector's growth moderated due mainly to declining early works from transportation projects transitioning to mid-phase. In the non-residential and residential subsectors, growth remained weak due to the oversupply of commercial properties and a high number of unsold residential properties.

Against the backdrop of a challenging global environment, growth in the Malaysian economy is expected to remain broadly sustained for 2019. Growth will be supported by continued expansion in domestic demand amid a moderate support from the external sector. Private sector spending is expected to remain the key driver of growth. Although consumer sentiments have moderated from its recent peak, household spending will be underpinned by continued income and employment growth. Investment activity is estimated to improve, driven by ongoing capacity expansion in key sectors, with additional support from new manufacturing investments, as reflected by the high Malaysian Investment Development Authority investment approvals. Nevertheless, overall growth may be partially weighed down by lower public sector spending. Risks to growth remain tilted to the downside, arising mainly from external uncertainties such as further weakening of global growth and heightened financial market volatility. On the domestic front, unexpected interruptions in commodity production could also affect Malaysia's growth prospects.

(Source: First Quarter 2019, Bank Negara Malaysia Quarterly Bulletin)

4.2 Overview and outlook of the property development industry in Malaysia

Growth of the residential and non-residential segments declined during the year due to oversupply as well as completion of projects. However, the growth momentum is expected to improve slightly in 2019, following an increase in new planned supply in the affordable homes and industrial segments.

The residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand. Towards this end, the Government suspended development of residential properties, serviced apartments and luxury condominiums priced over RM1 million in prime areas, effective November 2017. In addition, the developers are focusing on sales of existing projects to address the overhang issues. Meanwhile, the Government will continue to provide affordable housing for the low and middle-income groups through various programmes.

The non-residential subsector is projected to decline following oversupply and overhang of high-end shops and shopping complexes as well as downward trend in the incoming supply of commercial buildings. However, the demand for commercial buildings in prime areas is anticipated to remain stable supported by residential development projects in Klang Valley suburbs, particularly in areas along Mass Rapid Transit and Light Rail Transit routes; as well as in major cities such as Johor Bahru, Melaka and Pulau Pinang.

(Source: Chapter 3 of the Economic Outlook 2019, Ministry of Finance Malaysia)

4.3 Overview and outlook of the education industry in Malaysia

The Ministry of Education remains the single largest recipient of Budget 2019 allocation at RM60.2 billion or 19.1% of the total government expenditure for 2019.

The Ministry of Education is actively planning and implementing a variety of programmes to achieve the System Aspirations and Student Aspirations as stated in the Malaysia Education Blueprint 2013-2025. The Ministry of Education is also continuously adapting to the current changes which are happening in the education world. It is also evident that there is an increase in awareness among all parties and stakeholders on the need to accelerate the improvement in the education system. In 2018, a total of 19 primary initiatives and eight secondary initiatives will continue to be implemented to ensure the national education transformation will achieve the desired success.

The government has invested significantly in the education and implemented various measures to strengthen the education system at all levels. However, the outcome of Malaysia's education system has yet to reach its full potential.

(Source: The 2019 Budget Speech, Chapter 6-2 of the Malaysian Education Blueprint 2013-2025 and Chapter 1 of the Economic Outlook 2019, Ministry of Finance Malaysia)

4.4 Future prospects of the Group

(a) Property Division

Despite challenging market conditions, our property division or Paramount Property continued to aggressively pursue its strategies, and succeeded to buck industry trends. Amidst a down-trending market, Paramount Property achieved its property sales target of RM1.0 billion in 2018, surpassing its 2017 sales by 23%. Paramount Property - Central Region ("**PPCR**") achieved RM710.0 million of sales whereas Paramount Property – Northern Region ("**PPNR**") contributed sales of RM294.0 million. Anchored by seven (7) on-going projects at PPCR and PPNR, the Group's unbilled sales stood at a record of RM960 million as at 31 December 2018, exceeding RM610 million recorded as at the end of 2017. These seven (7) projects are expected to contribute positively to the Group's financial performance until 2027.

For 2019, the Group foresees the property sector to remain soft. Nevertheless, there are hopes of a recovery, given the initiatives introduced by the government in the National Budget 2019. Raising the income levels of Malaysians would be an effective way of resolving the unaffordability of homeownership in Malaysia and to address the mismatch between demand and supply of properties.

Paramount Property will pursue its tried and tested strategies which have fuelled its continuous growth thus far. In 2019, the division will undertake seven (7) projects (including new phases of existing projects) but adopting a more cautious approach to mitigate the risk of weaker market conditions. PPCR has also expanded its footprint to Klang, Selangor, with the launching of Berkeley Uptown, an integrated property-education development project of 33.3 acres located at Jalan Goh Hock Huat, Klang in March 2019. This development is anchored by a new 1,500-seat Sri KDU International School campus and is supported by residential and various lifestyle components.

In addition, the commercial component of our Atwater development in Section 13, Petaling Jaya, has been launched in 2019 to complement the residential component that has achieved a strong sales take-up rate of 86% as at 31 March 2019. PPNR would also be launching the third phase of its serviced apartments at the Utropolis Batu Kawan development in Penang on the back of strong sales of 85% of residential units sold as at 31 March 2019. This development is also anchored by a KDU Penang University College campus targeted for commencement of operations in September 2019.

As at 31 March 2019, the Group's remaining undeveloped land bank stood at 579.8 acres, after having completed the acquisition of a piece of freehold residential land measuring approximately 41.406 acres in Cyberjaya, Selangor Darul Ehsan. This new land bank, to be developed over a period of six (6) years, is expected to increase the Group's Gross Development Value ("**GDV**") by RM570 million. The Group is working towards launching the first phase of this new development in the fourth (4^{th}) quarter of 2019.

Furthermore, the Proposed Section 14 Development would, upon its launch, increase the Group's GDV by another RM1 billion. This development would be Paramount Property's maiden joint venture project with a landowner as envisaged in the Group's asset light strategy.

Paramount Property has also branched out to the business of providing co-working spaces that cater to the growing need for such facilities in the marketplace. This has led to the establishment of Paramount's Co-labs Coworking, currently operating at two locations, namely Utropolis Marketplace in Glenmarie, Shah Alam and The Starling Mall in Uptown, Damansara Utama, Selangor. The Group is planning to open another three (3) co-working sites in 2019, expanding its footprint in the Klang Valley.

(b) Education Division

In view of the near full capacity of the Sri KDU schools, the 2019 growth strategy for our K-12 segment will be centred around the R.E.A.L Schools. Hence, strategies are being put in place to beef up the schools' academic quality, curriculum delivery and school facilities with the objective of elevating the appeal and brand image of the schools. More aggressive marketing through the social media and digital channels would also be adopted to widen R.E.A.L's market reach.

In 2019, R.E.A.L Kids established one new pre-school in Rawang, Selangor making it the 34th pre-school operated by R.E.A.L Kids across the Klang Valley and five states in Peninsular Malaysia. The Group is also sourcing for suitable locations to open another three to five new pre-schools.

On the tertiary education front, the SPA-UOWM between Paramount and UOW as disclosed in Part C of this Circular is expected to be completed in the third (3rd) quarter of 2019. The entry of UOW will enhance the rebranding of the KDU tertiary institutions, and help differentiate KDU from other education institutions in the market. In addition, the Securitisation Exercise under the Proposed Transaction, as disclosed in Part A of this Circular, will generate recurring rental income for the Group. Hence, the Group will continue to explore opportunities to unlock the value of these real estate assets and other education assets to improve returns on capital employed and create long-term value for our shareholders.

5. EFFECTS OF THE PROPOSED ISSUE OF BONUS SHARES AND PROPOSED ISSUE OF FREE WARRANTS

5.1 Issued share capital

For illustration purpose, the pro forma effects of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants on the share capital of Paramount are as follows:

	No. of Shares	RM
Share capital as at the LPD	433,344,720	316,861,517
Assuming all of the Outstanding LTIP Shares are vested	16,768,600	(1)24,853,068
	450,113,320	341,714,585
To be issued pursuant to the Proposed Issue of Bonus Shares	180,045,328	-
	630,158,648	**341,714,585**
To be issued pursuant to the full exercise of the Warrants	180,045,328	(2)297,074,791
Enlarged share capital	**810,203,976**	**638,789,376**

Notes:

(1) The estimated value of the LTIP Shares amounts to RM24,853,068, of which approximately RM1.578 million has been recognised in the employee share reserve account as at the LPD.

(2) Assuming the exercise price of the Warrants is RM1.65.

5.2 NA per Share and gearing

For illustration purpose, based on the latest audited consolidated financial statements of Paramount as at 31 December 2018, the pro forma effects of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants on the consolidated NA per Share and gearing of Paramount are as follows:

Group level	Audited as at 31 December 2018	(I) [1]After adjustment for subsequent events	(II) [2]After (I) and assuming all the Outstanding LTIP Shares are vested	(III) After (II), the Proposed Transaction and the Proposed Disposal	(IV) After (III), the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants	(V) After (IV) and assuming full exercise of the Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	310,315	316,862	[3]341,715	341,715	341,715	[10]638,790
Employee share reserve	8,125	[3]1,578	-	-	-	-
Translation reserve	(140)	(140)	(140)	(140)	(140)	(140)
Retained earnings	752,991	752,991	752,991	[4][5]770,205	[9]769,905	769,905
Shareholders' equity / NA	**1,071,291**	**1,071,291**	**1,094,566**	**1,111,780**	**1,111,480**	**1,408,555**
PDS	199,787	149,787	149,787	[6] 99,787	99,787	99,787
Non-controlling interest	75,207	75,207	75,207	75,207	75,207	75,207
Total Equity	**1,346,285**	**1,296,285**	**1,319,560**	**1,286,774**	**1,286,474**	**1,583,549**
No. of Shares in issue ('000)	428,272	433,345	450,114	450,114	630,159	810,204
NA per Share (RM)	2.50	2.47	2.43	2.47	1.76	1.74
Total borrowings (RM'000)	900,661	950,661	950,661	[7][8] 973,161	973,161	973,161
Gearing (times)	0.84	0.89	0.87	0.88	0.88	0.69

Notes:

(1) After taking into consideration the issuance of 5,072,800 new Shares as announced on 22 March 2019, pursuant to the vesting of LTIP Shares, as well as the partial redemption of RM50.00 million PDS on 7 February 2019 via the drawdown of revolving credit by Paramount Group.

(2) Assuming the vesting of all 16,768,600 Outstanding LTIP Shares.

(3) The employee share reserve account comprises of 16,768,600 LTIP Shares with an estimated total value of RM24,853,068, of which approximately RM1.578 million has been recognised as at the LPD.

(4) After taking into consideration the estimated expenses of RM2.50 million in relation to the Proposed Transaction.

(5) After taking into consideration the pro forma gain on disposal of RM20.21 million and the estimated expenses of RM500,000 in relation to the Proposed Disposal.

(6) After taking into consideration the partial redemption of PDS amounting to RM50.00 million via the proceeds raised in relation to the Proposed Transaction.

(7) After taking into consideration the indicative RM294.00 million raised by DGSB through the issuance of asset-backed securities, which will form part of Paramount Group's borrowings, to refinance the borrowings/ financing of Paramount Group amounting to RM241.50 million in relation to the Proposed Transaction.

(8) After taking into consideration the total proceeds to be raised amounting to RM38.50 million from the Proposed Disposal, of which RM30.00 million has been earmarked for the repayment of borrowings.

(9) After deducting the estimated expenses in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants amounting to RM300,000.

(10) After taking into consideration the exercise of 180,045,328 Warrants at the indicative exercise price of RM1.65 per Warrant.

5.3 Earnings and EPS

The Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are not expected to have any material effect on the earnings of the Group for the FYE 31 December 2019, save for the dilution in the consolidated EPS of the Company as a result of the increase in the number of Paramount Shares in issue pursuant to the Proposed Issue of Bonus Shares, and as and when the Warrants are exercised and converted into new Paramount Shares.

The potential effects of the exercise of the Warrants on the future earnings and EPS of the Group will depend upon, among others, the number of Warrants exercised at any point in time and the returns generated by the Group from the utilisation of proceeds raised from the exercise of the Warrants.

5.4 Convertible securities

As at the LPD, the Company does not have any convertible securities in issue. The Proposed Issue of Bonus Shares will give rise to an adjustment to the number of the unvested LTIP Shares held by each LTIP Grantee pursuant to the By-Laws. Any adjustment which is required will be made in accordance with the provisions of the By-Laws to ensure that the status of the LTIP Grantees holding the unvested LTIP Shares are not prejudiced after the completion of the Proposed Issue of Bonus Shares. Any such adjustment will only be finalised on the Entitlement Date. In addition, a written notification will be despatched to the LTIP Grantees holding the unvested LTIP Shares in the event of any such adjustment.

5.5 Substantial shareholders' shareholdings

The Proposed Issue of Bonus Shares will not have any effect on the shareholding percentage of the substantial shareholders of Paramount as the Bonus Shares will be allotted on a pro-rata basis to all shareholders of the Company. However, the number of Paramount Shares held by the substantial shareholders will increase proportionately pursuant to the Proposed Issue of Bonus Shares.

The Proposed Issue of Free Warrants will not have any effect on the shareholding percentage of the substantial shareholders of Paramount assuming all Entitled Shareholders exercise their respective Warrants during the exercise period of the Warrants. The number of Paramount Shares held by the substantial shareholders will increase proportionately pursuant to the exercise of the Warrants into new Paramount Shares.

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For illustration purpose, the effects on the percentage shareholding of the substantial shareholders of Paramount are as follows:

	As at the LPD				(I) Assuming all the Outstanding LTIP Shares are vested			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of Shares	[(1)]%	No. of Shares	[(1)]%	No. of Shares	[(2)]%	No. of Shares	[(2)]%
Paramount Equities Sdn Bhd	110,180,000	25.43	-	-	110,180,000	24.48	-	-
Dato' Teo Chiang Quan	5,610,500	1.29	[(5)]113,457,700	26.18	5,610,500	1.25	[(5)]113,603,700	25.24
Southern Palm Industries Sdn Bhd	37,236,500	8.59	[(6)]19,316,500	4.46	37,236,500	8.27	[(6)]19,316,500	4.29
Southern Edible Oil Industries (M) Sdn Bhd	1,165,500	0.27	[(7)]56,553,000	13.05	1,165,500	0.26	[(7)]56,553,000	12.56
Southern Realty (Malaya) Sdn Bhd	10,496,500	2.42	[(8)]57,718,500	13.32	10,496,500	2.33	[(8)]57,718,500	12.82
Banting Hock Hin Estate Co Sdn Bhd	644,000	0.15	[(9)]68,215,000	15.74	644,000	0.14	[(9)]68,215,000	15.16

	(II) After the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants				(III) After (II) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of Shares	[(3)]%	No. of Shares	[(3)]%	No. of Shares	[(4)]%	No. of Shares	[(4)]%
Paramount Equities Sdn Bhd	154,252,000	24.48	-	-	198,324,000	24.48	-	-
Dato' Teo Chiang Quan	7,854,700	1.25	[(5)]159,045,180	25.24	10,098,900	1.25	[(5)]204,486,660	25.24
Southern Palm Industries Sdn Bhd	52,131,100	8.27	[(6)]27,043,100	4.29	67,025,700	8.27	[(6)]34,769,700	4.29
Southern Edible Oil Industries (M) Sdn Bhd	1,631,700	0.26	[(7)]79,174,200	12.56	2,097,900	0.26	[(7)]101,795,400	12.56
Southern Realty (Malaya) Sdn Bhd	14,695,100	2.33	[(8)]80,805,900	12.82	18,893,700	2.33	[(8)]103,893,300	12.82
Banting Hock Hin Estate Co Sdn Bhd	901,600	0.14	[(9)]95,501,000	15.16	1,159,200	0.14	[(9)]122,787,000	15.16

Notes:

(1) *Computed based on an issued share capital of 433,344,720 Paramount Shares as at the LPD.*

(2) *Computed based on an enlarged issued share capital of 450,113,320 Paramount Shares, after taking into consideration the vesting of 16,768,600 Outstanding LTIP Shares.*

(3) *Computed based on an enlarged issued share capital of 630,158,648 Paramount Shares, after taking into consideration the issuance of up to 180,045,328 Bonus Shares pursuant to the Proposed Issue of Bonus Shares.*

(4) *Computed based on enlarged issued share capital of 810,203,976 Paramount Shares, after taking into consideration the issuance of up to 180,045,328 new Paramount Shares pursuant to the exercise of Warrants.*

(5) *By virtue of his deemed interest in Paramount Equities Sdn Bhd and the shareholdings of his family members pursuant to Section 8 of the Act.*

(6) *By virtue of its deemed interest in Southern Acids (M) Berhad pursuant to Section 8 of the Act.*

(7) *By virtue of its deemed interest in Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad pursuant to Section 8 of the Act.*

(8) *By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad pursuant to Section 8 of the Act.*

(9) *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 pursuant to Section 8 of the Act.*

6. HISTORICAL SHARE PRICES

The monthly high and low market price of Paramount Shares as traded on the Main Market of Bursa Securities for the last twelve (12) months from June 2018 to May 2019 are as follows:

	High (RM)	Low (RM)
2018		
June	1.98	1.84
July	1.92	1.84
August	2.13	1.86
September	2.20	2.05
October	2.26	1.98
November	2.15	2.00
December	2.10	1.95
2019		
January	2.20	2.00
February	2.20	2.08
March	2.19	2.01
April	2.17	2.01
May	2.12	2.06

Last transacted price of Paramount Shares on 7 November 2018 (being the last trading day prior to the announcement of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants)	RM2.00
Last transacted price of Paramount Shares on the LPD	RM2.09

(Source: Bloomberg)

7. APPROVALS REQUIRED/OBTAINED AND INTER-CONDITIONALITY

The Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are subject to approvals being obtained from the following:

(i) Bursa Securities for the following which was obtained via its letter dated 7 May 2019:

(a) admission to the Official List of Bursa Securities and listing of and quotation for up to 180,045,328 Warrants to be issued pursuant to the Proposed Issue of Free Warrants;

(b) listing of and quotation for up to 180,045,328 Bonus Shares to be issued pursuant to the Proposed Issue of Bonus Shares; and

(c) listing of and quotation for up to 180,045,328 new Paramount Shares to be issued arising from the exercise of the Warrants.

The approval of Bursa Securities, which was obtained via its letter dated 7 May 2019, is subject to the following conditions:

No.	Conditions	Status of compliance
(1)	Paramount and RHB Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants;	Noted
(2)	Paramount and RHB Investment Bank to inform Bursa Securities upon completion of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants respectively;	To be complied

No.	Conditions	Status of compliance
(3)	Paramount and RHB Investment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are completed respectively;	To be complied
(4)	Paramount is required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements in relation to the Proposed Issue of Bonus Shares;	To be complied
(5)	Paramount is required to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the general meeting for the Proposed Issue of Bonus Shares prior to the listing and quotation of the Bonus Shares; and	To be complied
(6)	Paramount is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants under the Proposed Issue of Free Warrants as at the end of each quarter.	To be complied

(ii) the shareholders of Paramount at the forthcoming EGM; and

(iii) any other relevant authorities/ parties, if required.

The Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are not inter-conditional upon each other. The Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are not conditional upon:

(i) the Proposed Transaction as set out in Part A of this Circular;

(ii) the Proposed Disposal as set out in Part C of this Circular; and

(iii) any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company or persons connected with them has any interest, either direct or indirect, in the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, apart from their respective entitlements as shareholders of the Company under the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, which are also available to all other Entitled Shareholders.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, including but not limited to the rationale as well as the effects of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, is of the opinion that the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are in the best interest of the Company and our shareholders.

Accordingly, the Board recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants to be tabled at the forthcoming EGM.

10. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, and as disclosed below, there were no other corporate proposals announced but have yet to be completed as at the LPD:

(i) the Proposed Section 14 Development;

(ii) the Proposed Transaction; and

(iii) the Proposed Disposal.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the relevant approvals being obtained and barring any unforeseen circumstances, the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants are expected to be completed in the third (3rd) quarter of 2019. The tentative timetable in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants is set out below:

Month	Event
10 July 2019	• EGM for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants
Mid July 2019	• Announcement of the Entitlement Date
End July 2019	• Entitlement Date
	• Listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities
Early August 2019	• Listing of and quotation for the Warrants on the Main Market of Bursa Securities
	• Completion of the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants

12. EGM

The EGM, notice of which is enclosed in this Circular, will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Wednesday, 10 July 2019 at 10.30 a.m. for the purpose of considering and if thought fit, passing the ordinary resolutions to give effect to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein and deposit at the registered office of our Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending, voting and speaking in person at the EGM, should you subsequently wish to do so.

13. FURTHER INFORMATION

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

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

DATO' TEO CHIANG QUAN
Chairman/Executive Director

PART C

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

PARAMOUNT

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)
(Incorporated in Malaysia)

Registered Office:

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

17 June 2019

Board of Directors:

Dato' Teo Chiang Quan	*(Chairman/Executive Director)*
Jeffrey Chew Sun Teong	*(Group Chief Executive Officer/Executive Director)*
Datuk Seri Michael Yam Kong Choy	*(Senior Independent Non-Executive Director)*
Dato' Rohana Tan Sri Mahmood	*(Independent Non-Executive Director)*
Ong Keng Siew	*(Independent Non-Executive Director)*
Quah Poh Keat	*(Independent Non-Executive Director)*
Fatimah binti Merican	*(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 19 November 2018, the Board had announced that the Company had, on the same day, entered into the SPA-UOWM for the Proposed Disposal.

The Board had, on 13 June 2019, announced that the parties had signed the Supplemental Letter to vary certain clauses in the SPA-UOWM.

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART C OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Proposed Disposal

Paramount has agreed to sell and UOWM has agreed to purchase the Sale Shares for a total sale consideration of RM38,500,000 ("**Total Sale Consideration**") based on the terms and conditions set out in the SPA-UOWM entered into between the Company and UOWM on 19 November 2018 and the Supplemental Letter dated 12 June 2019.

2.2 Information on the Companies

Information on KDUUC, KDUPG and KDUPJ is set out in Appendices II, III and IV, respectively.

2.3 Information on UOWM

Information on UOWM is set out in Appendix V.

2.4 Original cost and date of investment

The original cost and date of investment of the Sale Shares are as follows:

Sale Shares	**Original cost of investment RM'000**	**Date of investment**
KDUUC Shares	25,770	15 April 1983 to 18 November 2009
KDUPG Shares	9,750	14 December 2009 to 5 August 2014
KDUPJ Shares	3,500	14 and 31 December 2009
Total	**39,020**	

2.5 Basis in arriving at the Total Sale Consideration

The Total Sale Consideration of RM38,500,000 for the Sale Shares was arrived at on a willing buyer and willing seller basis with reference to the following:

(i) the sale consideration of RM16,000,000 for the 65% equity interest in KDUUC was arrived at based on 1.3 times of KDUUC's adjusted net assets of RM18,700,000[(1)] as at 31 December 2017 after taking into consideration its adjusted LBITDA[(2)] of RM9,032,000 and audited LAT of RM8,293,000 registered for the FYE 31 December 2017;

(ii) the sale consideration of RM22,000,000 for the 65% equity interest in KDUPG was arrived at based on nine (9) times of KDUPG's adjusted EBITDA[(2)] of RM3,707,000 registered for the FYE 31 December 2017 after taking into consideration its adjusted net liabilities[(1)] of RM5,300,000 as at 31 December 2017 and its audited PAT of RM3,157,000 registered for the same financial year; and

(iii) the sale consideration of RM500,000 for the 70% equity interest in KDUPJ was arrived at on the basis of KDUPJ's licence to operate a college business after taking into consideration its adjusted net liabilities[(1)] of RM1,200,000 as at 31 December 2018, and its LBITDA[(2)] of RM4,589,000 and audited LAT of RM2,966,000 registered for the FYE 31 December 2017.

Notes:

(1) *The net assets/liabilities have been adjusted on the assumption that all property assets of the Companies have been disposed of, all dividends have been paid by the Companies to Paramount, all inter-company debts between Paramount Group and the Companies have been waived, all NCRCPS issued by the Companies to Paramount have been redeemed, and all external borrowings of the Companies, where applicable, have been repaid prior to 31 December 2017.*

(2) *The LBITDA/EBITDA have been adjusted to exclude management fees payable to Paramount and to include the estimated rental expenses of the Companies, as set out below:*

	Management Fees RM'000	*Estimated Rental RM'000*
KDUUC	*1,441*	*15,000*
KDUPG	*961*	*3,468*
KDUPJ	*356*	*3,600*

The above adjustments were made given that post completion of the Proposed Disposal, management fees that had been accounted for in the FYE 31 December 2017 will no longer be payable to Paramount, and the Companies will be incurring rental expenses arising from the sale and lease back of their respective campus properties, including the Subject Campus Properties, as mentioned in Section 1 of Part A of this Circular.

For further information, the adjusted net assets/liabilities and EBITDA/LBITDA, and the PAT/LAT of the Companies for the FYE 31 December 2018 are as follows:

	KDUUC RM'000	**KDUPG RM'000**	**KDUPJ RM'000**
Adjusted net assets / (liabilities) as at 31 December 2018	12,900	(4,900)	(2,800)
Adjusted EBITDA / (LBITDA) for the FYE 31 December 2018	(6,500)	3,000	(4,200)
Audited PAT / (LAT) for the FYE 31 December 2018	(7,476)	3,993	(2,334)

For the avoidance of doubt, the Agreed Price or sale consideration for the Initial Shares, the Call Option Shares and the Put Option Shares, shall be arrived at based on 10 times of the EBITDA of KDUUC or KDUPG, as the case may be, at the time of exercise of the option or at the agreed floor price (calculated based on 90% of the first sale consideration of RM16,000,000 or RM22,000,000, as the case may be, for the first 65% interest multiplied by the percentage of interest constituted in the Initial Shares or Call Option Shares or Put Option Shares at the time of exercise of the option). Please refer to Sections 1.3 and 2 (ii) (b) of Appendix VII of this Circular for further details on the Agreed Price.

2.6 Liabilities to be assumed

Pursuant to the terms of the SPA-UOWM, all loan liabilities owed by the Companies to third parties are to be repaid by Paramount prior to the completion of the SPA-UOWM.

To fulfil this condition, Paramount is undertaking the Securitisation Exercise and the Proposed Transaction as disclosed in Part A of this Circular. The proceeds of RM420,000,000 from the Proposed Transaction shall be partly utilised to settle all loan liabilities of the Companies prior to the completion of the SPA-UOWM.

A reconciliation of the total loan liabilities owed by the Companies to third parties as at 31 December 2018 to the loan liabilities to be settled with proceeds from the Proposed Transaction under Part A of the Circular is as follows:

Companies	Loan liabilities as at 31 December 2018 (Audited) RM'000	Unamortised loan transaction cost RM'000	Additional Sukuk issued in 2019 RM'000	Loan liabilities to be settled with proceeds from the Proposed Transaction RM'000
KDUUC	100,093	797	-	100,890
KDUPG	53,660	1,230	14,859	69,749
KDUPJ	-	-	-	-
Total	153,753	2,027	14,859	170,639

Save for the Securitisation Exercise and the Completion Adjustment, if any, as stated in Section 1.1 (vi) of Appendix VII of this Circular, there are no liabilities, including contingent liabilities and guarantees, to be assumed by Paramount pursuant to the SPA-UOWM.

2.7 Salient terms of the SPA-UOWM

Please refer to Section 1 of Appendix VII of this Circular for the salient terms and conditions of the SPA-UOWM in relation to the Proposed Disposal.

2.8 Salient terms of the Supplemental Letter

Please refer to Section 2 of Appendix VII of this Circular for the details of the Supplemental Letter in relation to the Proposed Disposal.

3. UTILISATION OF PROCEEDS

The total cash proceeds of RM38,500,000 arising from the Proposed Disposal is intended to be utilised by Paramount Group in the manner as set out below:

Details of utilisation		Amount of proceeds RM'000	Timeframe for utilisation
(i)	Estimated expenses in relation to the Proposed Disposal	500	Within one (1) month from completion of the SPA-UOWM
(ii)	Cut back on Group leverage[(1)]	30,000	Within three (3) months from completion of the SPA-UOWM
(iii)	Working capital of the Group[(2)]	8,000	Within six (6) months from completion of the SPA-UOWM
Total		**38,500**	

Notes:

(1) The proceeds will be utilised to pare down the following existing short-term borrowings of Paramount that carry a higher interest cost:

Financier	*Type of Facility*
Hong Leong Bank Berhad	*Revolving credit facility of RM10.00 million at the cost of 5.10% per annum. The repayment is expected to result in annual interest savings of approximately RM510,000.00*

Financier	*Type of Facility*
Sumitomo Mitsui Banking Corporation Malaysia Berhad	*Revolving credit facility of RM20.00 million at the cost of 5.22% per annum. The repayment is expected to result in annual interest savings of approximately RM1.04 million*

(2) *The working capital amount of approximately RM8.0 million will be utilised for payment to contractors for the Group's on-going property development projects, such as (a) Utropolis in Glenmarie, Shah Alam; (b) Atwater in Section 13, Petaling Jaya; and (c) Greenwoods, Salak Perdana in Salak Tinggi, Sepang.*

Should the actual amount utilised for any of the first two (2) items vary from the above estimates, the amount allocated for working capital shall be adjusted accordingly.

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSED DISPOSAL

The Proposed Disposal will enable Paramount to unlock the value of its investment in the Sale Shares, and to utilise the cash proceeds to pare down the Group's gearing and for working capital purposes.

More importantly, the Proposed Disposal will provide an opportunity for Paramount to establish a strategic partnership with UOWGE to enhance the brand position of KDU University College, KDU Penang University College and KDU College for student enrolment growth, and to expedite the turnaround of the tertiary education segment.

For the period from 31 December 2014 to 31 December 2018, the compounded annual growth rate ("**CAGR**") for the combined student enrolment of KDUUC and KDUPJ was 7.75% while KDUPG experienced a negative student enrolment CAGR of 0.57%. This slow growth in student enrolment has resulted in the under-utilisation of the existing three tertiary education campuses of the Group, (namely the Utropolis Glenmarie campus in Shah Alam, Selangor, the Jalan Anson campus in Penang and the Damansara Jaya campus in Petaling Jaya, Selangor) which have, in aggregate, a capacity for 12,000 students. In view of revenue being lower than expected due to the slow enrolment growth coupled with the finance costs and depreciation charges for the campuses, the tertiary education segment, taken as a whole, has been registering losses over the last six (6) financial years. In addition, the new campus of KDUPG in Batu Kawan was completed in the second quarter of 2019, and is targeted to commence operations in September 2019. The operating and finance costs of this new campus would further drain the Group's cash flow, as filling up the additional capacity for 3000 students at this campus, based on the existing value proposition of KDUPG, would take several years.

The revenue and PBT/LBT of KDUUC, KDUPG and KDUPJ based on their audited financial statements for the FYE 31 December 2018 are as follows:

	KDUUC RM'000	**KDUPG** RM'000	**KDUPJ** RM'000
Revenue	47,264	28,579	6,737
PBT/(LBT)	(5,803)	4,256	(2,334)
PAT/(LAT)	(7,476)	3,993	(2,334)

The tertiary education segment has been operating in an extremely challenging environment due to the emergence of many new industry players, all competing for the same market of local students. Under such circumstances, price wars have become an industry norm, which resulted in the erosion of revenue and profit margins. In addition, the increasing number of foreign tertiary education providers entering the market by setting up offshore or branch campuses in Malaysia has weakened the competitiveness of local brands, such as KDU. In view of this scenario, a two-pronged strategy is needed for the tertiary education segment to address its challenges by collaborating with an internationally recognised tertiary education provider to not only compete for local students, but to attract international schools to fill up all the tertiary education campuses of the Group, which currently (excluding the new campus in Batu Kawan) are operating at about 48% capacity, collectively.

The Proposed Disposal will enable the three KDU institutions to leverage on its close association with UOW, a well-established and high-ranking (16th in the world in the 2019 QS Top 50 under 50 universities - a ranking of universities under 50 years old) public research and teaching university from Australia, and the support of UOW for the development of high quality tertiary education programmes. Students of these three institutions will also gain access to UOW's Study Abroad and Student Exchange partnership network with 180 universities in 44 countries, including UOWGE's campuses in Australia, Hong Kong and Dubai.

Given that Australia is a popular destination for higher education among Malaysian students, the Board is of the view that the entry of a highly respected Australian public research and teaching university into KDU, and by extension, the Malaysian education scene will be beneficial to all stakeholders.

Premised on the view that KDUUC and KDUPG will have a stronger footing for financial improvement after the entry of UOWM as their majority shareholder, the Board has further proposed to dispose of another 5% stake in KDUUC and KDUPG to UOWM on the fourth anniversary of the Completion Date, and to allow UOWM to acquire the remaining 30% stake on a staggered basis on the fifth, sixth and seventh anniversaries via the Call Option. This staggered disposal, starting from the fourth anniversary, will allow Paramount to benefit from a potentially higher sale consideration when EBITDA improves after three years of co-branding with UOW. The Put Option will also allow the Company to require UOWM to acquire all remaining shares in KDUUC and KDUPG held by the Company on the eighth anniversary at a sale consideration to be calculated on a similar basis, as disclosed in Section 2 of Appendix VII of this Circular. These are exit provisions to prevent Paramount from being locked in as a minority shareholder of KDUUC and KDUPG indefinitely without any management control.

KDUPJ, being a college, is required to maintain a 30% Bumiputera equity structure. Hence, the Company had, on 9 January 2019, entered into a share purchase agreement with Zahrulannuar bin Mat Desa ("**Bumiputera Purchaser**"), an unrelated third party, for the proposed disposal of the remaining 1,500,000 ordinary shares in KDUPJ, representing 30% of the issued ordinary share capital of KDUPJ to the Bumiputera Purchaser for a nominal sale consideration of RM1.00 in view of the low student enrolment and potentially higher LBT of KDUPJ for the next two (2) financial years and the Bumiputera Purchaser's non-management control over KDUPJ. This proposed disposal is expected to be completed simultaneously with the completion of the SPA-UOWM, and will result in the Company ceasing to have any equity interest in KDUPJ. Therefore, the Call Option and Put Option, as stated in Appendix VII of this Circular, are not applicable to KDUPJ. The Share Buy Back provision has been included in the SPA-UOWM to ensure that Paramount will be equitably compensated in the event, within a period of three (3) years from the Completion Date, UOWM decides to amalgamate KDU College into any one of the two (2) KDU University Colleges by disposing of its shares in KDUPJ to KDUUC or KDUPG at a sale consideration that is higher than the original disposal price. Please refer to Section 1.4 of Appendix VII of this Circular for further details on the Share Buy Back provision.

After the completion of the Proposed Disposal, the Group will continue to focus on and grow our property business which has contributed 70% to the Group's revenue and 85% to the Group's PBT for the FYE 31 December 2018. The combined contribution of KDUUC, KDUPG and KDUPJ to the Group's revenue and PBT for the FYE 31 December 2018 were 9% and negative 2.6%, respectively. Post completion of the Proposed Disposal, KDUUC and KDUPG will be associated companies, and their financial results will be accounted for using the equity accounting method. Hence, the effects of any negative performance recorded by KDUUC and KDUPG, moving forward, would be insignificant to the Group. The Group will, however, be receiving rental income from KDUUC, KDUPG and KDUPJ pursuant to the sub-leases agreement to be entered into between the Companies and Janahasil for the Subject Campus Properties, as mentioned in Section 1 of Part A of this Circular, and for the Damansara Jaya campus.

5. RISK FACTORS OF THE PROPOSAL DISPOSAL

5.1 Non-completion of the Proposed Disposal

The completion of the Proposed Disposal is conditional upon the conditions precedent of the SPA-UOWM being fulfilled or waived. In the event any of the conditions precedent is not fulfilled or waived on or before the Long Stop Date, the Proposed Disposal may be delayed or terminated, and all potential benefits arising therefrom may not materialise. There can be no assurance that all the conditions precedent are able to be fulfilled. Nevertheless, Paramount anticipates that such a risk can be mitigated by proactively engaging with the relevant authorities/parties to obtain all the necessary approvals and documents required for the completion of the SPA-UOWM.

5.2 Contractual risk

Paramount has given warranties and/or undertakings as set out in the SPA-UOWM in favour of UOWM. In this respect, Paramount may be subject to the risk of claims from UOWM in accordance with the terms and conditions of the SPA-UOWM for the breach of any of the warranties and/or undertakings. In this regard, the Board and management of Paramount will endeavour to ensure compliance with the Company's obligations under the SPA-UOWM in order to minimise the risk of any breach of the warranties and/or undertakings given.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Issued share capital

The Proposed Disposal will not have any effect on the issued share capital of the Company, as the Total Sale Consideration will be satisfied fully in cash, and does not involve the issuance of any Paramount Shares.

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6.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of Paramount as at 31 December 2018, the pro forma effects of the Proposed Disposal is not expected to have any material effect on the consolidated NA per Paramount Share. However, the gearing ratio of Paramount Group is expected to increase as follows:

Group level	Audited as at 31 December 2018	(I) [1]After adjustment for subsequent events	(II) [2]After (I) and assuming all the Outstanding LTIP Shares are vested	(III) After (II), the Proposed Transaction and the Proposed Disposal	(IV) After (III), the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants	(V) After (IV) and assuming full exercise of the Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	310,315	316,862	[3]341,715	341,715	341,715	[10] 638,790
Employee share reserve	8,125	[3]1,578	-	-	-	-
Translation reserve	(140)	(140)	(140)	(140)	(140)	(140)
Retained earnings	752,991	752,991	752,991	[4][5]770,205	[9]769,905	769,905
Shareholders' equity / NA	**1,071,291**	**1,071,291**	**1,094,566**	**1,111,780**	**1,111,480**	**1,408,555**
PDS	199,787	149,787	149,787	[6] 99,787	99,787	99,787
Non-controlling interest	75,207	75,207	75,207	75,207	75,207	75,207
Total Equity	**1,346,285**	**1,296,285**	**1,319,560**	**1,286,774**	**1,286,474**	**1,583,549**
No. of Shares in issue ('000)	428,272	433,345	450,114	450,114	630,159	810,204
NA per Share (RM)	2.50	2.47	2.43	2.47	1.76	1.74
Total borrowings (RM'000)	900,661	950,661	950,661	[7][8] 973,161	973,161	973,161
Gearing (times)	0.84	0.89	0.87	0.88	0.88	0.69

Notes:

(1) *After taking into consideration the issuance of 5,072,800 new Shares as announced on 22 March 2019, pursuant to the vesting of LTIP Shares, as well as the partial redemption of RM50.00 million PDS on 7 February 2019 via the drawdown of revolving credit by Paramount Group.*

(2) *Assuming the vesting of all 16,768,600 Outstanding LTIP Shares.*

(3) *The employee share reserve account comprises 16,768,600 LTIP Shares with an estimated total value of RM24,853,068, of which approximately RM1.578 million has been recognised as at the LPD.*

(4) *After taking into consideration the estimated expenses of RM2.5 million in relation to the Proposed Transaction.*

(5) *After taking into consideration the pro forma gain on disposal of RM20.21 million and the estimated expenses of RM500,000 in relation to the Proposed Disposal.*

(6) *After taking into consideration the partial redemption of PDS amounting to RM50.00 million via the proceeds raised in relation to the Proposed Transaction.*

(7) *After taking into consideration the indicative RM294.00 million raised by DGSB through the issuance of asset-backed securities, which will form part of Paramount Group's borrowings, to refinance the borrowings/ financing of Paramount Group amounting to RM241.50 million in relation to the Proposed Transaction.*

(8) *After taking into consideration the total proceeds to be raised amounting to RM38.50 million from the Proposed Disposal, of which RM30.00 million has been earmarked for the repayment of borrowings.*

(9) *After deducting the estimated expenses in relation to the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants amounting to RM300,000.*

(10) *After taking into consideration the exercise of 180,045,328 Warrants at the indicative exercise price of RM1.65 per Warrant.*

6.3 Substantial shareholdings structure

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in the Company as the Total Sale Consideration will be satisfied fully in cash, and does not involve the issuance of any new Paramount Shares.

6.4 Earnings and EPS

Assuming the Proposed Disposal had been effected at the beginning of the FYE 31 December 2018, the effect on the consolidated EPS of Paramount is illustrated as follows:

	Audited FYE 31 December 2018 RM'000	**After the Proposed Disposal RM'000**
Profit attributable to ordinary equity holders	91,814	91,814
Effects of the Proposed Disposal on the earnings of Paramount Group:		
• Proforma gain on disposal	-	20,214
• Estimated expenses in relation to the Proposed Disposal	-	(500)
Total profit attributable to ordinary equity holders	**91,814**	**111,528**
Weighted average number of Paramount Shares in issue ('000)	427,609	427,609
Basic EPS (sen)	21.47	26.08

7. APPROVALS REQUIRED/OBTAINED AND INTER-CONDITIONALITY

7.1 Approvals

The Proposed Disposal is subject to the following being obtained:

(i) the approval of Paramount's shareholders at the forthcoming EGM;

(ii) the approval of the MOE in respect of the purchase of the Sale Shares by UOWM, which has been obtained in the second half of April 2019, and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals to remain in full force and effect; and

(iii) the approval of any other relevant authorities/parties, if required.

7.2 Inter-conditionality

The Proposed Disposal is not conditional upon:

(i) the Proposed Transaction as set out in Part A of this Circular; and

(ii) the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants as set out in Part B of this Circular; and

(iii) any other corporate proposals undertaken or to be undertaken by the Company.

For shareholders' information, the Proposed Disposal is conditional upon the completion of the internal restructuring exercises to be undertaken in respect of the Companies as stated in Section 1.1 (ii) (b) of Appendix VII of this Circular.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02 (g) of the Main Market Listing Requirements is 3.71% as announced by the Company on 19 November 2018 which was computed based on the audited consolidated financial statements of Paramount for the FYE 31 December 2017.

The highest percentage ratio is 3.59% if computed based on the audited consolidated financial statements of Paramount for the FYE 31 December 2018.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of Paramount or persons connected with them has any interest, direct or indirect, in the SPA-UOWM and the Supplemental Letter entered into in conjunction with the Proposed Disposal.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all relevant aspects of the SPA-UOWM, the Supplemental Letter, and the rationale of the Proposal Disposal, is of the opinion that the Proposed Disposal, the SPA-UOWM and Supplemental Letter entered into in conjunction with the Proposed Disposal are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

11. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal, and as disclosed below, there were no other corporate proposals announced but have yet to be completed as at the LPD:

(i) the Proposed Section 14 Development;

(ii) the Proposed Transaction; and

(iii) the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, and subject to all conditions precedent of the SPA-UOWM being fulfilled (unless validly waived) and all relevant approvals being obtained, the Proposed Disposal is expected to be completed by the third (3rd) quarter of 2019.

The tentative timetable in relation to the Proposed Disposal is set out below:

Month	Events
10 July 2019	• EGM for the Proposed Disposal
September 2019	• Fulfilment of all conditions precedent of the SPA-UOWM, including the completion of the Proposed Transaction. The internal restructuring exercise (as set out in Section 1.1 (ii)(b) of Appendix VII of this Circular) will be undertaken after the completion of the Proposed Transaction.
End-September 2019	• Transfer of the Sale Shares to the name of UOWM

In respect of the disposal of the Initial Shares, UOWM shall issue an Initial Shares Purchase Notice to Paramount on the 4th anniversary of the Completion Date. The said disposal shall be completed within thirty (30) days after the date of such notice.

13. EGM

The EGM, notice of which is enclosed in this Circular, will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 10 July 2019 at 10.30 a.m. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein and deposit it at the registered office of our Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time stipulated for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending, voting and speaking in person at the EGM, should you subsequently wish to do so.

14. FURTHER INFORMATION

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

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

DATO' TEO CHIANG QUAN
Chairman/Executive Director

INFORMATION ON DGSB

1. HISTORY AND BUSINESS

DGSB was incorporated in Malaysia on 5 September 2018 under the Act as a private company limited by shares for the specific purpose of carrying on the functions of a special purpose vehicle to undertake the Securitisation Exercise, which involves the securitisation of the Subject Campus Properties as set out in Part A of this Circular.

2. INFORMATION ON SHARE CAPITAL

As at the LPD, the issued share capital of DGSB is RM1.00 comprising one (1) ordinary share.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, DGSB does not have any subsidiary and associated company

4. SUBSTANTIAL SHAREHOLDER

Particulars of the sole shareholder of DGSB as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Shareholder	**Place of incorporation**	**No. of shares**	**%**	**No. of shares**	**%**
Asia International Trust Berhad	Malaysia	1[(1)]	100	-	-

Note:

(1) The beneficiary of the one (1) share in DGSB held on trust by Asia International Trust Berhad is Dignity for Children Foundation, which is a non-governmental organisation that provides holistic care and education for urban poor children in Kuala Lumpur, Malaysia. Dignity for Children Foundation is registered with the Companies Commission of Malaysia as a company limited by guarantee and regulated under the Act.

5. BOARD OF DIRECTORS

Particulars of the directors of DGSB as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Marlina Binti Budin	Malaysian	-	-	-	-
Huang Swee Lin, Jane	Malaysian	-	-	-	-

6. HISTORICAL FINANCIAL INFORMATION

As DGSB was incorporated on 5 September 2018, there is no audited financial statements or interim results of DGSB available as at the LPD.

7. MATERIAL CONTRACTS

Save as disclosed below, DGSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular:

(i) the Jalan Anson Campus Properties SPA;

(ii) the Batu Kawan Campus Properties SPA;

(iii) the Utropolis Glenmarie Campus Properties SPA;

(iv) the Supplemental SPAs.

(v) the Master Lease Agreement;

(vi) the Call and Put Option Agreements;

(vii) the CRNCPS Subscription Agreement (SPA Purchase Consideration); and

(viii) the CRNCPS Subscription Agreement.

8. MATERIAL LITIGATION

The board of directors of DGSB is, as at the LPD, not aware of any material litigation, claims, arbitration or proceedings pending or threatened against DGSB or of any fact that may likely give rise to any proceedings which may materially and adversely affect the financial position or business of DGSB.

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INFORMATION ON KDUUC

1. HISTORY AND BUSINESS

KDUUC was incorporated in Malaysia on 19 October 1981 under the Previous Companies Act as a private company limited by shares. KDUUC commenced its business operation in 1983 and is principally involved in the business of providing private tertiary education services at KDU University College whose campus is located at the Utropolis Glenmarie Campus. It offers a wide range of tertiary education programmes at Certificate, Diploma, Bachelor, Master and PhD levels to Malaysian and international students. Its education programmes include Business Studies; Hospitality, Tourism and Culinary Arts; Games Development; Computing and Creative Media; Communications and Creative Arts; English Language; Engineering as well as Postgraduate studies. KDUUC operates under a 5-year renewable university college licence issued by the MOE.

The number of students and employees for the past three years are as follows:

Date	Number of students	Number of employees
As at 31 December 2016	2,382	294
As at 31 December 2017	2,617	297
As at 31 December 2018	3,125	307

2. INFORMATION ON SHARE CAPITAL

As at the LPD, KDUUC has an issued share capital of RM142,059,000 represented by 15,000,000 ordinary shares and 25,200 NCRCPS.

The NCRCPS are convertible into ordinary shares at a rate to be determined by KDUUC and are redeemable at the option of KDUUC.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, KDUUC does not have any subsidiary and associated company.

4. SUBSTANTIAL SHAREHOLDERS

Particulars of the sole shareholder of KDUUC as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Shareholder	Place of incorporation	No. of ordinary shares	%	No. of ordinary shares	%
Paramount	Malaysia	15,000,000	100	-	-

		<--------Direct--------->		<--------Indirect------->	
Shareholder	Place of incorporation	No. of NCRCPS	%	No. of NCRCPS	%
Paramount	Malaysia	25,200	100	-	-

5. BOARD OF DIRECTORS

Particulars of the directors of KDUUC and their shareholdings in KDUUC as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of Ordinary shares**	**%**	**No. of Ordinary shares**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	15,000,000 [(1)]	100
Chew Sun Teong	Malaysian	-	-	-	-
Dato' Rohana Tan Sri Mahmood	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of NCRCPS**	**%**	**No. of NCRCPS**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	25,200 [(1)]	100
Chew Sun Teong	Malaysian	-	-	-	-
Dato' Rohana Tan Sri Mahmood	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Note:

(1) Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20% in Paramount pursuant to Section 8 of the Act.

6. HISTORICAL FINANCIAL INFORMATION

A summary of KDUUC's past three (3) years results based on its audited financial statements for the FYE 31 December 2016, 31 December 2017 and 31 December 2018, is as follows:

	FYE 31 December		
	2016	**[(1)] 2017**	**[(2)] 2018**
Revenue (RM'000)	39,499	42,306	47,264
LBT(RM'000)	(9,801)	(10,406)	(5,803)
LAT (RM'000)	(7,488)	(8,293)	(7,476)
Issued share capital (RM'000)	15,000	16,059	16,059
Shareholders' funds (RM'000)	124,564	126,271	118,795
NA (RM'000)	124,564	126,271	118,795
NA per share (RM)	8.30	8.42	7.92
Current ratio (times)	0.42	0.51	1.70
Total borrowings (all interest-bearing debts)	99,762	99,894	100,093
Net EPS (sen)	(49.92)	(55.29)	(49.84)
Gearing ratio (times)	0.80	0.79	0.84

Notes:

(1) The increase in revenue by 7% to RM42.31 million in FYE 31 December 2017 was mainly due to higher student enrolment during the year. The LBT increased by 6% mainly due to higher staff cost incurred.

(2) The increase in revenue by 12% to RM47.26 million in FYE 31 December 2018 was mainly due to higher student enrolment during the year. The LBT decreased by 44% mainly due to higher revenue recorded.

(3) The audited financial statements of KDUUC for the financial years under review were prepared in accordance with the MFRS and the requirements of the Act and were not subject to any audit qualification.

(4) There are no accounting policies adopted by KDUUC which are peculiar to KDUUC due to the nature of its business of the industry in which it is involved in for the financial years under review.

7. MATERIAL CONTRACTS

Save as disclosed below, KDUUC has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular:

(i) the Utropolis Glenmarie Campus Properties SPA; and

(ii) the Utropolis Glenmarie Campus Properties Supplemental SPA.

8. MATERIAL LITIGATION

The board of directors of KDUUC is, as at the LPD, not aware of any material litigation, claims, arbitration or proceedings pending or threatened against KDUUC of any fact that may likely give rise to any proceedings which may materially and adversely affect the financial position or business of KDUUC.

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INFORMATION ON KDUPG

1. HISTORY AND BUSINESS

KDUPG was incorporated in Malaysia on 17 November 2009 under the Previous Companies Act as a private company limited by shares. KDUPG commenced its business operation in 2009 and is principally involved in the business of providing private tertiary education services at KDU Penang University College whose main campus is located at the Jalan Anson Campus. It offers a wide range of tertiary education programmes at Diploma, Bachelor and postgraduate levels to Malaysian and international students. Its education programmes include Accounting and Business Studies; Built Environment and Interior Design; Computing, Engineering, Hospitality, Tourism and Culinary Arts; Languages; Mass Communication; Nursing as well as Pre-University Studies and Postgraduate programmes. KDUPG operates under a 5-year renewable university college licence issued by the MOE. Its second campus, located at Batu Kawan, has been fully constructed and the Certificate of Completion and Compliance has been obtained on 22 April 2019.

The number of students and employees for the past three years are as follows:

Date	Number of students	Number of employees
As at 31 December 2016	2,344	207
As at 31 December 2017	2,180	209
As at 31 December 2018	2,214	235

2. INFORMATION ON SHARE CAPITAL

As at the LPD, KDUPG has an issued share capital of RM45,000,000 represented by 15,000,000 ordinary shares and 6,000 NCRCPS.

The NCRCPS are convertible into ordinary shares at a rate to be determined by KDUPG and are redeemable at the option of KDUPG.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, KDUPG does not have any subsidiary and associated company.

4. SUBSTANTIAL SHAREHOLDERS

Particulars of the sole shareholder of KDUPG as at the LPD are set out below:

Shareholder	Place of incorporation	<--------Direct---------> No. of ordinary shares	%	<--------Indirect-------> No. of ordinary shares	%
Paramount	Malaysia	15,000,000	100	-	-

Shareholder	Place of incorporation	<--------Direct---------> No. of NCRCPS	%	<--------Indirect-------> No. of NCRCPS	%
Paramount	Malaysia	6,000	100	-	-

5. BOARD OF DIRECTORS

Particulars of the directors of KDUPG and their shareholdings in KDUPG as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of Ordinary shares**	**%**	**No. of Ordinary shares**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	15,000,000 (1)	100
Chew Sun Teong	Malaysian				
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-
Faizah Binti Khairuddin	Malaysian	-	-	-	-

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of NCRCPS**	**%**	**No. of NCRCPS**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	6,000 (1)	100
Chew Sun Teong	Malaysian				
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-
Faizah Binti Khairuddin	Malaysian	-	-	-	-

Note:

(1) Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20% in Paramount pursuant to Section 8 of the Act

6. HISTORICAL FINANCIAL INFORMATION

A summary of KDUPG's past three years results based on its audited financial statements for the FYE 31 December 2016, 31 December 2017 and 31 December 2018, is as follows:

		FYE 31 December	
	2016	**(1) 2017**	**(2) 2018**
Revenue (RM'000)	29,842	28,693	28,579
PBT(RM'000)	4,852	4,508	4,256
PAT (RM'000)	3,663	3,157	3,993
Issued share capital (RM'000)	15,000	15,003	15,003
Shareholders' funds (RM'000)	67,906	71,063	75,057
NA (RM'000)	67,906	71,063	75,057
NA per share (RM)	4.53	4.74	5.00
Current ratio (times)	0.08	0.09	1.85
Total borrowings (all interest-bearing debts)	0	28,771	53,660
Net EPS (sen)	24.42	21.05	26.62
Gearing ratio (times)	0.00	0.40	0.71

Notes:

(1) The decrease in revenue by 4% to RM28.69 million in FYE 31 December 2017 was mainly due to lower student enrolment during the year. The PBT decreased by 14% mainly due to lower revenue recorded.

(2) The marginal decrease in revenue to RM28.58 million in FYE 31 December 2018 was mainly due to higher scholarship deduction in 2018. The PBT decreased by 6% mainly due to lower revenue coupled with higher staff cost and increase in other operating expenses.

(3) The audited financial statements of KDUPG for the financial years under review were prepared in accordance with the MFRS and the requirements of the Act and were not subject to any audit qualification.

(4) There are no accounting policies adopted by KDUPG which are peculiar to KDUPG due to the nature of its business of the industry in which it is involved in for the financial years under review.

7. MATERIAL CONTRACTS

Save as disclosed below, KDUPG has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular:

(i) the Jalan Anson Campus Properties SPA;

(ii) the Batu Kawan Campus Properties SPA;

(iii) the Batu Kawan Campus Properties Supplemental SPA;

(iv) the Batu Kawan Campus Properties Supplemental SPA 2;

(v) sale and purchase agreement dated 29 November 2018 for the disposal of the freehold land held under title bearing particulars Geran No. 58609, Lot No. 1130, Bandar Georgetown, Seksyen 13, Daerah Timur Laut, Negeri Pulau Pinang together with the building erected thereon as well as fixtures and fittings installed therein to Janahasil, a related corporation, for a total sale consideration of RM7,800,000 only; and

(vi) sale and purchase agreement dated 29 November 2018 for the disposal of the freehold land held under title bearing particulars Geran No. 167235, Lot No. 21590, Mukim 13, Daerah Seberang Perai Selatan, Negeri Pulau Pinang to Paramount Property (PW) Sdn Bhd (Company No. 1057143-D), a related corporation, for a total sale consideration of RM15,400,000 only.

8. MATERIAL LITIGATION

The board of directors of KDUPG is, as at the LPD, not aware of any material litigation, claims, arbitration or proceedings pending or threatened against KDUPG of any fact that may likely give rise to any proceedings which may materially and adversely affect the financial position or business of KDUPG.

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INFORMATION ON KDUPJ

1. HISTORY AND BUSINESS

KDUPJ was incorporated in Malaysia on 20 November 2009 under the Previous Companies Act as a private company limited by shares. KDUPJ commenced its business operation in 2009 and is principally involved in the business of providing private tertiary education services at KDU College whose campus is located at SS22/41, Damansara Jaya, 47400 Petaling Jaya, Selangor (Damansara Jaya Campus). It offers primarily tertiary education programmes in partnership with universities and institutions from the United Kingdom, Australia, the United States and Switzerland to Malaysian and international students. Its education programmes include Business Studies; Law; Communication and Media Studies; Hospitality, Tourism and Culinary Arts as well as Pre-University Studies and Professional Accounting. KDUPJ operates under a 5-year renewable college licence issued by the MOE.

The number of students and employees for the past three years are as follows:

Date	Number of students	Number of employees
As at 31 December 2016	455	82
As at 31 December 2017	397	74
As at 31 December 2018	374	78

2. INFORMATION ON SHARE CAPITAL

As at the LPD, KDUPJ has an issued share capital of RM54,900,000 represented by 5,000,000 ordinary shares and 9,980 NCRCPS.

The NCRCPS are convertible into ordinary shares at a rate to be determined by KDUPJ and are redeemable at the option of KDUPJ.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, KDUPJ does not have any subsidiary and associated company.

4. SUBSTANTIAL SHAREHOLDERS

Particulars of the sole shareholder of KDUPJ as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Shareholder	**Place of incorporation**	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
Paramount	Malaysia	5,000,000	100	-	-

		<--------Direct--------->		<--------Indirect------->	
Shareholder	**Place of incorporation**	**No. of NCRCPS**	**%**	**No. of NCRCPS**	**%**
Paramount	Malaysia	9,980	100	-	-

5. BOARD OF DIRECTORS

Particulars of the directors of KDUPJ and their shareholdings in KDUPJ as at the LPD are set out below:

Directors	Nationality	<--------Direct---------> No. of Ordinary shares	%	<--------Indirect-------> No. of Ordinary shares	%
Dato' Teo Chiang Quan	Malaysian	-	-	5,000,000 [(1)]	100
Chew Sun Teong	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Directors	Nationality	<--------Direct---------> No. of NCRCPS	%	<--------Indirect-------> No. of NCRCPS	%
Dato' Teo Chiang Quan	Malaysian	-	-	9,980 [(1)]	100
Chew Sun Teong	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Note:

(1) Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20% in Paramount pursuant to Section 8 of the Act.

6. HISTORICAL FINANCIAL INFORMATION

A summary of KDUPJ's past three years results based on its audited financial statements for the FYE 31 December 2016, 31 December 2017 and 31 December 2018, is as follows:

	FYE 31 December 2016	[(1)] 2017	[(2)] 2018
Revenue (RM'000)	8,295	7,308	6,737
PBT/(LBT) (RM'000)	3,561	(2,960)	(2,334)
PAT/(LAT) (RM'000)	2,676	(2,967)	(2,334)
Issued share capital (RM'000)	5,000	5,000	5,000
Shareholders' funds (RM'000)	46,087	40,786	43,120
NA (RM'000)	46,087	40,786	43,120
NA per share (RM)	9.22	8.16	8.52
Current ratio (times)	1.62	1.20	10.55
Total borrowings (all interest-bearing debts)	0	0	0
Net EPS (sen)	53.52	(59.34)	(46.68)
Gearing ratio (times)	0.00	0.00	0.00

Notes:

(1) The decrease in revenue by 12% to RM7.31 million in FYE 31 December 2017 was mainly due to lower student enrolment during the year. The LBT (excluding the non-recurring gain of RM8.68 million from the disposal of student apartments in FYE 31 December 2016) decreased by 42% mainly due to savings in costs.

(2) The decrease in revenue by 8% to RM6.74 million in FYE 31 December 2018 was mainly due to lower student enrolment during the year. The LBT decreased by 21% mainly due to savings in costs.

(3) The audited financial statements of KDUPJ for the financial years under review were prepared in accordance with the MFRS and the requirements of the Act and were not subject to any audit qualification.

(4) There are no accounting policies adopted by KDUPJ which are peculiar to KDUPJ due to the nature of its business of the industry in which it is involved in for the financial years under review.

7. MATERIAL CONTRACTS

Saved as disclosed below, KDUPJ has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular:

(i) sale and purchase agreement dated 29 November 2018 for the disposal of the freehold land held under title bearing particulars Geran No. 40139, Lot No. 32182, Seksyen 39, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor together with the building erected thereon as well as fixtures and fittings installed therein to Paramount Greencity Sdn Bhd (Company No. 1289715-M), a related corporation, for a total sale consideration of RM60,000,000 only.

8. MATERIAL LITIGATION

The board of directors of KDUPJ is, as at the LPD, not aware of any material litigation, claims, arbitration or proceedings pending or threatened against KDUPJ of any fact that may likely give rise to any proceedings which may materially and adversely affect the financial position or business of KDUPJ.

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INFORMATION ON UOWM

1. HISTORY AND BUSINESS

UOWM was incorporated on 14 November 2018 under the Act as a private limited company. UOWM is principally involved in investment holding in private college and university education. Its holding company, UOWGE, is wholly-owned by UOW, a public research and teaching university from New South Wales, Australia.

2. INFORMATION ON SHARE CAPITAL

As at the LPD, the issued share capital of UOWM is RM1.00 comprising one (1) ordinary share.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, UOWM does not have any subsidiary and associated company.

4. SUBSTANTIAL SHAREHOLDERS

Particulars of the sole shareholder of UOWM as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Shareholder	**Place of incorporation**	**No. of shares**	**%**	**No. of shares**	**%**
UOWGE	Australia	1	100	-	-

5. BOARD OF DIRECTORS

Particulars of the directors of UOWM as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Damien John Israel	Australian	-	-	-	-
Noel Harold Cornish	Australian				
Marisa Mastroianni	Australian	-	-	-	-
Ng Glok Hong	Malaysian	-	-	-	-

6. HISTORICAL FINANCIAL INFORMATION

As UOWM was incorporated on 14 November 2018, there is no audited financial statements or interim results available as at the LPD.

7. MATERIAL CONTRACTS

Save for the SPA-UOWM and the Supplemental Letter, UOWM has not entered into any material contracts (not being contracts entered into in the ordinary course of business) since its incorporation up to the date of this Circular.

8. MATERIAL LITIGATION

The board of directors of UOWM is, as at the LPD, not aware of any material litigation, claims, arbitration or proceedings pending or threatened against UOWM of any fact that may likely give rise to any proceedings which may materially and adversely affect the financial position or business of UOWM.

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SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED TRANSACTION

1. SALIENT TERMS OF THE SPAs

No payment of deposit is required to be made by DGSB to the respective vendors under the SPAs as DGSB was incorporated as a special purpose vehicle for the purpose of undertaking the Securitisation Exercise as stated in Section 1 of Part A of this Circular and DGSB would not have any fund available to it until the completion of the Securitisation Exercise. Please refer to Appendix I of this Circular for further details on DGSB.

1.1 Salient terms of the Jalan Anson Campus Properties SPA

(i) Terms of payment

Upon the Jalan Anson Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall pay the disposal consideration of RM50,000,000 in the following manner:

(a) the cash consideration of RM35,000,000, out of which:

(1) the redemption sum for the Jalan Anson Campus Properties, if applicable, shall be paid directly to the existing caveator to redeem the Jalan Anson Campus Properties;

(2) the balance thereof, if any, to KDUPG; and

(b) issue 15,000,000 CRNCPS to Paramount.

The proportion of cash consideration and the CRNCPS may be varied up to 5% of the disposal consideration of the Jalan Anson Campus Properties as mutually agreed between KDUPG and the Purchaser provided that the aggregate of the cash consideration and the CRNCPS shall always be at RM50,000,000.

(ii) Conditions precedent

The conditions precedent under the Jalan Anson Campus Campus Properties SPA include the following:

(a) The directors' resolution and shareholders' resolution of KDUPG authorising the sale of the Jalan Anson Campus Properties having been obtained;

(b) The directors' resolution and shareholders' resolution of the Purchaser authorising the purchase of the Jalan Anson Campus Properties having been obtained;

(c) All other consents and approvals from all relevant authorities, the existing caveator and any other third parties necessary for the completion of the transactions contemplated under the Jalan Anson Campus Properties SPA (including the perfection of the transfer and the security required under the Securitisation Exercise) have been obtained;

(d) Receipt by the Purchaser of a valuation report dated no more than three (3) months prior to the first issuance of the MTNs, conducted on the Jalan Anson Campus Properties indicating that the open market value of the Jalan Anson Campus Properties is no less than Ringgit Fifty Million (RM50,000,000.00);

(e) Receipt by the Purchaser of a redemption statement cum letter of undertaking from the existing caveator which sets out the redemption sum and the undertaking by the existing caveator to deliver to KDUPG or its solicitors the titles and the duly executed discharge documents immediately upon its receipt of the redemption sum, where applicable;

(f) All the conditions precedent under the Securitisation Exercise having been fulfilled and/ or waived save and except for the condition that the Jalan Anson Campus Properties SPA has become unconditional;

(g) Receipt by the solicitors of the documents set out in Clause 4.1 of the Jalan Anson Campus Properties SPA;

(h) Receipt by the Purchaser of a letter of undertaking from KDUPG undertaking to refund the Purchase Consideration to the Purchaser in the event that the transfer is not registrable for whatsoever reason, which results in the non-registration of the land charge with the relevant land office;

(i) The legal opinion from the solicitors confirming the validity, legality and enforceability of the Jalan Anson Campus Properties SPA; and

(j) The letter from the solicitors confirming that all the conditions precedent have been fulfilled.

(iii) Limited recourse

KDUPG acknowledges that the Purchaser is a special purpose vehicle incorporated for the purposes of the Securitisation Exercise which pursuant to the LOLA Framework is required to be bankruptcy remote and accordingly all claims of KDUPG against the Purchaser under the Jalan Anson Campus Properties SPA shall be limited to the extent of the assets available (being the Jalan Anson Campus Properties, any cash and bank balances as well as any accounts receivables available) to the Purchaser, and any claim over and above the value of such assets shall be extinguished. In line with the foregoing, KDUPG agrees that it cannot:

(a) apply for the winding-up or dissolution of the Purchaser;

(b) appoint, or agree to the appointment of any administrator, receiver or receiver and manager to the Purchaser;

or take proceedings for any of the above and KDUPG waives its rights to make those applications and take those proceedings.

(iv) Termination

In the event termination is pursuant to a breach by KDUPG and/or Purchaser, the parties shall, to the maximum extent possible, be restored to their respective original position prior to the making of the Jalan Anson Campus Properties SPA where, inter alia,:-

(a) the purchase consideration shall be refunded to the Purchaser;

(b) the Purchaser shall return the documents deposited with the Purchaser for completion to KDUPG;

(c) encumbrances created by the Purchaser over the Jalan Anson Campus Properties shall be discharged and removed; and

(d) the possession of the Jalan Anson Campus Properties shall be redelivered to KDUPG.

1.2 Salient terms of the Batu Kawan Campus Properties SPA

(i) Terms of payment

Upon the Batu Kawan Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall pay the disposal consideration of RM120,000,000 in the following manner:

(a) a cash consideration of RM70,000,000, out of which:

(1) the redemption sum for the Batu Kawan Campus Properties, if applicable, shall be paid directly to the existing chargee/ caveator to redeem the Batu Kawan Campus Properties;

(2) the balance thereof, if any, to KDUPG; and

(b) issue 36,000,000 CRNCPS to Paramount.

On completion of construction of the Batu Kawan Campus Properties which shall be evidenced by the issuance of the certificate of completion and compliance, the Purchaser shall pay the remaining cash consideration of RM14,000,000 to Janahasil.

The proportion of cash consideration and the CRNCPS may be varied up to 5% of the disposal consideration of the Batu Kawan Campus Properties as mutually agreed between KDUPG and the Purchaser provided that the aggregate of the cash consideration and the CRNCPS shall always be at RM120,000,000.

Kindly refer to the salient terms of the Batu Kawan Campus Properties Supplemental SPA and the Batu Kawan Campus Properties Supplemental SPA 2 as set out in Section 3 of this Appendix for the amendments to the terms hereunder.

(ii) Conditions precedent

The conditions precedent under the Batu Kawan Campus Campus Properties SPA include the following:

(a) The directors' resolution and shareholders' resolution of KDUPG authorising the sale of the Batu Kawan Campus Properties having been obtained;

(b) The directors' resolution and shareholders' resolution of the Purchaser authorising the purchase of the Batu Kawan Campus Properties having been obtained;

(c) All other consents and approvals from all relevant authorities, the existing chargee/caveator and any other third parties necessary for the completion of the transactions contemplated under the Batu Kawan Campus Properties SPA (including the perfection of the transfer and the security required under the Securitisation Exercise) having been obtained;

(d) Receipt by the Purchaser of a valuation report dated no more than three (3) months prior to the first issuance of the MTNs, conducted on the Batu Kawan Campus Properties indicating that the open market value of the Batu Kawan Campus Properties is no less than Ringgit One Hundred and Twenty Million (RM120,000,000.00);

(e) Receipt by the Purchaser of a redemption statement cum letter of undertaking from the existing chargee/caveator which sets out the redemption sum and the undertaking by the existing chargee/caveator to deliver to KDUPG or its solicitors the title and the duly executed discharge documents immediately upon its receipt of the redemption sum, where applicable;

(f) All the conditions precedent under the Securitisation Exercise having been fulfilled and/ or waived save and except for the condition that the Batu Kawan Campus Properties SPA has become unconditional;

(g) Receipt by the solicitors of the documents set out in Clause 4.1 of the Batu Kawan Campus Properties SPA;

(h) Receipt by the Purchaser of a letter of undertaking from KDUPG undertaking to refund the purchase consideration to the Purchaser in the event that the transfer is not registrable for whatsoever reason, which results in the non-registration of the land charge with the relevant land office;

(i) The legal opinion from the solicitors confirming the validity, legality and enforceability of the Batu Kawan Campus Properties SPA; and

(j) The letter from the solicitors confirming that all the conditions precedent have been fulfilled.

(iii) Limited recourse

KDUPG acknowledges that the Purchaser is a special purpose vehicle incorporated for the purposes of the Securitisation Exercise which pursuant to the LOLA Framework is required to be bankruptcy remote and accordingly all claims of KDUPG against the Purchaser under the Batu Kawan Campus Properties SPA shall be limited to the extent of the assets available to the Purchaser (being the Batu Kawan Campus Properties, any cash and bank balances as well as any accounts receivables available), and any claim over and above the value of such assets shall be extinguished. In line with the foregoing, KDUPG agrees that it cannot:

(a) apply for the winding-up or dissolution of the Purchaser;

(b) appoint, or agree to the appointment of any administrator, receiver or receiver and manager to the Purchaser;

or take proceedings for any of the above and KDUPG waives its rights to make those applications and take those proceedings.

(iv) Termination

In the event termination is pursuant to a breach by KDUPG and/or Purchaser, the parties shall, to the maximum extent possible, be restored to their respective original position prior to the making of the Batu Kawan Campus Properties SPA where, inter alia,:-

(a) the purchase consideration shall be refunded to the Purchaser;

(b) the Purchaser shall return the documents deposited with the Purchaser for completion to KDUPG;

(c) encumbrances created by the Purchaser over the Batu Kawan Campus Properties shall be discharged and removed; and

(d) the possession of the Batu Kawan Campus Properties shall be redelivered to KDUPG.

1.3 Salient terms of the Utropolis Glenmarie Campus Properties SPA

(i) Terms of payment

Upon the Utropolis Glenmarie Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall pay the disposal consideration of RM250,000,000 in the following manner:

(a) the cash consideration of RM175,000,000, out of which:

(1) the redemption sum for the Utropolis Glenmarie Campus Properties, if applicable, shall be paid directly to the existing chargee to redeem the Utropolis Glenmarie Campus Properties;

(2) the balance thereof, if any, to KDUUC; and

(b) issue 75,000,000 CRNCPS to Paramount.

The proportion of cash consideration and the CRNCPS may be varied up to 5% of the disposal consideration of the Utropolis Glenmarie Campus Properties as mutually agreed between KDUUC and the Purchaser provided that the aggregate of the cash consideration and the CRNCPS shall always be at RM250,000,000.

Kindly refer to the salient terms of the Utropolis Glenmarie Campus Properties Supplemental SPA as set out in Section 3 of this Appendix for the amendments to the terms hereunder.

(ii) Conditions precedent

The conditions precedent under the Utropolis Glenmarie Campus Properties SPA include the following:

(a) The directors' resolution and shareholders' resolution of KDUUC authorising the sale of the Utropolis Glenmarie Campus Properties having been obtained;

(b) The directors' resolution and shareholders' resolution of the Purchaser authorising the purchase of the Utropolis Glenmarie Campus Properties having been obtained;

(c) All other consents and approvals from all relevant authorities, the existing chargee and any other third parties necessary for the completion of the transactions contemplated under the Utropolis Glenmarie Campus Properties SPA (including the perfection of the transfer and the security required under the Securitisation Exercise) having been obtained;

(d) Receipt by the Purchaser of a valuation report dated no more than three (3) months prior to the first issuance of the MTNs, conducted on the Utropolis Glenmarie Campus Properties indicating that the open market value of the Utropolis Glenmarie Campus Properties is no less than Ringgit Two Hundred and Fifty Million (RM250,000,000.00);

(e) Receipt by the Purchaser of a redemption statement cum letter of undertaking from the existing chargee which sets out the redemption sum and the undertaking by the existing chargee to deliver to KDUUC or its solicitors the titles and the duly executed discharge documents immediately upon its receipt of the redemption sum, where applicable;

(f) All the conditions precedent under the Securitisation Exercise having been fulfilled and/ or waived save and except for the condition that the Utropolis Glenmarie Campus Properties SPA has become unconditional;

(g) Receipt by the solicitors of the documents set out in Clause 4.1 of the Utropolis Glenmarie Campus Properties SPA;

(h) Receipt by the Purchaser of a letter of undertaking from KDUUC undertaking to refund the purchase consideration to the Purchaser in the event that the transfer is not registrable for whatsoever reason, which results in the non-registration of the land charge with the relevant land office;

(i) The legal opinion from the solicitors confirming the validity, legality and enforceability of the Utropolis Glenmarie Campus Properties SPA; and

(j) The letter from the solicitors confirming that all the conditions precedent have been fulfilled.

(iii) Limited recourse

KDUUC acknowledges that the Purchaser is a special purpose vehicle incorporated for the purposes of the Securitisation Exercise which pursuant to the LOLA Framework is required to be bankruptcy remote and accordingly all claims of KDUUC against the Purchaser under the Utropolis Glenmarie Campus Properties SPA shall be limited to the extent of the assets available to the Purchaser (being the Utropolis Glenmarie Campus Properties, any cash and bank balances as well as any accounts receivables available), and any claim over and above the value of such assets shall be extinguished. In line with the foregoing, KDUUC agrees that it cannot:

(a) apply for the winding-up or dissolution of the Purchaser;

(b) appoint, or agree to the appointment of any administrator, receiver or receiver and manager to the Purchaser;

or take proceedings for any of the above and KDUUC waives its rights to make those applications and take those proceedings.

(iv) Termination

In the event termination is pursuant to a breach by KDUUC and/or Purchaser, the parties shall, to the maximum extent possible, be restored to their respective original position prior to the making of the Utropolis Glenmarie Campus Properties SPA where, inter alia,:-

(a) the purchase consideration shall be refunded to the Purchaser;

(b) the Purchaser shall return the documents deposited with the Purchaser for completion to KDUUC;

(c) encumbrances created by the Purchaser over the Utropolis Glenmarie Campus Properties shall be discharged and removed; and

(d) the possession of the Utropolis Glenmarie Campus Properties shall be redelivered to KDUPG.

1.4 Conditions Precedent of the Securitisation Exercise

The conditions precedent of the Securitisation Exercise include the following:

(a) Acknowledgement from the SC on the lodgement of the Securitisation Exercise has been obtained;

(b) Receipt of a valuation report dated no more than three (3) months prior to the first issuance of MTNs conducted by Rahim & Co and addressed to the lead arranger and the security trustee under the Securitisation Exercise, indicating that the open market value of the Subject Campus Properties is no less than RM420,000,000. In the event that the valuation report is dated more than three (3) months prior to the first issuance of the MTNs, an updated valuation report/letter from Rahim & Co would be required;

(c) Receipt of a tax opinion from PricewaterhouseCoopers Taxation Services Sdn Bhd addressed to the Board of Paramount;

(d) Receipt of certified true copies of the certificate of incorporation and constitutional documents of the Purchaser;

(e) Receipt of the board resolution of the Purchaser authorising, among others, the establishment of the Securitisation Exercise, the issuance of the MTNs thereunder and the execution of all the relevant transaction documents;

(f) Evidence that all relevant notices of assignment in relation to the transaction documents have been served by the Purchaser and the original acknowledgements have been returned by the relevant counterparties to the security trustee under the Securitisation Exercise;

(g) Evidence that the designated accounts have been opened by the Purchaser and the terms of reference are in accordance with the terms of the transaction documents;

(h) Evidence that the transaction documents have been duly executed and, other than the land charge where applicable, stamped or endorsed as exempted from stamp duty (where applicable) and presented for registration;

(i) Evidence that relevant regulatory approvals of all transactions undertaken by DGSB in connection with the Securitisation Exercise have been obtained, where applicable;

(j) Evidence that the conditions precedent under the SPA-UOWM, save and except those agreed to be conditions subsequent or waived by the lead arranger under the Securitisation Exercise, have been fulfilled;

(k) Receipt of the certified true copy of each of the SPAs;

(l) Receipt of redemption statement and letter of undertaking from the chargee to release the security created in connection with the existing charges;

(m) Receipt of redemption statement and letter of undertaking from the caveator to release the security created in connection with the existing caveat;

(n) Receipt of satisfactory confirmation from the solicitors attending to the SPAs confirming that all conditions precedent of the SPAs have been fulfilled or waived, as the case may be;

(o) Evidence that the trustees' reimbursement account has been opened by the Purchaser;

(p) Receipt of satisfactory report of the legal due diligence exercise on the Purchaser;

(q) Receipt of satisfactory legal opinion from the solicitors on the bankruptcy remoteness of the Purchaser; and

(r) Receipt of satisfactory true sale legal opinion from the solicitors in respect of the transfer of the Subject Campus Properties from the KDUUC and KDUPG to the Purchaser.

Note: *The conditions precedent of the Securitisation Exercise above are for the benefit of the lead arranger and its application may be waived (in part or in whole) by the lead arranger.*

2. SALIENT TERMS OF THE CRNCPS SUBSCRIPTION AGREEMENT (SPA PURCHASE CONSIDERATION)

The salient terms of the CRNCPS Subscription Agreement (SPA Purchase Consideration) are set out below:

Issuer	:	DGSB
Issue size	:	126,000,000 CRNCPS, subject to variation in accordance with the SPAs
Issue price	:	RM1.00 per CRNCPS
Tenure	:	Eight (8) years from the CRNCPS issue date
Transferability	:	The CRNCPS shall be transferable
Dividend and dividend rate	:	The CRNCPS shall be entitled to a cumulative dividend of 15% per annum calculated based on the issue price of the CRNCPS of RM1.00 each as the board of directors of DGSB may decide and declare from time to time after the date of issue of the CRNCPS subject to availability of distributable profits of DGSB and settlement of all obligations of DGSB under the Securitisation Exercise. For clarity, the dividend will be cumulated and accrued for any period during the tenure for which dividend is not declared.

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED TRANSACTION (*Cont'd*)

Liquidation preference	:	Each CRNCPS shall on a winding-up or upon a reduction of capital or other return of capital of DGSB (other than on the redemption of the CRNCPS) rank pari passu with each other and confer on the holder thereof the right to receive, in priority to the holders of any other class of shares in the capital of DGSB, the cash repayment in full of the issue price (and premium payable, and the amount of any dividend in arrears) of that CRNCPS after the repayment and discharge of all debts and liabilities of DGSB and the costs of winding up or such capital reduction exercise. A CRNCPS shall not entitle the holder thereof to participate in the profits or surplus assets of DGSB in a winding up or upon reduction of capital of DGSB beyond such rights as are expressly set out under the Constitution of DGSB.
Redemption price	:	The redemption price shall be the aggregate of (1) the issue price of the CRNCPS; (2) the cumulated, accrued and unpaid dividends; and (3) a premium of 200% above the issue price. For shareholders' information, the terms of the redemption price above are commercially agreed between Paramount and DGSB which provides Paramount entitlement to any potential excess cash in DGSB after the settlement of all obligations of DGSB under the Securitisation Exercise.
Method of redemption	:	DGSB shall redeem the CRNCPS in cash at the Redemption Price upon settlement of all obligations of DGSB under the Securitisation Exercise. For avoidance of doubt, the CRNCPS shall be mandatorily redeemed at the end of its tenure subject to settlement of all obligations of DGSB under the Securitisation Exercise. The CRNCPS which have been redeemed will be cancelled and cannot be reissued.
Listing status	:	The CRNCPS will not be listed and quoted on the Official List of Bursa Securities.
Ranking	:	(i) The CRNCPS shall rank pari passu amongst themselves. (ii) The CRNCPS shall rank in priority to the holders of any other class of shares in respect of capital repayment and dividends.
Voting rights	:	The CRNCPS shall not carry any right to attend or voting rights at any general meeting of DGSB or by way of written resolution by virtue of their holdings thereof except in matters relating to any resolution varying or abrogating any of the rights and privileges attached to the CRNCPS. In any such case, the holders of the CRNCPS shall be entitled to vote together with the holders of the ordinary shares and to one (1) vote for each CRNCPS held. The CRNCPS do not entitle the holders thereof to any rights, bonus, allotment and/ or other distributions save for dividends relating to the CRNCPS that may be declared by DGSB, if any.

The CRNCPS are intended to be retained by Paramount until the end of its tenure and will not be listed on any stock exchange.

3. SALIENT TERMS OF THE SUPPLEMENTAL SPAS

Batu Kawan Campus Properties Supplemental SPA and Utropolis Glenmarie Campus Properties Supplemental SPA

As disclosed in Section 1 of Part A of this Circular, the Board had, on 25 October 2018, announced that the Proposed Transaction shall be undertaken by way of the Securitisation Exercise. However, as a result of changes to certain terms in relation to the issuance of the asset-backed securities, namely the MTNs, and to give effect thereto, KDUPG, KDUUC and DGSB have mutually agreed to enter into supplemental sale and purchase agreements to amend and vary certain terms and conditions of the Batu Kawan Campus Properties SPA and the Utropolis Glenmarie Campus Properties SPA. The salient terms of the Batu Kawan Campus Properties Supplemental SPA and Utropolis Glenmarie Campus Properties Supplemental SPA are set out below:-

The terms of payment for the disposal consideration

	Original terms	Revised terms
Batu Kawan Campus Properties SPA	Upon the Batu Kawan Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall pay the disposal consideration in the following manner:- (a) a cash consideration of RM70,000,000, out of which:- (1) the redemption sum for the Batu Kawan Campus Properties, if applicable, shall be paid directly to the existing chargee/ caveator to redeem the Batu Kawan Campus Properties; (2) the balance thereof, if any, to KDUPG; and (b) issue 36,000,000 CRNCPS to Paramount. On completion of construction of the Batu Kawan Campus Properties which shall be evidenced by the issuance of the certificate of completion and compliance, the Purchaser shall pay the remaining cash consideration of RM14,000,000 to Janahasil.	(a) Upon the Batu Kawan Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall:- (i) provided that KDUPG has settled thirty percent (30%) of the redemption sum of the Batu Kawan Campus Properties or evidenced that the said amount will be settled for the redemption of the Batu Kawan Campus Properties, pay the amount equivalent to seventy percent (70%) of the redemption sum of the Batu Kawan Campus Properties in cash as part payment towards the disposal consideration ("**Batu Kawan Cash Consideration Amount 1**") directly to the existing chargee/ caveator to redeem the Batu Kawan Campus Properties; and (ii) issue 36,000,000 CRNCPS to Paramount.

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED TRANSACTION (*Cont'd*)

	Original terms	Revised terms
		(b) On completion of construction of the Batu Kawan Campus Properties which shall be evidenced by the issuance of the certificate of completion and compliance and delivery thereof to the Purchaser, the Purchaser shall pay the disposal consideration less the aggregate of Batu Kawan Cash Consideration Amount 1 and the nominal value of 36,000,000 CRNCPS ("**Batu Kawan Cash Consideration Amount 2**") to KDUPG. KDUPG shall in turn nominate Janahasil to receive the Batu Kawan Cash Consideration Amount 2.
Utropolis Glenmarie Campus Properties SPA	Upon the Utropolis Glenmarie Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall pay the disposal consideration in the following manner:- (a) the cash consideration of RM175,000,000, out of which:- (1) the redemption sum for the Utropolis Glenmarie Campus Properties, if applicable, shall be paid directly to the existing chargee to redeem the Utropolis Glenmarie Campus Properties; (2) the balance thereof, if any, to KDUUC; and (b) issue 75,000,000 CRNCPS to Paramount.	(a) Upon the Utropolis Glenmarie Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall:- (i) pay the amount equivalent to the redemption sum of the Utropolis Glenmarie Campus Properties in cash as part payment towards the disposal consideration ("**Utropolis Glenmarie Cash Consideration Amount 1**") directly to the existing chargee to redeem the Utropolis Glenmarie Campus Properties; and (ii) issue 75,000,000 CRNCPS to Paramount. (b) Within fifteen (15) business days from the successful presentation of the transfer documents and the land charge at the relevant land office/ registry, pay the amount equivalent to the disposal consideration less the aggregate of the Utropolis Glenmarie Cash Consideration Amount 1 and the nominal value of 75,000,000 CRNCPS in cash ("**Utropolis Glenmarie Cash Consideration Amount 2**") to KDUUC. *Note: The presentation of the transfer documents and the land charge at the relevant land office/ registry is targeted to be made within five (5) business days from the completion of the Utropolis Glenmarie Campus Properties SPA and any delay would delay the receipt of the Utropolis Glenmarie Cash Consideration Amount 2.*

Batu Kawan Campus Properties Supplemental SPA 2

The buildings of the Batu Kawan Campus Properties were under construction when the Batu Kawan Campus Properties SPA and Batu Kawan Campus Properties Supplemental SPA were entered into on 25 October 2018 and 6 December 2018, respectively. In view that the conditions precedent for the Proposed Transaction have yet to be fulfilled but the construction of the said buildings had been completed and the Certificate of Completion and Compliance was obtained on 22 April 2019, KDUPG and DGSB have mutually agreed to enter into the Batu Kawan Campus Properties Supplemental SPA 2 to further vary the following salient terms:-

The terms of payment for the disposal consideration

	Original terms	Revised terms
Batu Kawan Campus Properties SPA (read together with Batu Kawan Campus Properties Supplemental SPA)	(a) Upon the Batu Kawan Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall:- (i) provided that KDUPG has settled thirty percent (30%) of the redemption sum of the Batu Kawan Campus Properties or evidenced that the said amount will be settled for the redemption of the Batu Kawan Campus Properties, pay the Batu Kawan Cash Consideration Amount 1 directly to the existing chargee/ caveator to redeem the Batu Kawan Campus Properties; and (ii) issue 36,000,000 CRNCPS to Paramount.	(a) Upon the Batu Kawan Campus Properties SPA becoming unconditional, on the completion date, which shall be the date of the first issuance of MTNs under the Securitisation Exercise, the Purchaser shall:- (i) provided that KDUPG has settled thirty percent (30%) of the redemption sum of the Batu Kawan Campus Properties or evidenced that the said amount will be settled for the redemption of the Batu Kawan Campus Properties, pay the Batu Kawan Cash Consideration Amount 1 directly to the existing chargee/ caveator to redeem the Batu Kawan Campus Properties; and (ii) issue 36,000,000 CRNCPS to Paramount.
	(b) On completion of construction of the Batu Kawan Campus Properties which shall be evidenced by the issuance of the certificate of completion and compliance and delivery thereof to the Purchaser, the Purchaser shall pay the Batu Kawan Cash Consideration Amount 2 to KDUPG. KDUPG shall in turn nominate Janahasil to receive the Batu Kawan Cash Consideration Amount 2.	(b) Within fifteen (15) business days from the successful presentation of the transfer documents and the land charge at the relevant land office/registry, the Purchaser shall pay the Batu Kawan Cash Consideration Amount 2 to KDUPG. KDUPG shall in turn nominate **Paramount** to receive the Batu Kawan Cash Consideration Amount 2. *Note: The presentation of the transfer documents and the land charge at the relevant land office/ registry is targeted to be made within five (5) business days from the completion of the Batu Kawan Campus Properties SPA and any delay would delay the receipt of the Batu Kawan Cash Consideration Amount 2*

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED TRANSACTION (*Cont'd*)

All the provisions of the SPAs shall continue to apply and be in full force and effect save and except for such provisions as have been expressly, or by necessary implication, amended, added to, modified, deleted or removed pursuant to the Supplemental SPAs.

Purely for illustrative purpose only, pursuant to the Supplemental SPAs, the Disposal Consideration shall be satisfied in the manner as set out below upon the fulfilment of the conditions precedent of the respective SPAs:

		Jalan Anson Campus Properties		Batu Kawan Campus Properties		Utropolis Glenmarie Campus Properties		Total Disposal Consideration	
Payment terms	**Payment mode**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**
On the completion date of the respective sale and purchase agreements	Cash	35,000,000	70.00	49,000,000[1]	40.83[1]	100,890,000[2]	40.36[2]	184,890,000	44.02
	Issuance of new CRNCPS in DGSB	15,000,000	30.00	36,000,000	30.00	75,000,000	30.00	126,000,000	30.00
Within fifteen (15) business days from the successful presentation of transfer documents and land charge[3]	Cash	-	-	35,000,000[1]	29.17[1]	74,110,000[2]	29.64[2]	109,110,000	25.98
	Total	**50,000,000**	**100.00**	**120,000,000**	**100.00**	**250,000,000**	**100.00**	**420,000,000**	**100.00**

Notes:

(1) The proportion of the Batu Kawan Cash Consideration Amount 1 and Batu Kawan Cash Consideration Amount 2 are dependent on the actual redemption sum of the Batu Kawan Campus Properties. The amounts shown in the table above is purely for illustration purpose only and is subject to changes but shall be at an aggregate of RM84,000,000, subject to a mutually agreed adjustment under the Batu Kawan Campus Properties SPA.

(2) The proportion of the Utropolis Glenmarie Cash Consideration Amount 1 and Utropolis Glenmarie Cash Consideration Amount 2 are dependent on the actual redemption sum of the Utropolis Glenmarie Campus Properties. The amounts shown in the table above is purely for illustration purpose only and is subject to changes but shall be at an aggregate of RM175,000,000, subject to a mutually agreed adjustment under the Utropolis Glenmarie Campus Properties SPA.

(3) The presentation of transfer documents and land charge is targeted to be made within five (5) business days from the completion date of the Batu Kawan Campus Properties SPA and Utropolis Glenmarie Campus Properties SPA respectively.

4. SALIENT TERMS OF THE MASTER LEASE AGREEMENT

Subject to and conditional upon the completion of the SPAs, DGSB shall lease to Janahasil and Janahasil shall accept the lease of the Subject Campus Properties upon, amongst others, the following terms and conditions of the Master Lease Agreement:-

i. The term of the lease shall be seven (7) years, effective from the completion date of the SPAs ("**Commencement Date**") and ending on the date falling seven (7) years later ("**Term**");

   For shareholders' information, the seven (7) years lease term was to be in line with the expected MTN's tenure to be issued by DGSB in relation to the Securitisation Exercise. The Term of the Master Lease Agreement is one (1) year shorter than the tenure of the CRNCPS, to be issued by DGSB, as the redemption of the CRNCPS is subject to DGSB discharging all of its financial obligations under the MTNs. Please refer to Section 2 of this Appendix for the salient terms of the CRNCPS to be issued by DGSB.

ii. Janahasil shall pay to DGSB the Lease Rental Payments for each of the Subject Campus Properties on each Lease Rental Payment Date throughout the Term of the lease as follows:-

   (a) The Lease Rental Payments shall be paid by Janahasil to DGSB on a monthly basis as per the schedule as set out in 4(ii)(b) below. The first payment of the Lease Rental Payments shall be paid within fourteen (14) days from the Commencement Date and all the subsequent payments shall be made payable on or before the tenth (10th) business day of each calendar month;

   (b) The Lease Rental Payments are set out below:

Lease Term	**Total Monthly Lease Rental Payments of the Subject Campus Properties (RM)**
Year 1 to Year 2	1,242,850
Year 3 to Year 4	1,279,600
Year 5 to Year 7	1,316,350

   The Lease Rental Payments are calculated based on a percentage *(i.e. Year 1 to Year 2 : approximately 3.55% ; Year 3 to Year 4 : approximately 3.66% and Year 5 to Year 7 : approximately 3.76%)* of the current market value of the Subject Campus Properties as set out in Section 2.1.1 of Part A of this Circular, and taking into consideration the expected payment obligations of DGSB under the Securitisation Exercise.

iii. The Master Lease Agreement is a triple net lease agreement where (a) save as herein otherwise stated in the Master Lease Agreement, DGSB shall not have any responsibility of any kind or nature whatsoever to maintain, repair, improve, alter, insure or in any way incur any expenses in connection with the Subject Campus Properties and the management, maintenance, repair and improvement thereof and (b) unless the obligation to pay the Lease Rental Payments shall be terminated pursuant to the express provisions of the Master Lease Agreement, Janahasil's obligations to pay the Lease Rental Payments and any other amounts payable under the Master Lease Agreement are absolute, unconditional and shall be payable in full without demand at any time, irrespective of any contingency whatsoever;

iv. Janahasil shall cause Paramount to guarantee the Lease Rental Payments to DGSB and to issue a guarantee to DGSB to that effect;

v. Janahasil is permitted to sub-lease the Subject Campus Properties provided always that its obligations under the Master Lease Agreement shall not be affected in any manner whatsoever;

vi. In addition to the guarantee, as security for the payment of the Lease Rental Payments, Janahasil shall (a) assign to DGSB all its present and future sublease agreements; (b) assign to DGSB all insurance/takaful policies in relation to the Subject Campus Properties; and (c) assign and charge to DGSB all its sublease rental accounts to be opened and maintained by it to capture the sublease rental from Janahasil's present and future sublease agreements in relation to the Subject Campus Properties;

vii. Lease Termination Events

The lease termination events include:-

(a) the Lease Rental Payments reserved or any part thereof is not paid on due date or if any other payment(s) payable by the Lessee to the Lessor as stated in the Master Lease Agreement shall be in arrears and unpaid for fourteen (14) days after becoming due and payable (whether the same shall have been formally demanded or not); or

(b) the Lessee fails at any time to take out and maintain adequate insurance coverage on the Subject Campus Properties as required by law within thirty (30) days of being aware/notified of the same;

(c) any of the agreements, covenants or undertakings herein expressed and on the part of the Lessee to be performed or observed by it (other than that covered in items (a) and (b) above and (d) below), is not duly and punctually performed or observed in any respect and in the case of any breach or failure capable of remedy, the Lessee fails to remedy such breach or failure within sixty (60) days from the date of receipt of written notice by the Lessor; or

(d) for any reason the Master Lease Agreement or the guarantee by Paramount becomes invalid, unenforceable or ineffective (and for the avoidance of doubt, any inability to register the Lease shall not constitute such an event); or

(e) either the Lessee or Paramount is deemed unable to pay its debts within the meaning of Section 466 of the Companies Act 2016 or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments with respect to all or any class of its debts; or

(f) either the Lessee or Paramount enters into or resolves to enter into any arrangement, composition or compromise with or assignment for the benefit of its creditors or any class of them (otherwise than for the purpose of a amalgamation or reconstruction that has been approved by the Lessor); or

(g) a resolution is passed or an application or order is made for the winding-up or the dissolution of either the Lessee or Paramount whether compulsorily or voluntarily (otherwise than for the purpose of an amalgamation or reconstruction that has been approved by the Lessor), and any such order or process is not contested in good faith and by proper proceedings or if contested, is not set aside or discharged within sixty (60) days thereof; or

(h) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertakings of either the Lessee or Paramount; or

(i) the Lessee suffers or permits any distress, attachment or execution to be levied on the Subject Campus Properties or any distress, attachment or execution is levied on either the Lessee's or Paramount's goods, assets or properties.

On occurrence of any of the lease termination events, DGSB shall be entitled at its sole discretion to elect to either:-

(A) terminate the Master Lease Agreement by prior notice in writing of not less than sixty (60) days to Janahasil and Janahasil shall within the said sixty (60)-day period:-

(i) yield up and redeliver possession of the Subject Campus Properties to DGSB; and

(ii) Janahasil and DGSB shall sign and deliver all documents necessary to register the surrender of the lease at the cost and expense of Janahasil.

OR

(B) serve a forfeiture notice upon Janahasil pursuant to Section 235 of the National Land Code 1965, and upon the expiration of the forfeiture notice period of thirty (30) days, DGSB shall be at liberty at any time thereafter to re-enter the Subject Campus Properties, and thereupon the lease shall absolutely determine but without prejudice to the other rights of action and remedies of DGSB in respect of any breach of the Janahasil's agreement and/or covenants.

On forfeiture of the lease, DGSB shall be at liberty to apply to the relevant land office or registry for the cancellation of the memorial of registration of the lease on the titles at the cost and expense of Janahasil,

AND

(C) with the termination or forfeiture of the lease, Janahasil shall pay DGSB on or before the date of determination of the lease:

(i) all outstanding Lease Rental Payments;

(ii) all other amounts as shall then be due and payable to DGSB as at the date of determination of the Master Lease Agreement: and

(iii) an amount equivalent to the Lease Rental Payments for the whole of the unexpired Term of the lease after the date of redelivery of the Subject Campus Properties or the date of re-entry by DGSB (as the case may be), as agreed liquidated damages (it being acknowledged that DGSB shall use reasonable endeavours to mitigate its losses wherever possible and to the extent appropriate).

5. SALIENT TERMS OF THE CALL AND PUT OPTION AGREEMENTS

DGSB has granted a call option in favour of Paramount and Paramount has granted a put option in favour of DGSB for the purpose of acquiring the Subject Campus Properties at the then prevailing market value of the Subject Campus Properties free from encumbrances, and upon, amongst others, the following terms and conditions of the Call and Put Option Agreements:

<u>Call Option Agreement</u>

i. From the first issuance date under the Securitisation Exercise up to (i) the date all of the Subject Campus Properties have been disposed by DGSB or (ii) DGSB exercises the put option in respect of all of the Subject Campus Properties or (iii) the expiry of the Put Option Exercise Period (as defined below), whichever is earlier ("**Call Option Exercise Period**"), Paramount may from time to time exercise the call option on any or all of the Subject Campus Properties by delivering a call option notice ("**Call Option Notice**"). The Call Option Notice may be issued by Paramount from time to time within the Call Option Exercise Period provided always that the call option may only be exercised once on each Subject Campus Properties.

ii. Paramount or such other party as may be nominated by them shall pay to DGSB the price payable by Paramount to DGSB pursuant to the exercise of the call option ("**Call Option Exercise Price**") on or before the completion date(s) under the sale and purchase agreement(s) to be entered into by DGSB and Paramount (or its nominee).

iii. The Call Option Exercise Price for each of the Subject Campus Properties shall be the prevailing market value of the relevant Subject Campus Properties. Such market value will be determined at or about the time of the Call Option Notice, which shall be determined by an independent property valuer appointed for such purpose.

For shareholders' information, the first issuance date as set out in (i) above has not been determined as such date is subject to the fulfillment of the condition precedents of the Securitisation Exercise as set out in Section 1.4 of this Appendix. Upon the issuance of the Call Option Notice, the timing for Paramount to complete the acquisition of the relevant Subject Campus Properties from DGSB is not determinable at this juncture as it is dependent on, amongst others, the time taken by the independent property valuer to determine the prevailing market value of the relevant Subject Campus Properties and fulfillment of the conditions precedent of the said sale and purchase agreement(s).

<u>Put Option Agreement</u>

i. Within forty five (45) days of any one of the following events:-

   (a) the occurrence of a trigger event as set out in the trust deed in relation to the Securitisation Exercise ("**Trust Deed**"), which includes the failure to maintain debt service reserve account requirements, loan to value ratio and a breach by Paramount under the guarantee in relation to the Master Lease Agreement;

   (b) the declaration of an event of default as set out in the Trust Deed, including, amongst others, a failure to pay amounts due in respect of the MTN, failure by DGSB to perform its obligations under the transaction documents, and insolvency of DGSB; and

(c) six (6) months prior to the final maturity date of the final tranche of MTNs under the Securitisation Exercise,

whichever is earlier or such further period as the security trustee under the Securitisation Exercise may in its sole discretion decide, up to the final maturity date of the final tranche of MTNs under the Securitisation Exercise ("**Put Option Exercise Period**"), the security trustee under the Securitisation Exercise may exercise the put option on all of the Subject Campus Properties by delivering a put option notice ("**Put Option Notice**").

ii. Paramount or such other party as may be nominated by them (which, for the avoidance of doubt, need not be the same party for each of the Subject Campus Properties) shall pay to DGSB the price payable by Paramount to DGSB pursuant to the exercise of the put option ("**Put Option Exercise Price**") on or before the completion date(s) under the relevant sale and purchase agreement(s) to be entered into by DGSB and Paramount (or its nominee), provided that in the event the nominee is unable to complete the purchase of the Subject Campus Properties, Paramount shall be obliged to complete the purchase of the Subject Campus Properties and pay the Put Option Exercise Price.

iii. The Put Option Exercise Price shall be the aggregate of the prevailing market value of the Subject Campus Properties. Such market value will be determined at or about the time of the Put Option Notice, which shall be determined by an independent property valuer appointed for such purpose.

iv. Paramount shall be paid a put option premium ("**Put Option Premium**") equivalent to the aggregate of the disposal proceeds for all the Subject Campus Properties after deducting the following:-

(a) the amount required to settle all obligations under the Securitisation Exercise;

(b) all amounts necessary for DGSB to meet the payment of its taxes, fees and expenses;

(c) redemption of the issue price and premium of DGSB's outstanding CRNCPS; and

(d) accumulated, accrued and unpaid dividends in relation to DGSB's CRNCPS.

The Put Option Premium shall be payable in cash by DGSB upon the settlement of or evidence that the amounts set aside by DGSB would be sufficient to settle all of DGSB's obligations under items (a) to (d) above and regardless of whether the disposal of the Subject Campus Properties was due to the exercise of the Put Option or otherwise. For the avoidance of doubt, in the event the disposal proceeds for all of the Subject Campus Properties are less than the amounts payable under items (a) to (d) above, no Put Option Premium shall be payable by DGSB.

For shareholders' information, upon the issuance of the Put Option Notice, the timing for DGSB to complete the disposal of the Subject Campus Properties is not determinable at this juncture as it is dependent on, amongst others, the time taken by the independent property valuer to determine the prevailing market value of the Subject Campus Properties and fulfillment of the conditions precedent of the said sale and purchase agreement(s).

6. SALIENT TERMS OF THE CRNCPS SUBSCRIPTION AGREEMENT

Pursuant to the Securitisation Exercise, Paramount will be entitled to subscribe for up to 450,000,000 CRNCPS to be issued by DGSB at an issue price of RM1.00 per CRNCPS for a total cash consideration of up to RM450,000,000. The CRNCPS may be subscribed by Paramount at any time within the ten (10)-year programme tenure of the Securitisation Exercise* and such CRNCPS subscribed pursuant to the CRNCPS Subscription Agreement may have a tenure of eight (8) eight years or such other tenure as may be mutually agreed between Paramount and DGSB, which would largely depend on the purpose of the subscription and the remaining tenure of the MTNs. For avoidance of doubt, save for the issue size of up to 450,000,000, the subscription timing and the tenure of the CRNCPS of eight (8) years from the CRNCPS issue date or such other tenure as may be mutually agreed between Paramount and DGSB, the salient terms of the CRNCPS to be issued pursuant to the CRNCPS Subscription Agreement are similar to the salient terms of the CRNCPS to be issued pursuant to the CRNCPS Subscription Agreement (SPA Purchase Consideration) as set out in Section 2 of this Appendix. The CRNCPS Subscription Agreement will only be required to be subscribed when funding is required by DGSB.

As set out in Section 1 of Part A of this Circular, the Proposed Transaction will be undertaken via a Securitisation Exercise whereby DGSB will issue asset-backed securities, namely MTNs, of up to RM300 million. As a form of credit enhancement to the structure of the Securitisation Exercise, Paramount has agreed to subscribe for the CRNCPS from time to time when DGSB is required to raise additional funds to meet its obligations under the Securitisation Exercise including any principal or coupon payments.

Note:

* *For information, the Securitisation Exercise is structured to have a 10-year programme tenure and MTNs to be issued thereunder may have a shorter tenure, depending on the financing structure, provided that the MTNs tenure shall not exceed the programme tenure. For example, an issuance of asset back securities may have a tenure of only seven (7) years but the Securitisation Exercise will still be structured to have a programme tenure of 10 years.*

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SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED DISPOSAL

1. SPA-UOWM

1.1. Sale and purchase of the Sale Shares

(i) Paramount has agreed to sell and UOWM has agreed to purchase the Sale Shares free from all encumbrances and together with all rights and advantages attaching to the shares as at the date of completion of the SPA-UOWM.

(ii) The SPA-UOWM is conditional upon and subject to the fulfilment of the following conditions precedent on or before the "**Long Stop Date**", being the date falling six (6) months after the date of the SPA-UOWM with an automatic extension of another six (6) months or such other date as may be mutually agreed between Paramount and UOWM ("**the Parties**"):

(a) the approval of the MOE for the purchase of the Sale Shares by UOWM, and for such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals to remain in full force and effect;

(b) the completion of the internal restructuring exercises in respect of the Companies, which include the following:

(1) the Proposed Transaction and the disposal of all other freehold properties currently owned by the Companies ("the Properties");
(2) waiver of all relevant inter-company debts;
(3) declaration of dividends by the relevant Companies to Paramount;
(4) redemption by Paramount of all NCRCPS currently held by Paramount in the Companies;
(5) repayment of all external borrowings borrowed by each of the Companies;

(c) the execution of a shareholders' agreement by the Parties in relation to their shareholdings in the Companies;

(d) the Properties having been successfully transferred to and registered in the name of Paramount or third parties, and the relevant lease agreement, agreement to lease and tenancy agreement for the Properties having been executed between the lessor and the Companies;

(e) the approval of the Board for the Proposed Disposal;

(f) the approval of the shareholders of Paramount for the Proposed Disposal;

(g) the approval of the board of directors of UOWM and the board of directors of its holding company for its purchase of the Sale Shares;

(h) the approval of the Council of UOW for UOWM to purchase the Sale Shares;

(i) the written consent to or waiver of any restriction on the changes in the shareholding and board of directors of the Companies, where applicable, by the relevant financial institutions arising from the Proposed Disposal; and

(j) the repayment of all loan liabilities owed by the Companies to any third parties, and procurement of the discharge documents evidencing the discharge of all existing charges created by the Companies.

(iii) If the conditions precedent are not fulfilled or waived on or before the Long Stop Date, the Parties may terminate the SPA-UOWM, and the SPA-UOWM shall become null and void and has no effect whatsoever save for any rights, remedies or liabilities of the Parties that have accrued upon termination of the SPA-UOWM.

(iv) UOWM shall pay to Paramount the sum of RM3,850,000, being ten percent (10%) of the Total Sale Consideration ("**Deposit**") within seven (7) business days upon signing of the SPA-UOWM. The Deposit shall be refundable to UOWM in the event of any breach or termination of the SPA-UOWM.

(v) The Total Sale Consideration shall be settled entirely in cash by UOWM. The balance sale consideration of RM34,650,000 (being 90% of the Total Sale Consideration) shall be payable by UOWM to Paramount on the date of completion of the SPA-UOWM, being the first day of the next calendar month occurring five (5) business days at 12.01 a.m. (GMT plus 8) after the fulfilment or waiver of the conditions precedent or such other date as may be agreed in writing between the Parties ("**Completion**" or "**Completion Date**").

(vi) Paramount shall, not later than sixty (60) business days after Completion of the SPA-UOWM, deliver to UOWM the balance sheets and the profit and loss accounts of KDUUC and KDUPG to be drawn up in the manner as agreed in the SPA-UOWM, and to be reviewed by Ernst & Young, as reporting accountants ("**Completion Accounts**"). The Completion Accounts shall be drawn up for the purpose of determining the "**Completion Adjustment**", which shall be calculated in the following manner *(1)*:

(a) In respect of KDUUC:

A	B	C = A-B
Working Capital (as defined below) based on the Completion Accounts	Net current liabilities of RM8,193,000 *(2)*	Completion Adjustment

(b) In respect of KDUPG:

A	B	C = A-B
Working Capital based on the Completion Accounts	RM0 *(2)*	Completion Adjustment

"**Working Capital**" means the aggregate of the total current assets minus the total current liabilities of the relevant company.

Where the Completion Adjustment is a positive amount, the Parties shall procure KDUUC and KDUPG, as the case may be, to pay the amount equivalent to the Completion Adjustment to Paramount. Where the Completion Adjustment is a negative amount, Paramount shall pay the amount equivalent to the Completion Adjustment to KDUUC and KDUPG, as the case may be. Payment of the Completion Adjustment shall be made within five (5) business days from the date of delivery of the Completion Accounts by Paramount to UOWM.

Note:

(1) The Completion Adjustment applicable to KDUUC and KDUPG was agreed upon between Paramount and UOWM in arriving at the sale consideration, but such adjustment is not applicable to KDUPJ, as the working capital of KDUPJ will be fully funded by UOW.

(2) Represented the working capital requirements of KDUUC and KDUPG, as agreed between the parties.

1.2 Commitment to purchase the Initial Shares

(i) The Parties have, pursuant to the SPA-UOWM, agreed to irrevocably and unconditionally undertake a sale and purchase of another five percent (5%) of the total issued ordinary shares in KDUUC and KDUPG ("**Initial Shares**") held by Paramount based on the following terms:

(a) UOWM shall initiate its purchase, for itself or for its nominee, of the Initial Shares by issuing an Initial Shares Purchase Notice to Paramount on the fourth anniversary of the Completion Date ("**4th Anniversary**"); and

(b) the cash consideration for the Initial Shares shall be determined in the following manner:

(1) in respect of such number of ordinary shares in KDUUC representing 5% of its issued ordinary share capital as at the 4th Anniversary, the consideration shall be the higher of:

- 5% of 10 times of EBITDA based on KDUUC's audited financial accounts of the preceding year as at the 4th Anniversary; or
- RM1.108 million

(2) in respect of such number of ordinary shares in KDUPG representing 5% of its issued ordinary share capital as at the 4th Anniversary, the consideration shall be the higher of:

- 5% of 10 times of EBITDA based on KDUPG's audited financial accounts of the preceding year as at the 4th Anniversary; or
- RM1.523 million

(ii) The Parties shall be bound to complete the sale and purchase of the Initial Shares within thirty (30) days after the date of the Initial Shares Purchase Notice.

1.3 Call Option on the Call Option Shares

(i) Paramount has, pursuant to the SPA-UOWM, agreed to irrevocably and unconditionally grant to UOWM a call option to purchase, for itself or for its nominee, the remaining thirty percent (30%) of the total issued ordinary shares in KDUUC and KDUPG ("**Call Option Shares**") held by Paramount ("**Call Option**") based on the following terms:

(a) the Call Option may be exercised by UOWM through the issuance of a Call Option Exercise Notice to Paramount at any time, in specific portions, during the period commencing on the fifth anniversary up to the seventh anniversary of the Completion Date; and

(b) the cash consideration for the Call Option Shares shall be determined in the following manner:

(1) in respect of such number of ordinary shares in KDUUC representing 30% of its issued ordinary share capital as at the relevant time and held by Paramount:

Date on which the Call Option can be exercised ("Exercisable Date")	On the fifth anniversary of the Completion Date ("5th Anniversary")	On the sixth anniversary of the Completion Date ("6th Anniversary")	On the seventh anniversary of the Completion Date ("7th Anniversary")
(1) Number of Call Option Shares, which may be acquired pursuant to the Call Option	Such number of ordinary shares representing 10% of the issued ordinary share capital of KDUUC as at the relevant date	(A) Where the Call Option was exercised on the 5th Anniversary and the sale of such shares was completed, such number of ordinary shares representing 10% of the issued ordinary share capital of KDUUC as at the relevant date <u>OR</u> (B) Where the Call Option was not exercised on the 5th Anniversary and/or the sale of such shares was not completed, such number of ordinary shares representing 20% of the issued ordinary share	(A) Where the Call Option was exercised on the 5th Anniversary and 6th Anniversary, and the sale of such shares was completed, such number of ordinary shares representing 10% of the issued ordinary share capital of KDUUC as at the relevant date <u>OR</u> (B) Where the Call Option was only exercised on the 5th Anniversary and the sale of such shares was completed, such number of ordinary shares representing 20% of the

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED DISPOSAL (*Cont'd*)

Date on which the Call Option can be exercised ("Exercisable Date")	On the fifth anniversary of the Completion Date ("5th Anniversary")	On the sixth anniversary of the Completion Date ("6th Anniversary")	On the seventh anniversary of the Completion Date ("7th Anniversary")
		capital of KDUUC as at the relevant date	issued ordinary share capital of KDUUC as at the relevant date OR (C) Where the Call Option was not exercised on the 5th Anniversary or the 6th Anniversary or the sale of such number of shares was not completed at either times, such number of ordinary shares representing 30% of the issued ordinary share capital of KDUUC as at the relevant time

(2) Agreed Price	the higher of:
	(I) 10% of 10 times of EBITDA based on KDUUC's audited financial accounts of the preceding year as at the 5th Anniversary; or
	(II) RM2.215 million
		If (A) above is applicable, the higher of:
		(I) 10% of 10 times of EBITDA based on KDUUC's audited financial accounts of the preceding year as at the 6th Anniversary; or
		(II) RM2.215 million
		OR
		If (B) above is applicable, the higher of:
		(I) 20% of 10 times of EBITDA based on
			If (A) above is applicable, the higher of:
			(I) 10% of 10 times of EBITDA based on KDUUC's audited financial accounts of the preceding year as at the 7th Anniversary; or
			(II) RM2.215 million
			OR
			If (B) above is applicable, the higher of:
			(I) 20% of 10 times of EBITDA based on

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED DISPOSAL (*Cont'd*)

Date on which the Call Option can be exercised ("Exercisable Date")	On the fifth anniversary of the Completion Date ("5th Anniversary")	On the sixth anniversary of the Completion Date ("6th Anniversary")	On the seventh anniversary of the Completion Date ("7th Anniversary")
		KDUUC's audited financial accounts of the preceding year as at the 6th Anniversary; or (II) RM4.43 million	KDUUC's audited financial accounts of preceding year as at the 7th Anniversary; or (II) RM4.43 million OR If (C) above is applicable, the higher of: (I) 30% of 10 times of EBITDA based on KDUUC's audited financial accounts of the preceding year as at the 7th Anniversary; or (II) RM6.645 million

(2) in respect of the number of ordinary shares in KDUPG representing 30% of its issued ordinary share capital as at the relevant time and held by Paramount:

Exercisable Date	On the 5th Anniversary	On the 6th Anniversary	On the 7th Anniversary
(1) Number of Call Option Shares which may be acquired pursuant to the Call Option	Such number of ordinary shares representing 10% of the issued ordinary share capital of KDUPG as at the relevant date	(A) Where the Call Option was exercised on the 5th Anniversary and the sale of such shares was completed, such number of ordinary shares representing 10% of the issued ordinary share capital of KDUPG as at the relevant date	(A) Where the Call Option was exercised on the 5th Anniversary and 6th Anniversary, and the sale of such shares was completed, such number of ordinary shares representing 10% of the issued ordinary share

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED DISPOSAL (*Cont'd*)

Exercisable Date	On the 5th Anniversary	On the 6th Anniversary	On the 7th Anniversary
		OR (B) Where the Call Option was not exercised on the 5th Anniversary and/or the sale of such shares was not completed, such number of ordinary shares representing 20% of the issued ordinary share capital of KDUPG as at the relevant date	capital of KDUPG as at the relevant date OR (B) Where the Call Option was only exercised on the 5th Anniversary and the sale of such shares was completed, such number of ordinary shares representing 20% of the issued ordinary share capital of KDUPG as at the relevant date OR (A) Where the Call Option was not exercised on the 5th Anniversary or the 6th Anniversary or the sale of such number of shares was not completed at either times, such number of ordinary shares representing 30% of the issued ordinary share capital of KDUPG as at the relevant time
(2) Agreed Price	the higher of: (I) 10% of 10 times EBITDA based on KDUPG's audited financial accounts of the preceding year as at the 5th Anniversary; or	If (A) above is applicable, the higher of: (I) 10% of 10 times of EBITDA based on KDUPG's audited financial accounts of the	If (A) above is applicable, the higher of: (I) 10% of 10 times of EBITDA based on KDUPG's audited financial accounts of the

SALIENT TERMS OF ALL THE AGREEMENTS IN RELATION TO THE PROPOSED DISPOSAL (*Cont'd*)

Exercisable Date	On the 5th Anniversary	On the 6th Anniversary	On the 7th Anniversary

	(II) RM3.046 million	preceding year as at the 6th Anniversary; or
		(II) RM3.046 million
		OR
		If (B) above is applicable, the higher of:
		(I) 20% of 10 times of EBITDA based on KDUPG's audited financial accounts of the preceding year as at the 6th Anniversary; or
		(II) RM6.092 million
			preceding year as at the 7th Anniversary; or
			(II) RM3.046 million
			OR
			If (B) above is applicable, the higher of:
			(I) 20% of 10 times of EBITDA based on KDUPG's audited financial accounts of the preceding year as at the 7th Anniversary; or
			(II) RM6.092 million
			OR
			If (C) above is applicable, the higher of:
			(I) 30% of 10 times of EBITDA based on KDUPG's audited financial accounts of the preceding year as at the 7th Anniversary; or
			(II) RM9.138 million

(ii) The Parties have, pursuant to the SPA-UOWM, agreed that one (1) month prior to the issuance of the relevant Call Option Exercise Notice, UOWM may, if requested by Paramount, organise an engagement session with Paramount to discuss the following:

(a) extension of the Call Option to the eighth anniversary ("**8th Anniversary**") of the Completion Date;

(b) the inclusion of a put option in favour of Paramount on the 8th Anniversary of the Completion Date;

(c) changes to the percentages of the Call Option Shares that may be the subject of (a) and (b) above correspondingly;

and in the event the Parties agree to any or all of the above, then the Parties shall in good faith enter into such written agreement to effect the same, and the meaning of Exercisable Date shall be construed accordingly

(iii) Upon the exercise of the Call Option pursuant to the provision as described in Section 1.3 (i) and subject to the provisions described in Section 1.3 (ii) above, the Parties shall be bound to complete the sale and purchase of the relevant Call Option Shares within thirty (30) days after the date of the relevant Call Option Exercise Notice.

1.4 Buy-back of KDUPJ Shares

(i) The Parties have, pursuant to the SPA-UOWM, agreed that Paramount shall be entitled to buy back such number of KDUPJ Shares from UOWM during a period of three (3) years from the Completion Date ("**Share Buy-back**") based on the following terms:

(a) The Share Buy-back shall be subject to the consent of the board of directors of UOWM, and all necessary approvals from the MOE and such other relevant authorities.

(b) The Share Buy-back shall be for such number of ordinary shares in KDUPJ that would result in Paramount's shareholding in KDUPJ being proportional to its shareholding (at such time) in KDUUC and KDUPG, where applicable ("**Relevant Percentage**").

(c) The purchase consideration for the Share Buy-back shall be the amount equivalent to the Relevant Percentage multiplied by RM500,000.

1.5 Intellectual Property

(i) The Parties have, pursuant to the SPA-UOWM, agreed that UOWM shall procure the Companies to cease their usage of any name or trademark incorporating the "KDU" name or mark on or before the 7th Anniversary or 8th Anniversary, as the case may be.

(ii) In the event Paramount ceases to hold any shares in KDUUC and KDUPG arising from its disposal of the Initial Shares and the Call Option Shares, UOWM shall procure the Companies to transfer and/or assign all identified intellectual property (which shall include trade marks, trade names, domain names, logos, patents, inventions, design rights, copyrights, database rights and know-how) to Paramount unless the transfer is waived by Paramount.

2. Supplement Letter

(i) The Parties have, pursuant to the Supplemental Letter, agreed that the following be included in Clause 1.1 (Definitions and Interpretation) of the SPA-UOWM:

"Put Option	the put option granted by the Purchaser to the Vendor, pursuant to which the Vendor has the right to require the Purchaser to buy the Put Option Shares pursuant to the terms of this Agreement
Put Option Shares	means: (i) such remaining number of ordinary shares of KDU Glenmarie which are registered in the name of the Vendor representing such remaining percentage of the total issued share capital of KDU Glenmarie as at the on the eighth anniversary of the Completion Date; and (ii) such number of ordinary shares of KDU Penang which are registered in the name of the Vendor representing such remaining percentage of the total issued share capital of KDU Penang as at the on the eighth anniversary of the Completion Date
Put Option Exercise Notice	means the form of put option exercise notice set out in Schedule 6A of this Agreement"

(ii) The Parties have further agreed that the SPA-UOWM be amended with the insertion of the following Clause 2.5A after the existing Clause 2.5 of the SPA-UOWM:

"2.5A Put Option on the Put Option Shares
In consideration of the Parties entering into this Agreement, the Purchaser hereby irrevocably and unconditionally grants to the Vendor the Put Option relating to the Put Option Shares on the following terms:

(a) The Put Option granted herein may be exercised by the Vendor on the eighth anniversary of the Completion Date ("**8th Anniversary**") in the manner set out in Clause 2.5A(b) below by the issue of the Put Option Exercise Notice by the Vendor to the Purchaser;

(b) the agreed consideration for the purchase of the Put Option Shares shall be as follows:

(i) With respect to such remaining number of ordinary shares of KDU Glenmarie registered in the name of Vendor representing such remaining percentage of its issued share capital as at the 8th Anniversary, the consideration shall be the higher of:

(A) such remaining percentage of issued share capital of 10x EBITDA based on the audited financial accounts of the preceding year as at the 8th Anniversary; or

(B) RM221,500 for every 1% of the issued share capital of KDU Glenmarie; and

(ii) With respect to such number of ordinary shares of KDU Penang registered in the name of Vendor representing such percentage of its issued share capital 8th Anniversary, the consideration shall be the higher of:

(A) such remaining percentage of issued share capital of 10x EBITDA based on the audited financial accounts of the preceding year as at the 8th Anniversary; or

(B) RM304,600 for every 1% of the total issued share capital of KDU Penang;

(c) upon the purchase of the Put Option Shares pursuant to this Clause, the Vendor and the Purchaser shall be bound to complete the sale and purchase of the relevant Put Option Shares within thirty (30) days after the date of the Put Option Exercise Notice.

(d) on completion of the purchase of the Put Option Shares:

(i) the Vendor shall transfer the relevant Put Option Shares with full title free from all Encumbrances by way of a duly completed share transfer form to the Purchaser together with the relevant share certificate and such other documents as the Vendor may reasonably require to show good title to such shares or enable it to be registered as the holder of such shares;

(ii) the Purchaser shall pay the relevant purchase price for the acquisition of the Put Option Shares, as determined in accordance to Clause 2.5A(b) above, by way of telegraphic transfer to the Vendor on the day of completion of the transfer of the Put Option Shares; and

(iii) such completion shall at all times be subject to any necessary approvals by the relevant authorities.

(e) The Vendor hereby undertakes that for so long as it is the shareholder of all or part of the Put Option Shares:

(i) it shall not create or agree to create or permit to arise or exist any Encumbrance over all or any part of the Put Option Shares;

(ii) it shall not grant in favour of any other person any interest in or any option or other rights in respect of any of the Put Option Shares; and

(iii) it shall not revoke or purport to revoke the sale of Put Option Shares."

(iii) The Put Option Exercise Notice was also agreed upon by the Parties for insertion as Schedule 6A to the SPA-UOWM.

(iv) The Parties have further agreed that the Supplemental Letter shall constitute an integral part of the SPA-UOWM, and if there is any inconsistency between the SPA-UOWM and the Supplemental Letter, the Supplemental Letter shall prevail to the extent of such inconsistency.

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

Directors' Report and Audited Financial Statements
31 December 2018

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

Principal activity

The principal activity of the Company is providing educational services.

Results

	RM
Loss net of tax	(7,476,288)

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

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

Directors

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
Dato' Rohana Tan Sri Mahmood
Datin Teh Geok Lian
Chew Sun Teong
Benjamin Teo Jong Hian
Tan Sri Foong Cheng Yuen (resigned on 1 August 2018)

Directors' benefits

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

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 of the Company or the fixed salary of a full-time employee of related corporations) 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.

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KDU University College Sdn. Bhd.
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Directors' indemnity

The holding company maintained a Directors' and Officers' Liability Insurance ("D&O Insurance") in respect of liabilities arising from civil claims against the directors and officers for alleged wrongful act committed in their capacity as directors and officers while holding office for the Company. 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 holding company during the financial year were as follows:

	<--------- Number of ordinary shares --------->				
	At 1 January 2018	**Bought**	**LTIP Shares Vested***	**Sold**	**At 31 December 2018**
Holding company Paramount Corporation Berhad					
Direct Interest					
Dato' Teo Chiang Quan	5,610,500	-	-	-	5,610,500
Datin Teh Geok Lian	375,700	-	402,200	(10,000)	767,900
Chew Sun Teong	638,800	-	1,192,600	-	1,831,400
Benjamin Teo Jong Hian	542,500	-	-	-	542,500
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

	<-Number of ordinary shares under LTIP->				
	At 1 January 2018	**Granted**	**Vested**	**Not vested****	**At 31 December 2018**
Holding company Paramount Corporation Berhad					
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700
Benjamin Teo Jong Hian	-	146,000	-	-	146,000

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Directors' interests (cont'd.)

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

The other director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

* On 15 March 2018, the holding company issued 3,976,000 new ordinary shares to its eligible employees under Long Term Incentive Plan ("LTIP") persuant to:

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

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

Holding company

The holding company is Paramount Corporation Berhad ("PCB"), which is incorporated in Malaysia.

Other statutory information

(a) Before the income statement and statement of financial position 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 allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value 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.

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KDU University College Sdn. Bhd.
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Other statutory information (cont'd.)

(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 Company inadequate to any substantial extent; and

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the 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 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 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 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 Company to meet its 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 Company for the financial year in which this report is made.

Significant event

Significant event during the year is disclosed in Note 30 to the financial statements.

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

Auditors

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

Auditors' remuneration is disclosed in Note 7 to the financial statements.

Indemnification of auditors

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 28 March 2019.

Chew Sun Teong

Datin Teh Geok Lian

76997-T

KDU University College Sdn. Bhd.
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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Chew Sun Teong and Datin Teh Geok Lian, being two of the directors of KDU University College Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 56 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 Company as at 31 December 2018 and of the financial performance and cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2019.

Chew Sun Teong | Datin Teh Geok Lian

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 KDU University College Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 56 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Foong Poh Seng at
Kuala Lumpur in the Federal Territory
on 28 March 2019

Foong Poh Seng

Petaling Jaya, Selangor

Before me,

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E.

EY
Building a better working world

Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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Independent auditors' report to the member of KDU University College Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KDU University College Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, income statement, statement of changes in equity and statement of cash flows for the year ended and, notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 56.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and 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 opinion.

Independence and other ethical responsibilities

We are independent 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.

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the member of KDU University College Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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.

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Independent auditors' report to the member of
KDU University College Sdn. Bhd. (cont'd.)
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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 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 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 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 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 Company to cease to continue as a going concern.

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

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.

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Independent auditors' report to the member of KDU University College Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the member 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
28 March 2019

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM (Restated)
Revenue	4	47,263,766	42,306,744
Other income		6,592,410	6,134,160
Employee benefits expense	5	(24,796,334)	(23,211,237)
Depreciation	9	(7,101,108)	(9,535,618)
Other expenses		(22,231,776)	(20,703,313)
Finance costs	6	(5,530,786)	(5,396,988)
Loss before tax	7	(5,803,828)	(10,406,252)
Income tax (expense)/credit	8	(1,672,460)	2,113,163
Loss net of tax, representing total comprehensive loss for the year		(7,476,288)	(8,293,089)

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

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Assets			
Non-current assets			
Property, plant and equipment	9	19,176,853	230,067,620
Deferred tax assets	10	9,803,001	11,445,459
		28,979,854	241,513,079
Current assets			
Trade receivables	11	229,432	121,797
Other receivables	12	1,911,164	1,644,530
Amounts due from fellow subsidiaries	13	93,995	10,706
Tax recoverable		13,579	5,994
Other investments	14	304,344	295,311
Cash and bank balances	15	9,260,948	14,036,379
		11,813,462	16,114,717
Assets held for sale	16	206,369,097	-
		218,182,559	16,114,717
Total assets		247,162,413	257,627,796
Equity and liabilities			
Current liabilities			
Other payables	17	16,123,965	14,602,574
Contract liability	18	2,371,719	2,221,883
Amounts due to related companies	19	9,778,311	14,637,636
Borrowing	20	100,093,343	-
		128,367,338	31,462,093
Net current assets/(liabilities)		89,815,221	(15,347,376)
Non-current liability			
Borrowing	20	-	99,894,340
Total liabilities		128,367,338	131,356,433

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KDU University College Sdn. Bhd.
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Statement of financial position
As at 31 December 2018 (cont'd.)

	Note	2018 RM	2017 RM
Equity			
Share capital	21	16,059,000	16,059,000
Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	22	126,000,000	126,000,000
Equity contribution from parent	23	728,920	728,920
Accumulated losses		(23,992,845)	(16,516,557)
Total equity		118,795,075	126,271,363
Total equity and liabilities		247,162,413	257,627,796

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

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Statement of changes in equity
For the financial year ended 31 December 2018

			<---Non-distributable --->			
	Share capital RM	NCRCPS RM	Share premium RM	Equity contribution from parent RM	Accumulated losses RM	Total equity RM
At 1 January 2018	16,059,000	126,000,000	-	728,920	(16,516,557)	126,271,363
Total comprehensive loss	-	-	-	-	(7,476,288)	(7,476,288)
At 31 December 2018	16,059,000	126,000,000	-	728,920	(23,992,845)	118,795,075
At 1 January 2017	15,000,000	23,200	117,035,800	728,920	(8,223,468)	124,564,452
Total comprehensive loss	-	-	-	-	(8,293,089)	(8,293,089)
Transaction with owner						
Issuance of NCRCPS (Note 22)	-	10,000,000	-	-	-	10,000,000
	15,000,000	10,023,200	117,035,800	728,920	(16,516,557)	126,271,363
Transfer pursuant to Section 618(2) of Companies Act 2016 *	1,059,000	115,976,800	(117,035,800)	-	-	-
At 31 December 2017	16,059,000	126,000,000	-	728,920	(16,516,557)	126,271,363

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

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

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KDU University College Sdn. Bhd.
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Statement of cash flows
For the financial year ended 31 December 2018

	2018 RM	2017 RM
Cash flows from operating activities		
Loss before tax	(5,803,828)	(10,406,252)
Adjustments for:		
Depreciation	7,101,108	9,535,618
Property, plant and equipment written off	111,413	9
Unrealised foreign exchange (gains)/losses	(19,743)	1,104
Allowance for/(reversal of) impairment losses on:		
- trade receivables	216,351	199,993
- other receivables	(13,507)	20,132
Interest income from licensed banks	(125,008)	(114,923)
Derivative loss/(gain) on interest rate swap	1,891	(204,244)
Finance costs	5,530,786	5,396,988
Share-based payment	426,167	276,494
Gain on disposal of property, plant and equipment	(40,999)	(1,100)
Operating profit before changes in working capital	7,384,631	4,703,819
Changes in working capital:		
Increase in receivables	(577,113)	(234,528)
Increase in payables	1,689,079	3,746,619
Changes in related company balances	(5,368,781)	(2,301,852)
Cash flows generated from/(used in) operations	3,127,816	5,914,058
Income taxes (paid)/refunded	(37,587)	122,686
Net cash flows generated from/(used in) operating activities	3,090,229	6,036,744
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,690,852)	(1,493,859)
Interest received	125,008	114,923
Increase in other investments	(9,033)	(7,298)
Proceeds from disposal of property, plant and equipment	41,000	1,100
Net cash flows used in investing activities	(2,533,877)	(1,385,134)
Cash flows from financing activities		
Interest paid	(5,331,783)	(5,264,164)
Increase in placements in banks restricted for use	(93,304)	(90,851)
Net cash flows (used in)/generated from investing activities	(5,425,087)	(5,355,015)
Net decrease in cash and cash equivalents	(4,868,735)	(703,405)
Cash and cash equivalents at 1 January	11,330,431	12,033,836
Cash and cash equivalents at 31 December (Note 15)	6,461,696	11,330,431

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

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2018

1. Corporate information

KDU University College Sdn. Bhd. ("the Company") is a private limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Jalan Kontraktor U1/14, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The holding company is PCB, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activity of the Company is providing educational services.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

On 1 January 2018, the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2018:

- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Investment Property: Transfers of Investment
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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KDU University College Sdn. Bhd.
(Incorporated in Malaysia)

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

2.2 Changes in accounting policies (cont'd.)

The principal changes in accounting policies and their effects are set out below:

(a) MFRS 9 Financial Instruments

The key effect of the adoption of this standard on the Company 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 significant changes to the financial statements.

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services. The previous accounting standards placed emphasis on the exchange of risk and rewards. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations whilst introducing additional disclosure requirements.

The Company has applied the requirements of MFRS 15 retrospectively with cumulative effect on initial application of the standard as an adjustment to the opening balance of retained earnings for the financial year ended 31 December 2017. The financial impact to the Company on initial application of the standard is shown below:

Income statement
For the financial year ended 31 December 2017

	As previously reported RM'000	Reclassification RM'000	As Restated RM'000
Revenue	37,269,004	5,037,740	42,306,744
Other income	11,171,900	(5,037,740)	6,134,160

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

2.3 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 Company's financial statements are disclosed below. The Company intends to adopt these standards and amendments to standards, if applicable, when they become effective.

Description	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
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 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

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 Company in the current or future reporting periods.

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.

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

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

MFRS 16 Leases (cont'd.)

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 Company is in the process of assessing the estimated financial impact on its financial statements on initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Company 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.

2.4 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 Company 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Renovation	5 to 10 years
Furniture, fixtures and fittings, books, computers, equipment and motor vehicles	3 to 10 years

Freehold land has an unlimited useful life and therefore is not depreciated.

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

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

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.

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the 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.

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

2.6 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.

(i) 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. All financial assets of the Company are classified as financial assets at amortised cost (debt instruments). The Company's financial assets at amortised cost include trade receivables, other receivables, amounts due from fellow subsidiaries, cash and bank balances and other investments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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 Company commits to purchase or sell the asset.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement

The Company 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.

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company has retained.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Derecognition (cont'd.)

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 Company could be required to repay.

Impairment of financial assets

The Company 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 the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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-month (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, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.6 Financial instruments (cont'd.)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at either fair value through profit or loss or amortised cost as appropriate.

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

The Company's financial liabilities include other payables, amounts due to related companies and borrowing.

Subsequent measurement

After initial recognition, payables, amount due to holding company and borrowing are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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.

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 statement of profit or loss.

(iii) Offsetting of financial instruments

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

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

2.7 Cash and cash equivalents

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

2.8 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 Company incurred in connection with the borrowing of funds.

2.9 Share capital and share issuance expenses

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

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

2.10 Leases

(a) As lessee

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

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

2.10 Leases (cont'd.)

(b) As lessor

Leases where the Company 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 2.13(b).
When the assets are leased out under an operating lease, the assets are included in the statement of financial position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.11 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 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.

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

(c) Employee share scheme

The Paramount Corporation Berhad Employee Share Scheme, a long term incentive plan ("LTIP"), grants the ordinary shares of PCB to the employees of the Company. The total fair value of shares granted to employees of the Company is recognised as an employee cost with a corresponding backcharge by the holding company. The fair value of shares is measured at grant date, taking into account, if any, the market conditions and non-vesting conditions. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired 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 at the beginning and end of that period.

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

2.12 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 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.

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.

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.

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

2.12 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 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 services tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statement of financial position.

2.13 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 educational fees

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

(b) Rental income

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

(c) Interest income

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

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

2.14 Foreign currency

(a) Functional and presentation currency

The financial statements of Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The 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 functional currency of the Company and are recorded on initial recognition in the functional currency 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.

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.

2.15 Fair value measurement

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.

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

2.15 Fair value measurement (cont'd.)

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

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

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

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

2.15 Fair value measurement (cont'd.)

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

For the purpose of fair value disclosures, the Company 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.

2.16 Provisions

Provisions are recognised when the Company 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.

2.17 Assets held for sale

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

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

2.17 Assets held for sale (cont'd.)

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.4. Thereafter, on initial classification as held for sale, the assets are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to profit or loss. Assets once classified as held for sale are not depreciated.

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

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

2.18 Current and non-current classification

The Company presents assets and liabilities in the statement 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 be 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.

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

2.19 Contract liability

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

3. Significant accounting judgements and estimates

The preparation of the Company'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

No major judgements have been made by management in applying the Company's accounting policies that have a significant risk of causing a material adjustment as at the reporting date.

3.2 Key sources of estimation uncertainty

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

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

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

(a) Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other temporary differences can be utilised. Significant management estimate is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. Details of the deferred tax assets are disclosed in Note 10.

(b) Impairment of property, plant and equipment

The Company assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Company carried out the impairment test based on the fair value less cost to sell of the property, plant and equipment. The use of fair value less cost to sell requires the Company to make an estimate based on best information available in an active market to reflect the amount obtainable in an arm's length transaction, less cost of disposal. Details of the property, plant and equipment are disclosed in Note 9.

4. Revenue

	2018 RM	2017 RM
Type of goods and service		
Educational fees	47,263,766	42,306,744
Timing of revenue recognition		
Goods transferred at a point in time	1,948,813	1,655,603
Services transferred over time	45,314,953	40,651,141
	47,263,766	42,306,744

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5. Employee benefits expense

	2018 RM	2017 RM
Wages and salaries	20,776,051	19,448,543
Contributions to defined contribution plan	2,276,257	2,175,280
Share-based payment	426,167	276,494
Other benefits	1,317,859	1,310,920
	24,796,334	23,211,237

6. Finance costs

	2018 RM	2017 RM
Interest expense on:		
- Islamic Medium Term Notes ("iMTN")	5,317,253	4,996,100
- interest rate swap	349	268,064
- bank overdrafts	14,181	-
Amortisation of borrowing transaction cost	199,003	132,824
Total finance costs	5,530,786	5,396,988

7. Loss before tax

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

	2018 RM	2017 RM
Auditors' remuneration	30,000	30,000
Non-executive directors' remuneration - fees	19,498	20,000
Depreciation of property, plant and equipment (Note 9)	7,101,108	9,535,618
Operating leases:		
- minimum lease payments on premises	620	5,972
- minimum lease payments on equipment	99,726	97,165
Allowance for/(reversal of) impairment losses on:		
- trade receivables (Note 11)	216,351	199,993
- other receivables (Note 12)	(13,507)	20,132
Derivative loss/(gain) on interest rate swap	1,891	(204,244)
Net foreign exchange (gains)/losses:		
- realised	(16,111)	28,023
- unrealised	(19,743)	1,104
Property, plant and equipment written off	111,413	9
Bad debts recovered	-	(4,835)
Interest income from licensed banks	(125,008)	(114,923)
Rental income	(2,572,963)	(2,565,474)
Gain on disposal of property, plant and equipment	(40,999)	(1,100)

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8. Income tax expense/(credit)

	2018 RM	2017 RM
Malaysian income tax		
Current income tax	30,002	27,582
Underprovision in prior year	-	31,638
	30,002	59,220
Deferred tax (Note 10):		
Origination and reversal of temporary differences	(362,444)	(1,581,091)
Under/(over) recognition of deferred tax assets in prior year	2,004,902	(591,292)
	1,642,458	(2,172,383)
Income tax expense/(credit)	1,672,460	(2,113,163)

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

The reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	2018 RM	2017 RM
Loss before tax	(5,803,828)	(10,406,252)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(1,392,919)	(2,497,500)
Non-deductible expenses	1,060,477	943,991
Underprovision of income tax in prior year	-	31,638
Under/(over) recognition of deferred tax assets in prior year	2,004,902	(591,292)
Income tax expense/(credit)	1,672,460	(2,113,163)

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9. Property, plant and equipment

	Freehold land RM	Building RM	Renovation RM	Furniture, fixtures and fittings, books, computers, equipment and motor vehicles RM	Total RM
Cost					
At 1 January 2017	33,314,411	185,363,447	6,394,511	59,094,574	284,166,943
Additions	-	19,784	150,781	1,323,294	1,493,859
Write-offs	-	-	-	(72,750)	(72,750)
Disposals	-	-	-	(9,297)	(9,297)
At 31 December 2017	33,314,411	185,383,231	6,545,292	60,335,821	285,578,755
Additions	-	16,118	589,441	2,085,293	2,690,852
Write-offs	-	-	-	(121,540)	(121,540)
Disposals	-	-	-	(146,568)	(146,568)
Transfer to assets held for sale (Note 16)	(33,314,411)	(185,399,349)	(2,309,455)	-	(221,023,215)
At 31 December 2018	-	-	4,825,278	62,153,006	66,978,284

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

	Freehold land RM	Building RM	Renovation RM	Furniture, fixtures and fittings, books, computers, equipment and motor vehicles RM	Total RM
Accumulated depreciation					
At 1 January 2017	-	7,327,560	5,074,713	33,655,282	46,057,555
Depreciation charge for the year (Note 7)	-	3,677,618	160,996	5,697,004	9,535,618
Write-offs	-	-	-	(72,741)	(72,741)
Disposals	-	-	-	(9,297)	(9,297)
At 31 December 2017	-	11,005,178	5,235,709	39,270,248	55,511,135
Depreciation charge for the year (Note 7)	-	3,089,947	148,562	3,862,599	7,101,108
Write-offs	-	-	-	(10,127)	(10,127)
Disposals	-	-	-	(146,567)	(146,567)
Transfer to assets held for sale (Note 16)	-	(14,095,125)	(558,993)	-	(14,654,118)
At 31 December 2018	-	-	4,825,278	42,976,153	47,801,431
Net carrying amount					
At 31 December 2017	-	-	-	19,176,853	19,176,853
At 31 December 2018	33,314,411	174,378,053	1,309,583	21,065,573	230,067,620

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

During the financial year, the Company entered into a conditional sale and purchase agreement to dispose its property, plant and equipment amounting to RM206,369,097 to Dynamic Gates Sdn. Bhd. The details are as disclosed in Note 16.

10. Deferred tax assets

	2018 RM	2017 RM
At 1 January	11,445,459	9,273,076
Recognised in income statement (Note 8)	(1,642,458)	2,172,383
At 31 December	9,803,001	11,445,459

Presented after appropriate offsetting as follows:

	2018 RM	2017 RM
Deferred tax asset	15,751,734	15,937,555
Deferred tax liability	(5,948,733)	(4,492,096)
	9,803,001	11,445,459

	At 1 January 2018 RM	Recognised in income statement (Note 8) RM	At 31 December 2018 RM
Property, plant and equipment	(4,492,096)	(1,456,637)	(5,948,733)
Unused tax losses	4,310,945	-	4,310,945
Unabsorbed capital allowances	10,145,404	73,101	10,218,505
Others	1,481,206	(258,922)	1,222,284
	11,445,459	(1,642,458)	9,803,001

	At 1 January 2017 RM	Recognised in income statement (Note 8) RM	At 31 December 2017 RM
Property, plant and equipment	(3,968,432)	(523,664)	(4,492,096)
Unused tax losses	4,310,945	-	4,310,945
Unabsorbed capital allowances	7,851,187	2,294,217	10,145,404
Others	1,079,376	401,830	1,481,206
	9,273,076	2,172,383	11,445,459

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11. Trade receivables

	2018 RM	2017 RM
Trade receivables	520,612	362,548
Less: Allowance for impairment	(291,180)	(240,751)
Trade receivables, net	229,432	121,797

Trade receivables are non-interest bearing and are generally on 14 to 30 day (2017: 14 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	2018 RM	2017 RM
1 to 30 days past due but not impaired	105,045	9,746
31 to 60 days past due but not impaired	34,818	30,103
61 to 90 days past due but not impaired	10,451	3,001
More than 90 days past due but not impaired	79,118	78,947
	229,432	121,797
Impaired	291,180	240,751
	520,612	362,548

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	2018 RM	2017 RM
Trade receivables - nominal amounts	291,180	240,751
Less: Allowance for impairment	(291,180)	(240,751)
	-	-

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11. Trade receivables (cont'd.)

Receivables that are impaired (cont'd.)

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	240,751	118,104
Allowance for impairment losses (Note 7)	216,351	199,993
Write off	(165,922)	(77,346)
At 31 December	291,180	240,751

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

12. Other receivables

	2018 RM	2017 RM
Sundry receivables	165,463	202,951
Less: Allowance for impairment	(11,668)	(25,175)
	153,795	177,776
Deposits	969,198	1,038,537
Less: Allowance for impairment	-	(1,400)
	969,198	1,037,137
Prepayments	788,171	429,617
Other receivables, net	1,911,164	1,644,530

Receivables that are past due but not impaired

Sundry receivables that are past due but not impaired are unsecured in nature. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

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12. Other receivables (cont'd.)

Receivables that are impaired

The Company's sundry receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	2018 RM	2017 RM
Sundry receivables - nominal amounts	11,668	25,175
Less: Allowance for impairment	(11,668)	(25,175)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	25,175	17,180
(Reversal of)/allowance for impairment losses (Note 7)	(13,507)	21,775
Write off	-	(13,780)
At 31 December	11,668	25,175

Sundry receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral.

Deposits that are impaired

The Company's deposits that were impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	2018 RM	2017 RM
Deposits - nominal amounts	-	1,400
Less: Allowance for impairment	-	(1,400)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	1,400	3,043
Reversal of impairment losses (Note 7)	-	(1,643)
Write off	(1,400)	-
At 31 December	-	1,400

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12. Other receivables (cont'd.)

Deposits that are impaired (cont'd.)

Deposits that are individually determined to be impaired at the reporting date relate to deposits that are deemed uncollectible. These deposits are not secured by any collateral.

13. Amounts due from fellow subsidiaries

The amounts due from fellow subsidiaries are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

14. Other investments

	2018 RM	2017 RM
Proceeds Account	34,785	33,765
Other deposit with a licensed bank	269,559	261,546
	304,344	295,311

Pursuant to the iMTN ("Sukuk Programme") as disclosed in Note 20, the Company shall maintain a Proceeds Account and a Finance Service Reserve Account ("FSRA"). Both the Proceeds Account and FSRA are secured against the Sukuk Programme as disclosed in Note 20.

The Proceeds Account shall be maintained and operated solely by the Company while there is no occurrence of an event of default. Upon occurrence of an event of default, and if not remedied within the remedy period, the account shall be operated solely by the security agent appointed by the lenders ("Security Agent").

The Proceeds Account shall capture all proceeds from the issuance of the Sukuk Programme, proceeds from the operations of the Company and any shareholder's contribution and/or advances remitted to the Company.

The FSRA shall be operated solely by the Security Agent. The Company shall maintain an amount equivalent to the aggregate Sukuk Profit distribution payments under the Sukuk Programme for the next six months in the FSRA at all times.

At the reporting date, the balance in the Proceeds Account is placed in short term deposits for six months (2017: six months) and earns interest of 3.10% (2017: 2.90%) per annum.

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14. Other investments (cont'd.)

Other deposit with a licensed bank relates to deposit pledged as security for bank guarantee facility granted by a licensed bank. The said deposit is placed for a period of four months (2017: four months) and earns interest of 3.10% (2017: 2.90%) per annum.

15. Cash and bank balances

	2018 RM	2017 RM
Cash at banks and on hand	1,461,696	1,331,204
Short term deposits with licensed banks	7,799,252	12,705,175
Cash and bank balances	9,260,948	14,036,379
Deposits restricted for use	(2,799,252)	(2,705,948)
Cash and cash equivalents	6,461,696	11,330,431

Included in cash at banks and on hand are interest bearing bank balances amounting to RM590,434 (2017: RM605,519) which earn interest of 1.28% to 1.48% (2017: 1.23% to 1.32%) per annum.

Deposits with licensed banks includes an amount of RM2,799,252 (2017: RM2,705,175) in the FSRA. The FSRA is secured against the Sukuk Programme as disclosed in Note 20.

Short term deposits with licensed banks are made for varying periods of between two days and one month (2017: five days and two months) depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates. The effective interest rates as at 31 December 2018 for the Company range from 2.20% to 3.33% (2017: 3.00% to 3.33%) per annum.

16. Assets held for sale

As disclosed in Note 30, the Company has entered into a conditional sale and purchase agreement to dispose its property, plant and equipment to Dynamic Gates Sdn. Bhd. The assets to be disposed are as follows:

	2018 RM
Property, plant and equipment:	
Freehold land	33,314,411
Building	171,304,224
Renovation	1,750,462
At 31 December	206,369,097

The Company's building is pledged as security for iMTN (Note 20).

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17. Other payables

	2018 RM	2017 RM
Accruals	1,547,992	851,097
Refundable deposits	3,320,334	3,045,210
Sundry payables	11,255,639	10,580,159
Derivative liability derived from interest rate swap	-	126,108
	16,123,965	14,602,574

Sundry payables are non-interest bearing and are normally settled on an average term of 2 months (2017: 2 months). Sundry payables include advance payments received from trade receivables and short-term accumulated compensated absences amounting to RM2,624,476 (2017: RM2,444,356).

At the previous reporting date, the nominal amount for the interest rate swap entered into was RM57,000,000. The interest rate swap received floating interest equal to the Kuala Lumpur Interbank Offered Rate ("KLIBOR"), paid a fixed rate of interest of 3.98% and 4.08% per annum, and matured on 29 June 2018.

18. Contract liability

	2018 RM	2017 RM
Fees in advance	2,371,719	2,221,883

Set out below is the amount of revenue recognised from:

	2018 RM	2017 RM
Amount included in contract liabilities at the beginning of the year	2,221,883	1,752,322

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM2,371,719 which is expected to be recognised within one year.

In adopting MFRS 15 retrospectively, the Company 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.

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19. Amounts due to related companies

	2018 RM	2017 RM
Due to fellow subsidiaries	3,114,488	198,426
Due to holding company	6,663,823	14,439,210
	9,778,311	14,637,636

The amounts due to related companies are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

20. Borrowing

	2018 RM	2017 RM
Current		
Secured iMTN	100,093,343	-
Non-current		
Secured iMTN, maturing in more than 2 years but not later than 5 years	-	99,894,340

On 31 January 2013, the Company received approval from the Securities Commission in Malaysia for the issuance of up to RM350,000,000 iMTN pursuant to the Sukuk Programme.

The Sukuk Programme bears interest ("Sukuk Profit") at the prevailing cost of fund of the iMTN holder ("Cost of Fund") plus 0.75% per annum for the first four years since the first drawdown date and Cost of Fund plus 1.00% per annum from the fifth year up to the seventh year. The average effective Sukuk Profit rate is 5.31% (2017: 4.95%) per annum during the financial year.

The Sukuk Programme is secured by the following:

(a) First legal charge over the building as disclosed in Note 16;

(b) A debenture incorporating a fixed and floating charge on the assets of the Company both present and future;

(c) A legal assignment of all relevant takaful/insurance policies taken up by the Company in respect of the building and the endorsement of the security agent appointed by the lenders as loss payee;

(d) A legal charge and assignment of the Proceeds Account and FSRA as disclosed in Note 14 and Note 15; and

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20. Borrowing (cont'd.)

(e) Assignment of all construction contracts and performance bonds (if any) taken out over the construction of the building as disclosed in Note 16.

21. Share capital

	Number of ordinary shares		Amount	
	2018	**2017**	**2018 RM**	**2017 RM**
Authorised				
At 1 January	-	49,950,000	-	49,950,000
Abolishment under Companies Act 2016 *	-	(49,950,000)	-	(49,950,000)
At 31 December	-	-	-	-
Issued and fully paid				
At 1 January	15,000,000	15,000,000	16,059,000	15,000,000
Transfer pursuant to Section 618(2) of Companies Act 2016 #	-	-	-	1,059,000
At 31 December	15,000,000	15,000,000	16,059,000	16,059,000
Share premium				
At 1 January			-	1,059,000
Transfer pursuant to Section 618(2) of Companies Act 2016 #			-	(1,059,000)
At 31 December			-	-

* The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's shares 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.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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22. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")

	Number of NCRCPS		Amount	
	2018	**2017**	**2018 RM**	**2017 RM**
Authorised				
At 1 January	-	50,000	-	50,000
Abolishment under Companies Act 2016 *	-	(50,000)	-	(50,000)
At 31 December	-	-	-	-
Issued and fully paid				
At 1 January	25,200	23,200	126,000,000	23,200
Issued during the year	-	2,000	-	10,000,000
	25,200	25,200	126,000,000	10,023,200
Transfer pursuant to Section 618(2) of Companies Act 2016 #	-	-	-	115,976,800
At 31 December	25,200	25,200	126,000,000	126,000,000
Share premium				
At 1 January			-	115,976,800
Transfer pursuant to Section 618(2) of Companies Act 2016 #			-	(115,976,800)
At 31 December			-	-

* The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's shares 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 previous financial year, the Company issued NCRCPS to its holding company, settled via the capitalisation of amount due to holding company of RM10,000,000.

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22. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") (cont'd.)

The salient terms of the NCRCPS 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 Company subject to availability of profits.

(ii) The NCRCPS are redeemable at the Company's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the Company's option at any time into ordinary shares in the Company at a conversion rate to be determined by the Company.

(iv) The NCRCPS holders do not carry any right to vote at any general meeting of the Company except on resolutions to amend the NCRCPS holder's rights, to reduce the capital of the Company, to dispose the whole of the Company's property, business and undertakings and to wind up the Company in the event the declared dividend or part of the dividend on the NCRCPS is in arrears for more than six months.

23. Equity contribution from parent

The equity contribution from parent represents the equity-settled share options ("ESOS") scheme of PCB granted to employees of the Company. This reserve is made up of the cumulative value of services received from employees recorded on grant of share incentives of PCB. The ESOS expired on 29 August 2010.

24. Operating lease commitments

(a) The Company as lessor

The Company has entered into non-cancellable operating lease agreements on its property. These leases have remaining non-cancellable lease terms of between 2 and 25 months.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	2018 RM	2017 RM
Not later than 1 year	515,920	335,500
Later than 1 year but not later than 5 years	572,500	248,700
	1,088,420	584,200

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24. Operating lease commitments (cont'd.)

(b) The Company as lessee

The Company has entered into a non-cancellable operating lease agreement for the use of equipments. This lease has a tenure of 1 year to 5 years with renewal option included in the contract. There are no restrictions placed upon the Company by entering into the lease.

Future minimum rentals payable under the non-cancellable operating lease at the reporting date are as follows:

	2018 RM	2017 RM
Not later than 1 year	184,560	78,000
Later than 1 year but not later than 5 years	104,160	78,000
	288,720	156,000

25. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2018 RM	2017 RM
Management fees charged by holding company	1,796,887	1,440,760
Long term incentive plan paid to the holding company	426,167	276,494
Rental charged to a fellow subsidiary, KDU Management Development Centre Sdn. Bhd.	(102,000)	(102,000)
Rental charged to a fellow subsidiary, R.E.A.L Education Group Sdn. Bhd.	(39,520)	-
Rental charged to a fellow subsidiary, Paramount Property (Glenmarie) Sdn. Bhd.	-	(36,000)

Compensation of key management personnel

The Company does not have any key management compensation as the key management personnel is paid by the holding company.

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26. Classification of financial instruments

	Note	2018 RM	2017 RM
Trade receivables	11	229,432	121,797
Other receivables	*	1,122,993	1,214,913
Amounts due from fellow subsidiaries		93,995	10,706
Other investments	14	304,344	295,311
Cash and bank balances	15	9,260,948	14,036,379
Total financial assets carried at amortised cost		11,011,712	15,679,106
Other payables (other than derivative liability)	*	13,499,489	12,032,110
Amounts due to fellow subsidiaries	19	3,114,488	198,426
Amount due to holding company	19	6,663,823	14,439,210
Borrowing	20	100,093,343	99,894,340
Total financial liabilities carried at amortised cost		123,371,143	126,564,086
Derivative liability derived from interest rate swap, representing total financial liability at fair value through profit or loss	17	-	126,108

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

27. Fair values of assets and liabilities

In the previous financial year, the Company had measured its derivative liabilitiy of RM126,108 at level 2 fair value measurements.

Level 2 fair value measurements

The following is a description of the valuation technique and inputs used in the fair value measurement for the liability that is categorised within Level 2 of the fair value hierarchy:

Interest rate swap contract

Interest rate swap contract is valued using a valuation technique with market observable inputs. The valuation technique applied is swap model, using present value calculation. The model incorporates various inputs including credit quality of counterparties and interest rate curves.

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27. Fair values of assets and liabilities (cont'd.)

Determination of fair value

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

The carrying amounts of the Company's financial instruments (other than derivative liability) are reasonable approximations of fair values, either due to their short-term nature or in the case of the borrowing, due to it being a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

28. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group 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 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 Company's exposure to credit risk arises primarily from trade and other receivables. For other investments and cash and cash equivalents, the Company minimises credit risk by dealing exclusively with reputable licensed banks.

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

(a) Credit risk (cont'd.)

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position and the Company has no significant concentration of credit risk.

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 and Note 12.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Company manages liquidity risk by maintaining sufficient cash. In addition, the Company maintains bank facilities such as working capital lines deemed adequate by the management to ensure it will have sufficient liquidity to meet its liabilities when they fall due.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	<------------------------------2018------------------------------>			
	On demand or within one year RM	**One to five years RM**	**More than five years RM**	**Total RM**
Financial liabilities				
Other payables	13,499,489	-	-	13,499,489
Amounts due to fellow subsidiaries	3,114,488	-	-	3,114,488
Amount due to holding company	6,663,823	-	-	6,663,823
Borrowing	106,307,793	-	-	106,307,793
Total undiscounted financial liabilities	129,585,593	-	-	129,585,593

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

(b) Liquidity risk (cont'd.)

	<-----2017	-----	-----	----->
	On demand or within one year RM	**One to five years RM**	**More than five years RM**	**Total RM**
Financial liabilities				
Other payables	12,032,110	-	-	12,032,110
Derivative liability	126,108	-	-	126,108
Amounts due to fellow subsidiaries	198,426	-	-	198,426
Amount due to holding company	14,439,210	-	-	14,439,210
Borrowing	4,996,100	110,882,200	-	115,878,300
Total undiscounted financial liabilities	31,791,954	110,882,200	-	142,674,154

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises primarily from its floating rate borrowing. The Company's interest rates profile are disclosed in Notes 15 and 20.

<u>Sensitivity analysis for interest rate risk</u>

As at 31 December 2018, if interest rate had been 50 basis points lower/higher, with all other variable held constant, post tax loss of the Company for the financial year would have been RM501,498 (2017: RM216,422) lower/higher, arising mainly as a result of lower/higher interest expenses on floating rate term loan. The assumed movement in basis points for interest rate sensitivity analysis is based on observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

(d) Foreign currency risk (cont'd.)

The Company has transactional currency exposures arising from receipts and payments that are denominated in a currency other than the functional currency of the Company. The foreign currencies in which these transactions are denominated are mainly Great Britain Pound Sterling ("GBP") and Euro ("EUR").

The Company's foreign currency risk management policy is to minimise economic and significant transactional exposures arising from currency movements.

At the reporting date, the Company's exposure to foreign currency risk based on net carrying amount of financial liability are as follows:

	2018 RM	2017 RM
Other payables		
Denominated in:		
GBP	(62,258)	(74,423)
EUR	(104,754)	(33,664)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's loss before tax to a reasonably possible change in the GBP and EUR exchange rates against the functional currency of the Company, with all other variables held constant.

	Loss before tax Increase/(decrease) 2018 RM	 2017 RM
GBP/RM - strengthened 6% (2017: 4%)	3,735	2,977
- weakened 1% (2017: 2%)	(623)	(1,488)
EUR/RM - strengthened 3% (2017: 6%)	3,143	2,020
- weakened 3% (2017: 3%)	(3,143)	(1,010)

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29. Capital management

The primary objective of the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in line with changes in economic condition. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

30. Significant event

On 25 October 2018, the Company entered into the following conditional sale and purchase agreement ("SPA") with Dynamic Gates Sdn. Bhd. ("DGSB" or "Purchaser"). The sale and purchase between the Company as the vendor and DGSB as the purchaser in relation to the Utropolis Glenmarie Campus Premise held under title bearing particulars Geran No. 312848, Lot No. 91902 Mukim Damansara, Daerah Petaling, Selangor ("Utropolis Glenmarie Campus Property") 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 cumulative redeemable non-convertible preference shares ("CRNCPS") in DGSB at an issue price of RM1.00 per CRNCPS. (Glenmarie Campus Properties is hereinafter collectively referred to as the "Subject Campus Property").

In addition to the above, Janahasil Sdn. Bhd. ("Janahasil"), a fellow subsidiary, will enter into a master lease agreement with DGSB which will take effect upon the completion of the SPA to lease the Utropolis Glenmarie Campus Property from DGSB. Thereafter, Janahasil will onward sublease the Utropolis Glemarie Campus Property to the Company.

DGSB was incorporated as a special purpose vehicle for the purpose of the securitisation exercise undertaken by PCB Group ("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 Property 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.

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Directors' Report and Audited Financial Statements

31 December 2018

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

Principal activity

The principal activity of the Company is providing educational services.

Results

	RM
Profit net of tax	3,993,446

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

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

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid or declared in respect of the current financial year.

Directors

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
Chew Sun Teong
Datin Teh Geok Lian
Benjamin Teo Jong Hian
Faizah Binti Khairuddin (Appointed on 16 July 2018)

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Directors' benefits

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

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 of the Company or the fixed salary or a full-time employee of related corporations) 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.

Directors' indemnity

The holding company maintained a Directors' and Officers' Liability Insurance ("D&O Insurance") 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. 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' interest

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares of the holding 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**
Holding company					
Paramount Corporation Berhad					
Direct Interest					
Dato' Teo Chiang Quan	5,610,500	-	-	-	5,610,500
Chew Sun Teong	638,800	-	1,192,600	-	1,831,400
Datin Teh Geok Lian	375,700	-	402,200	(10,000)	767,900
Benjamin Teo Jong Hian	542,500	-	-	-	542,500
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

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Directors' interest (cont'd.)

	<------------------------Number of ordinary shares under LTIP			------------------------>
	At 1 January 2018	Granted	Vested	Not vested**	At 31 December 2018
Holding company Paramount Corporation Berhad					
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700

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 director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

* On 15 March 2018, the holding company issued 3,976,000 new ordinary shares to its eligible employees under Long Term Incentive Plan ("LTIP") persuant to:

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

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

Holding company

The immediate and ultimate holding company is Paramount Corporation Berhad, which is incorporated in Malaysia.

Other statutory information

(a) Before the income statement and statement of financial position 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 value 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.

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Other statutory information (cont'd.)

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

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

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the 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 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 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 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 Company to meet its 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 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 Note 29 to the financial statements.

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Auditors

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

Auditors' remuneration are disclosed in Note 6 to the financial statements.

Indemnification of auditors

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 28 March 2019.

Chew Sun Teong	Datin Teh Geok Lian

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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Chew Sun Teong and Datin Teh Geok Lian, being two of the directors of KDU University College (PG) Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 52 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 Company as at 31 December 2018 and of the financial performance and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2019.

Chew Sun Teong

Datin Teh Geok Lian

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 KDU University College (PG) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 52 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Foong Poh Seng
at Petaling Jaya in Selangor Darul Ehsan
on 28 March 2019.

Foong Poh Seng

Petaling Jaya, Selangor

PESURUHJAYA SUMPAH
No. B185
NG SAY HUNG
MALAYSIA

Before me,

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

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Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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Independent auditors' report to the member of KDU University College (PG) Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KDU University College (PG) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 52.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and 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 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.

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the member of KDU University College (PG) Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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.

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Independent auditors' report to the member of KDU University College (PG) Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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Independent auditors' report to the member of KDU University College (PG) Sdn. Bhd. (cont'd.) (Incorporated in Malaysia)

Other matters

This report is made solely to the member 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
28 March 2019

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM (Restated)
Revenue	4	28,578,924	28,692,557
Other income		4,844,953	3,446,307
Employee benefits expense	5	(16,076,753)	(15,132,568)
Depreciation		(1,378,886)	(1,706,463)
Other expenses		(11,712,551)	(10,792,229)
Profit before tax	6	4,255,687	4,507,604
Income tax expense	7	(262,241)	(1,350,479)
Profit net of tax, representing total comprehensive income for the year		3,993,446	3,157,125

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

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current asset			
Property, plant and equipment	8	1,286,808	129,880,333
Current assets			
Trade receivables	9	75,461	136,270
Other receivables	10	1,522,567	1,138,128
Amounts due from fellow subsidiaries	11	10,000	-
Tax recoverable		1,070,961	144,360
Cash and bank balances	12	3,392,394	1,553,629
		6,071,383	2,972,387
Assets held for sale	13	156,361,824	-
		162,433,207	2,972,387
Total assets		163,720,015	132,852,720
Equity and liabilities			
Current liabilities			
Other payables	14	7,003,214	7,056,304
Amount due to holding company	11	343,678	20,546,752
Amounts due to fellow subsidiaries	11	26,717,573	4,445,772
Contract liability	15	252,930	286,084
Borrowings	16	53,659,596	-
		87,976,991	32,334,912
Net current liabilities		74,456,216	(29,362,525)
Non-current liabilities			
Deferred tax liabilities	17	686,267	683,066
Borrowings	16	-	28,771,431
		686,267	29,454,497
Total liabilities		88,663,258	61,789,409

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position (cont'd.)
As at 31 December 2018

	Note	2018 RM	2017 RM
Equity			
Share capital	18	15,003,300	15,003,300
Non-cumulative Redeemable Convertible Preference Shares	19	30,000,000	30,000,000
Equity contribution from parent	20	430,420	430,420
Retained earnings	21	29,623,037	25,629,591
Total equity		75,056,757	71,063,311
Total equity and liabilities		163,720,015	132,852,720

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

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2018

			<--- Non-distributable --->				
	Ordinary shares RM	Non-cumulative Redeemable Convertible Preference Shares RM	Share premium RM	Capital redemption reserve RM	Equity contribution from parent RM	Distributable Retained earnings RM	Total equity RM
At 1 January 2018	15,003,300	30,000,000	-	-	430,420	25,629,591	71,063,311
Total comprehensive income	-	-	-	-	-	3,993,446	3,993,446
At 31 December 2018	15,003,300	30,000,000	-	-	430,420	29,623,037	75,056,757
At 1 January 2017	15,000,000	6,000	29,994,000	3,300	430,420	22,472,466	67,906,186
Total comprehensive income	-	-	-	-	-	3,157,125	3,157,125
Transfer pursuant to Section 618(2) of Companies Act 2016*	3,300	29,994,000	(29,994,000)	(3,300)	-	-	-
At 31 December 2017	15,003,300	30,000,000	-	-	430,420	25,629,591	71,063,311

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

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

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2018

	2018 RM	2017 RM
Cash flows from operating activities		
Profit before tax	4,255,687	4,507,604
Adjustments for:		
Depreciation	1,378,886	1,706,463
Property, plant and equipment written off	1	7,444
Gain on disposal of property, plant and equipment	(5,447)	(1,122)
Share-based payment	321,990	237,088
Allowance for impairment loss on trade receivables	26,972	59,364
Net unrealised foreign exchange gain	(11,174)	(3,296)
Interest income	(65,370)	(40,168)
Operating profit before changes in working capital	5,901,545	6,473,377
Increase in receivables	(350,602)	(349,194)
(Decrease)/ increase in payables	(75,069)	265,480
Changes in intercompany balances	1,736,737	(1,470,008)
Cash generated from operations	7,212,611	4,919,655
Income taxes paid	(1,185,641)	(1,214,331)
Net cash flows generated from operating activities	6,026,970	3,705,324
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,084,527)	(32,256,261)
Proceeds from disposals of property, plant and equipment	6,075	13,821
Placement in deposits restricted for use	(710,724)	(748,521)
Interest received	65,370	40,168
Net cash flows used in investing activities	(29,723,806)	(32,950,793)
Cash flow from financing activity		
Drawdown of borrowing, net of transaction cost, representing net cash flows generated from financing activity	24,824,877	28,746,339
Net increase/(decrease) in cash and cash equivalents	1,128,041	(499,130)
Cash and cash equivalents at 1 January	805,108	1,304,238
Cash and cash equivalents at 31 December (Note 12)	1,933,149	805,108

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2018 (cont'd.)

Note:

(a) Reconciliation of liabilities arising from financing activities:

	2018 RM	2017 RM
Borrowings		
At 1 January	28,771,431	-
Drawdown during the year	24,890,000	30,000,000
Transaction cost paid	(65,123)	(1,253,661)
Amortisation of loan transaction cost	63,288	25,092
At 31 December	53,659,596	28,771,431

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

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2018

1. Corporate information

KDU University College (PG) Sdn. Bhd. ("the Company") is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at 32 Jalan Anson, 10400 Penang.

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

The principal activity of the Company is providing educational services.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

On 1 January 2018, the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2018:

- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Investment
- IC Interpretation 22: Foreign Currency

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

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

2.2 Changes in accounting policies (cont'd)

MFRS 9 *Financial Instruments*

The key effect of the adoption of this standard on the Company 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 significant changes to the financial statements.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. The previous accounting standards placed emphasis on the exchange of risk and rewards. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations whilst introducing additional disclosure requirements.

The Company has applied the requirements of MFRS 15 retrospectively with cumulative effect on initial application of the standard as an adjustment to the opening balance of retained earnings for the financial year ended 31 December 2018. The financial impact to the Company on initial application of the standard is shown below:

Income statement
For the financial year ended 31 December 2017

	As previously reported RM	Reclassification RM	As restated RM
Revenue	24,884,347	3,808,210	28,692,557
Other income	7,254,517	(3,808,210)	3,446,307

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

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

2.3 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 Company's financial statements are disclosed below. The Company intends to adopt these standards and amendments to standards, if applicable, when they become effective.

Description	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
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 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

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 Company in the current or future reporting periods.

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.

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

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

MFRS 16 Leases (cont'd)

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 Company is in the process of assessing the estimated financial impact on its financial statements on initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Company 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.

2.4 Property, plant and equipment and depreciation

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 Company 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.

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life as follows:

Building	50 years
Renovation	5 years
Furniture, fixtures and fittings, books, computers, equipment and motor vehicles	3 to 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

2.4 Property, plant and equipment and depreciation (cont'd)

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 policy for the recognition and measurement of impairment losses is in accordance with Note 2.5.

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. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the 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.

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

2.6 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.

(i) 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. All financial assets of the Company are classified as financial assets at amortised cost (debt instruments). The Company's financial assets at amortised cost include trade receivables, other receivables, amounts due from fellow subsidiaries and cash and bank balances.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

The Company'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 Company commits to purchase or sell the asset.

Subsequent measurement

The Company 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.

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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KDU University College (PG) Sdn. Bhd.
(Incorporated in Malaysia)

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Derecognition (cont'd)

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

Impairment of financial assets

The Company 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 the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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-month (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, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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).

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Impairment of financial assets (cont'd)

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities, and measured at either fair value through profit or loss or amortised cost as appropriate.

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

The Company's financial liabilities include other payables, amounts due to holding company and fellow subsidiaries and borrowings.

Subsequent measurement

After initial recognition, payables, amount due to related company and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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.

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.

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

2.6 Financial instruments (cont'd.)

(iii) Offsetting of financial instruments

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

2.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, at banks and deposit with a licensed bank which are subject to an insignificant risks of changes in value.

2.8 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 Company incurred in connection with the borrowing of funds.

2.9 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares and Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") are equity instruments.

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

2.10 Provisions

Provisions are recognised when the Company 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.

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

2.10 Provisions (cont'd)

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.

2.11 Leases

(a) As lessee

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

(b) As lessor

Leases where the Company 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 2.15(b).

When the assets are leased out under an operating lease, the asset is included in the statement 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.

2.12 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 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.

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

2.12 Employee benefits (cont'd)

(b) Defined contribution plan

The Company participates in the national pension schemes as defined by the Malaysian laws. The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.13 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of 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.

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.

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

2.13 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

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

(c) Goods and service tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statement of financial position.

2.14 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 educational fees

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

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

2.14 Revenue and other income recognition (cont'd)

(b) Rental income

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

(c) Interest income

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

2.15 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The 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 functional currency of the Company and are recorded on initial recognition in the functional currency 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.

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.

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

2.16 Current and non-current classification

The Company presents assets and liabilities in statement 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.

2.17 Assets held for sale

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

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.4 to the financial statements. Thereafter, on initial classification as held for sale, the assets are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to profit or loss. Assets once classified as held for sale are not depreciated.

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

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

2.17 Assets held for sale (cont'd)

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

2.18 Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Company 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 Company performs under the contract. In the case of 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 Company have billed and collected the payment before the goods are delivered or services are provided to the customers.

3. Significant accounting estimates and judgements

The preparation of the Company'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

No major judgements have been made by management in applying the Company's accounting policies as at reporting date that have a significant risk of causing a material adjustment.

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

3.2 Key sources of estimation uncertainty

No key assumptions concerning the future and other key source 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.

4. Revenue from contract with customers

	2018 RM	2017 RM
Type of goods and service		
Educational fees	28,578,924	28,692,557
Timing of revenue recognition		
Goods transferred at a point in time	1,445,131	963,692
Services transferred over time	27,133,793	27,728,865
	28,578,924	28,692,557

5. Employee benefits expense

	2018 RM	2017 RM
Wages and salaries	13,252,930	12,592,717
Contributions to defined contribution plan	1,615,627	1,505,586
Share-based payment	321,990	237,088
Other benefits	886,206	797,177
	16,076,753	15,132,568

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6. Profit before tax

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

	2018 RM	2017 RM
Auditors' remuneration	18,000	18,000
Bad debts written off	67,083	26,591
Depreciation of property, plant and equipment (Note 8)	1,378,886	1,706,463
Property, plant and equipment written off	1	7,444
Gain on disposal of property, plant and equipment	(5,447)	(1,122)
Allowance for impairment loss on trade receivables (Note 9)	26,972	59,364
Rental of premises	606,525	595,300
Rental of equipment	85,731	67,380
Net gains/(losses) on foreign exchange:		
- realised	(267,823)	(147,679)
- unrealised	11,174	3,296
Interest income from deposits with licensed banks	(65,370)	(40,168)
Rental income	(1,385,311)	(1,293,812)

7. Income tax expense

	2018 RM	2017 RM
Current income tax:		
Malaysian income tax	828,848	1,340,000
Over provision in prior year	(569,808)	(11,845)
	259,040	1,328,155
Deferred tax (Note 17):		
Relating to origination and reversal of temporary differences	4,656	16,500
(Over)/under provision in prior year	(1,455)	5,824
	3,201	22,324
Total income tax expense	262,241	1,350,479

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

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7. Income tax expense (cont'd.)

The reconciliation between 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	2017 RM
Profit before tax	4,255,687	4,507,604
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	1,021,365	1,081,825
Expenses not deductible for tax purposes	380,224	274,675
Interest capitalised allowable as tax deduction	(568,085)	-
(Over)/under provision of deferred tax in prior year	(1,455)	5,824
Over provision of income tax in prior year	(569,808)	(11,845)
Income tax expense	262,241	1,350,479

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8. Property, plant and equipment

	Freehold land RM	Building RM	Renovation RM	Furniture, fixtures and fittings, books, computers, equipment, and motor vehicles RM	Capital work in progress RM	Total RM
Cost						
At 31 December 2016	43,790,312	37,720,000	1,375,085	10,030,248	21,129,530	114,045,175
Additions	40,332	-	9,041	510,000	31,721,980	32,281,353
Disposal	-	-	-	(18,338)	-	(18,338)
Write-off	-	-	-	(34,993)	-	(34,993)
At 31 December 2017	43,830,644	37,720,000	1,384,126	10,486,917	52,851,510	146,273,197
Additions	-	-	111,092	616,558	28,420,164	29,147,814
Disposal	-	-	-	(1,273)	-	(1,273)
Transfer to assets held for sale (Note 13)	(43,830,644)	(37,720,000)	(1,495,218)	-	(81,271,674)	(164,317,536)
Write-off	-	-	-	(75,900)	-	(75,900)
At 31 December 2018	-	-	-	11,026,302	-	11,026,302

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

	Freehold land RM	Building RM	Renovation RM	Furniture, fixtures and fittings, books, computers, equipment, and motor vehicles RM	Capital work in progress RM	Total RM
Accumulated depreciation						
At 31 December 2016	-	5,298,040	1,122,589	8,298,960	-	14,719,589
Depreciation (Note 6)	-	756,923	81,766	867,774	-	1,706,463
Disposal	-	-	-	(5,639)	-	(5,639)
Write-off	-	-	-	(27,549)	-	(27,549)
At 31 December 2017	-	6,054,963	1,204,355	9,133,546	-	16,392,864
Depreciation (Note 6)	-	636,991	59,403	682,492	-	1,378,886
Disposal	-	-	-	(645)	-	(645)
Transfer to assets held for sale (Note 13)	-	(6,691,954)	(1,263,758)	-	-	(7,955,712)
Write-off	-	-	-	(75,899)	-	(75,899)
At 31 December 2018	-	-	-	9,739,494	-	9,739,494
Net carrying amount						
At 31 December 2018	-	-	-	1,286,808	-	1,286,808
At 31 December 2017	43,830,644	31,665,037	179,771	1,353,371	52,851,510	129,880,333

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

(a) The Company's capital work-in-progress includes borrowing costs capitalised arising from amount due to holding company and related company 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 RM669,897 (2017: RM580,795).

(b) During the financial year, the Company entered into conditional sale and purchase agreements to dispose its property, plant and equipment amounting to RM156,361,824 to Dynamic Gates Sdn. Bhd.. The details are disclosed in Note 13.

(c) Included in plant and equipment of the Company are fully depreciated assets amounted to RM6,879,823 (2017: RM7,125,477).

9. Trade receivables

	2018 RM	2017 RM
Trade receivables	173,026	206,863
Less: Allowance for impairment	(97,565)	(70,593)
	75,461	136,270

Ageing analysis of trade receivables
The ageing analysis of the Company's trade receivables is as follows:

	2018 RM	2017 RM
1 to 30 days past due not impaired	12,374	15,204
31 to 60 days past due not impaired	5,936	8,158
61 to 90 days past due not impaired	35,963	88,207
91 to 120 days past due not impaired	21,188	24,701
	75,461	136,270
Impaired	97,565	70,593
	173,026	206,863

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

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9. Trade receivables (cont'd)

Receivables that are impaired

The Company'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:

	2018 RM	2017 RM
Trade receivables	97,565	70,593
Less: Allowance for impairment	(97,565)	(70,593)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	70,593	11,229
Allowance for impairment losses (Note 6)	26,972	59,364
At 31 December	97,565	70,593

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

10. Other receivables

	2018 RM	2017 RM
Sundry receivable	198,240	32,716
Deposits	480,373	433,440
Prepayments	843,954	671,972
	1,522,567	1,138,128

11. Amount due from/(to) related parties

The amount due to holding company is non-trade in nature, unsecured, non-interest bearing (2017: interest bearing at 4.7% per annum) and is repayable on demand.

The amounts due from/(to) fellow subsidiaries are non-trade in nature, unsecured, bear interest at 4.95% per annum (2017: non-interest bearing) and are repayable on demand.

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12. Cash and bank balances

	2018 RM	2017 RM
Cash on hand and at banks	2,025,316	785,889
Deposits with licensed bank	1,367,078	767,740
Cash and bank balances	3,392,394	1,553,629
Deposits restricted for use	(1,459,245)	(748,521)
Cash and cash equivalents	1,933,149	805,108

Cash at banks earn interest at floating rates based on daily bank deposit rates. Included in cash at banks are interest bearing bank balances amounting to RM1,987,847 (2017: RM731,815) which earn interest ranged from 0.25% to 2.80% (2017: 0.25% to 2.00%) per annum.

Included in deposits with licensed bank and cash at banks of the Company are amount of RM1,459,245 (2017: RM748,521) in the Financial Service Reserve Account ("FSRA") and Trustee account ("TRA") which are restricted in usage and do not form part of cash and cash equivalents. The FSRA and TRA is secured against the Sukuk Programme as disclosed in Note 16.

13. Assets held for sale

As disclosed in Note 29, the Company has entered into conditional sale and purchase agreements to dispose its property, plant and equipment to Dynamic Gates Sdn. Bhd.. The assets to be disposed are as follows:

	2018 RM
Property, plant and equipment:	
Freehold land	43,830,644
Building	31,028,046
Renovation	231,460
Capital work in progress	81,271,674
At 31 December	156,361,824

The Company's building is pledged as security for iMTN (Note 16).

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14. Other payables

	2018 RM	2017 RM
Accruals	973,813	879,355
Refundable deposits	1,593,394	1,725,855
Sundry payables	4,436,007	4,451,094
	7,003,214	7,056,304

Sundry payables are non-interest bearing and are normally settled on an average term of 1 month (2017: average term of 1 month).

15. Contract liability

	2018 RM	2017 RM
Fees in advance	252,930	286,084

Set out below is the amount of revenue recognised from:

	2018 RM	2017 RM
Amount included in contract liabilities at the beginning of the year	286,084	639,649

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM252,930 which expected to be recognised within one year.

In adopting MFRS 15 retrospectively, the Company 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.

16. Borrowing

	2018 RM	2017 RM
Non-current		
Secured iMTN, maturing in more than 2 years but not later than 5 years	-	28,771,431
Current		
Secured iMTN	53,659,596	-

On 30 August 2016, the Company received approval from the Securities Commission in Malaysia for the issuance of up to RM300,000,000 iMTN pursuant to an iMTN Programme ("Sukuk Programme"). The initial issuance is up to RM160,000,000. The Sukuk Programme bears interest ("Sukuk Profit") at the prevailing cost of funds of the iMTN holder ("Cost of Funds") plus 1.0% per annum for the first issuance.

During the year, the Company has drawdown RM24,890,000 (2017: RM30,000,000) of the total iMTN approved. The average effective Sukuk Profit rate is from 4.70% to 4.95% (2017: 4.60% to 4.70%) per annum during the financial year.

The Sukuk Programme is secured by the following:

(i) First legal charge over the project land as disclosed in Note 13;

(ii) A completion guarantee undertaking from PCB;

(iii) A debenture incorporating a fixed and floating charge on the assets of the Company both present and future;

(iv) A legal assignment of all relevant takaful/insurance policies taken up by the Company in respect of the capital work-in-progress and the endorsement of the security agent appointed by the lenders as loss payee;

(v) A legal charge and assignment of the FSRA as disclosed in Note 12; and

(vi) Assignment of all construction contracts and performance bonds (if any) taken out over the construction of the building as disclosed in Note 13.

The management of the interest rate risk of the Company is disclosed in Note 27(c).

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17. Deferred tax liabilities

	2018 RM	2017 RM
At 1 January	683,066	660,742
Recognised in income statement (Note 7)	3,201	22,324
At 31 December	686,267	683,066

Presented after appropriate offsetting as follows:

	2018 RM	2017 RM
Deferred tax assets	(204,462)	(203,452)
Deferred tax liabilities	890,729	886,518
	686,267	683,066

	At 1 January 2018 RM	Recognised in income statement RM	At 31 December 2018 RM
Deferred tax liabilities:			
Property, plant and equipment	886,518	4,211	890,729
Deferred tax assets:			
Fees in advance	(68,660)	7,957	(60,703)
Others	(134,792)	(8,967)	(143,759)
	683,066	3,201	686,267

	At 1 January 2017 RM	Recognised in income statement RM	At 31 December 2017 RM
Deferred tax liabilities:			
Property, plant and equipment	933,905	(47,387)	886,518
Deferred tax assets:			
Fees in advance	(153,516)	84,856	(68,660)
Others	(119,647)	(15,145)	(134,792)
	660,742	22,324	683,066

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18. Share capital

	Number of ordinary shares 2018	2017	Amount 2018 RM	2017 RM
Authorised:				
At 1 January	-	24,980,000	-	24,980,000
Abolishment under Companies Act 2016	-	(24,980,000)	-	(24,980,000)
At 31 December	-	-	-	-
Issued and fully paid:				
At 1 January	15,000,000	15,000,000	15,003,300	15,000,000
Transfer pursuant to Section 618(2) of Companies Act 2016	-	-	-	3,300
At 31 December	15,000,000	15,000,000	15,003,300	15,003,300

The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

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.

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.

19. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")

	Number of NCRCPS 2018	2017	Amount 2018 RM	2017 RM
Authorised				
At 1 January	-	20,000	-	20,000
Abolishment under Companies Act 2016	-	(20,000)	-	(20,000)
At 31 December	-	-	-	-

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19. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") (cont'd.)

	Number of NCRCPS		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
At 1 January	6,000	6,000	30,000,000	6,000
Transfer pursuant to Section 618(2) of Companies Act 2016	-	-	-	29,994,000
At 31 December	6,000	6,000	30,000,000	30,000,000

	Amount	
	2018 RM	2017 RM
Share premium		
At 1 January	-	29,994,000
Transfer pursuant to Section 618(2) of Companies Act 2016	-	(29,994,000)
At 31 December	-	-

The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

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.

The salient terms of the NCRCPS issued 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 Company's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the Company's option at any time into ordinary shares in the Company at a conversion rate to be determined by the Company.

(iv) The NCRCPS holders do not carry any right to vote at any general meeting of the Company except on resolutions to amend the NCRCPS holder's rights, to reduce the capital of the Company, to dispose the whole of the Company's property, business and undertakings, to wind up the Company or in the event the declared dividend or part of the dividend on the NCRCPS is in arrears for more than six months.

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20. Equity contribution from parent

The equity contribution from parent represents ESOS and share incentives scheme of PCB granted to employees of the Company. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options of PCB. The ESOS expired on 29 August 2010.

21. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 2017 under the single tier system.

22. Operating lease arrangements

(a) The Company as a lessor

The Company has entered into non-cancellable operating lease agreements on its property. These leases have remaining non-cancellable lease terms of between 2 and 12 months.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	2018 RM	2017 RM
Not later than 1 year	94,800	-

(b) The Company as lessee

The Company has entered into non-cancellable operating lease agreements for the use of land, buildings and certain plant and equipment. These leases have an average tenure of 3 years with no renewal or purchase option included in the contracts.

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22. Operating lease arrangements (cont'd.)

(b) 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:

	2018 RM	2017 RM
Not later than 1 year	380,575	629,885
Later than 1 year and not later than 5 years	140,222	238,687
	520,797	868,572

23. Capital commitments

Capital commitments as at the reporting date is as follows:

	2018 RM	2017 RM
Capital expenditure - property, plant and equipment		
- Approved and contracted for	34,437,848	62,222,012
- Approved but not contracted for	1,675,675	2,311,676
	36,113,523	64,533,688

24. Related party transactions

(a) Sale and purchase of goods and services

In addition to the significant related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related party took place at terms agreed between the party during the financial year:

	2018 RM	2017 RM
Management fee charged by holding company	1,302,890	960,715
Construction works charged by a fellow subsidiary, Paramount Construction (PG) Sdn. Bhd	26,038,643	29,996,008
Interest expense on amount due to:		
- related company (Note 8)	349,018	-
- holding company (Note 8)	320,879	580,795

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24. Related party transactions (cont'd.)

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The remuneration of key management during the year was as follows:

	2018 RM	2017 RM
Short term employee benefits	1,163,154	1,112,161
Defined contribution plan	163,197	93,549
	1,326,351	1,205,710

25. Classification of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Note	2018 RM	2017 RM
Trade receivables	9	75,461	136,270
Other receivables	*	678,613	466,156
Amounts due from fellow subsidiaries	11	10,000	-
Cash and cash balances	12	3,392,394	1,553,629
Total financial assets at amortised cost		4,156,468	2,156,055
Other payables	*	6,388,860	6,605,687
Amount due to holding company	11	343,678	20,546,752
Amounts due to fellow subsidiaries	11	26,717,573	4,445,772
Borrowing	16	53,659,596	28,771,431
Total financial liabilities at amortised cost		87,109,707	60,369,642

* These balances exclude non-financial instruments balances which are not within the scope of MFRS 9, *Financial Instruments.*

26. Fair values of financial instruments

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

The carrying amounts of the Company's financial instruments are reasonable approximations of fair values, either due to their short-term nature or in the case of the borrowing, due to it being a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

27. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency 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 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 Company's exposure to credit risk arises primarily from trade and other receivables. For cash and cash equivalents, the Company minimises credit risk by dealing exclusively with reputable licensed banks.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position and the Company has no significant concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from other payables, due to holding company and fellow subsidiaries, and borrowing.

In this regard, the Company's policies and procedures involve obtaining funding from its holding company to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due.

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27. 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 Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2018 On demand or within one year RM
Financial liabilities	
Other payables	6,388,860
Amount due to holding company	343,678
Amounts due to fellow subsidiaries	27,637,406
Borrowing	57,607,055
Total financial liabilities carried at amortised cost	91,976,999

	<------------2017------------>			
	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Financial liabilities				
Other payables	6,605,687	-	-	6,605,687
Amount due to holding company	21,512,449	-	-	21,512,449
Amounts due to fellow subsidiaries	4,445,772	-	-	4,445,772
Borrowing	1,410,000	7,050,000	30,705,000	39,165,000
Total financial liabilities carried at amortised cost	33,973,908	7,050,000	30,705,000	71,728,908

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

In considering its financial structure, the Company has assessed and considered the floating rate borrowings to be an appropriate structure.

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

(c) Interest rate risk (cont'd.)

At the reporting date, if interest rate had been 50 basis points lower/higher with all other variables held constant, the Company's borrowing costs capitalised would have been RM268,298 lower/higher arising mainly as a result of lower/higher interest expense on floating rate term loans capitalised. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from payments that are denominated in a currency other than the functional currency of the Company. The foreign currency which these transactions are denominated is mainly Great Britain Pound Sterling ("GBP").

The Company's foreign currency risk management policy is to minimise economic and significant transactional exposures arising from currency movements.

At the reporting date, the Company does not have significant foreign currency exposure.

28. Capital management

The primary objective of the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in line with changes in economic condition. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company relies on its holding company, Paramount Corporation Berhad, to provide financial support to meet its liabilities as and when they fall due.

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29. Significant events during the financial year

(a) On 25 October 2018, the Company entered into conditional sale and purchase agreements ("SPAs") with Dynamic Gates Sdn Bhd ("DGSB"). The sale and purchase between the Company 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 (KDU Penang University College Campus is hereinafter collectively referred to as the "Subject Campus Property") and in relation to the KDU Penang University College Campus premises located in Batu Kawan, Mukim 13, Daerah Seberang Perai Selatan, Negeri Pulau Pinang (Batu Kawan Campus Properties) for a total disposal consideration of RM120,0000,000 to be satisfiesd 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.

In addition to the above, Janahasil Sdn. Bhd. ("Janahasil"), a fellow subsidiary, will enter into a master lease agreement with DGSB which will take effect upon the completion of the SPAs to lease the Jalan Anson Campus Properties and Batu Kawan Campus Properties from DGSB. Thereafter, Janahasil will onward sublease the Jalan Anson Campus Properties and Batu Kawan Campus Properties to the Company.

DGSB was incorporated as a special purpose vehicle for the purpose of the securitisation exercise undertaken by PCB Group ("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 Property 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.

On 29 November 2018, the Company entered into a conditional SPA with Janahasil. The sales and purchase between the Company as the vendor and Janahasil as the purchaser is in relation to the KDU Penang University College Hostel located at No.12, Jalan Khaw Sim Bee, Georgetown, Pulau Pinang ("Hostel") for a total disposal consideration of RM7,800,000. Also, on 29 November 2018, the Company entered into another SPA with Paramount Property (PW) Sdn. Bhd. ("PPSB"), a fellow subsidiary, where the Company as the vendor and PPSB as the purchaser is in relation to the extension land of Batu Kawan Campus located at No. 167235, Lot No. 21590, Mukim 13, Daerah Seberang Perai Selatan, Negeri Pulau Pinang for a total disposal consideration of RM15,400,000.

As at reporting date, the transactions have yet to be completed pending fulfillment of certain condition precedents.

KDU College (PJ) Sdn. Bhd.
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Directors' Report and Audited Financial Statements
31 December 2018

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KDU College (PJ) Sdn. Bhd.
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Directors' report

The directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2018.

Principal activity

The principal activity of the Company is providing educational services.

Results

	RM
Loss net of tax	(2,333,544)

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

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

Directors

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
Datin Teh Geok Lian
Chew Sun Teong
Benjamin Teo Jong Hian

Directors' benefits

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

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KDU College (PJ) Sdn. Bhd.
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Directors' benefits (cont'd.)

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 of the Company or the fixed salary of a full-time employee of related corporations) 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.

Directors' indemnity

The holding company maintained a Directors' and Officers' Liability Insurance ("D&O Insurance") 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. 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 holding company during the financial year were as follows:

	<---------- Number of ordinary shares ---------->				
	At 1 January 2018	**Bought**	**LTIP Shares Vested***	**Sold**	**At 31 December 2018**
Holding company					
Paramount Corporation Berhad					
Direct interest					
Dato' Teo Chiang Quan	5,610,500	-	-	-	5,610,500
Datin Teh Geok Lian	375,700	-	402,200	(10,000)	767,900
Chew Sun Teong	638,800	-	1,192,600	-	1,831,400
Benjamin Teo Jong Hian	542,500	-	-	-	542,500
Deemed interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

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Directors' interests (cont'd.)

	<--------------- Number of ordinary shares under LTIP			-------------->
	At 1 January 2018	Granted	Vested*	Not vested**	At 31 December 2018
Holding company					
Paramount Corporation Berhad					
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700
Benjamin Teo Jong Hian	-	146,000	-	-	146,000

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

* On 15 March 2018, the holding company issued 3,976,000 new ordinary shares to its eligible employees under Long Term Incentive Plan ("LTIP") persuant to:

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

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

Holding company

The holding company is Paramount Corporation Berhad ("PCB"), which is incorporated in Malaysia.

Other statutory information

(a) Before the income statement and statement of financial position 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 value 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.

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KDU College (PJ) Sdn. Bhd.
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Other statutory information (cont'd.)

(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 Company inadequate to any substantial extent; and

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the 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 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 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 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 Company to meet its 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 Company for the financial year in which this report is made.

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KDU College (PJ) Sdn. Bhd.
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Auditors

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

Auditors' remuneration is disclosed in Note 6 to the financial statements.

Indemnification of auditors

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 28 March 2019.

Chew Sun Teong

Datin Teh Geok Lian

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KDU College (PJ) Sdn. Bhd.
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Chew Sun Teong and Datin Teh Geok Lian, being two of the directors of KDU College (PJ) Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 48 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 Company as at 31 December 2018 and of the financial performance and cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2019.

Chew Sun Teong

Datin Teh Geok Lian

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 KDU College (PJ) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 48 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Foong Poh Seng at Kuala Lumpur in the Federal Territory on 28 March 2019. Petaling Jaya, Selangor

Foong Poh Seng

Before me,

PESURUHJAYA SUMPAH
No B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

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Ernst & Young AF 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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Independent auditors' report to the member of KDU College (PJ) Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KDU College (PJ) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and 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 opinion.

Independence and other ethical responsibilities

We are independent 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.

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the member of
KDU College (PJ) Sdn. Bhd. (cont'd.)
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Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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.

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Independent auditors' report to the member of
KDU College (PJ) Sdn. Bhd. (cont'd.)
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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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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Independent auditors' report to the member of KDU College (PJ) Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Other matters

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

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

Kuala Lumpur, Malaysia
28 March 2019

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KDU College (PJ) Sdn. Bhd.
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM (Restated)
Revenue	4	6,736,734	7,307,739
Other income		2,400,841	2,354,541
Employee benefits expense	5	(5,457,365)	(5,228,115)
Depreciation	9	(1,407,669)	(1,615,446)
Other expenses		(4,578,527)	(5,778,839)
Finance cost	7	(27,558)	-
Loss before tax	6	(2,333,544)	(2,960,120)
Income tax expense	8	-	(6,700)
Loss net of tax, representing total comprehensive loss for the year		(2,333,544)	(2,966,820)

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

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KDU College (PJ) Sdn. Bhd.
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Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Assets			
Non-current assets			
Property, plant and equipment	9	676,899	42,341,854
Current assets			
Trade receivables	11	190,536	334,423
Other receivables	12	243,392	297,894
Due from holding company	13	-	2,842,458
Due from fellow subsidiaries	13	2,641,893	216,140
Income tax recoverable		108,243	108,243
Cash and bank balances	14	767,032	802,373
		3,951,096	4,601,531
Assets held for sale	15	40,357,003	-
		44,308,099	4,601,531
Total assets		44,984,998	46,943,385
Equity and liabilities			
Current liabilities			
Other payables	16	3,645,891	3,418,252
Contract liability	17	421,833	388,929
Due to holding company	13	115,414	-
Due to a fellow subsidiary	13	15,700	16,500
Total liabilities		4,198,838	3,823,681
Net current assets		40,109,261	777,850
Equity			
Share capital	18	5,000,500	5,000,500
Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	19	49,900,000	49,900,000
Accumulated losses		(14,114,340)	(11,780,796)
Total equity		40,786,160	43,119,704
Total equity and liabilities		44,984,998	46,943,385

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

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KDU College (PJ) Sdn. Bhd.
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Statement of changes in equity
For the financial year ended 31 December 2018

			<----- Non-distributable ----->			
	Share capital RM	NCRCPS RM	Share premium RM	Capital redemption reserve RM	Accumulated losses RM	Total equity RM
At 1 January 2018	5,000,500	49,900,000	-	-	(11,780,796)	43,119,704
Total comprehensive loss	-	-	-	-	(2,333,544)	(2,333,544)
At 31 December 2018	5,000,500	49,900,000	-	-	(14,114,340)	40,786,160
At 1 January 2017	5,000,000	9,980	49,890,020	500	(8,813,976)	46,086,524
Total comprehensive loss	-	-	-	-	(2,966,820)	(2,966,820)
	5,000,000	9,980	49,890,020	500	(11,780,796)	43,119,704
Transfer pursuant to Section 618(2) of Companies Act 2016 *	500	49,890,020	(49,890,020)	(500)	-	-
At 31 December 2017	5,000,500	49,900,000	-	-	(11,780,796)	43,119,704

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

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

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KDU College (PJ) Sdn. Bhd.
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Statement of cash flows
For the financial year ended 31 December 2018

	2018 RM	2017 RM
Cash flows from operating activities		
Loss before tax	(2,333,544)	(2,960,120)
Adjustments for:		
Depreciation	1,407,669	1,615,446
Allowance for impairment losses on:		
- trade receivables	58,895	40,818
- other receivables	2,560	2,434
Share-based payment	-	(163,229)
Property, plant and equipment written off	32,058	872
Loss on disposal of property, plant and equipment	3,014	819
Interest income	(154,948)	(119,550)
Unrealised foreign exchange losses/(gains)	7,338	(34,268)
Gain on disposal of assets held for sale	-	(145,143)
Operating loss before changes in working capital	(976,958)	(1,761,921)
Changes in working capital:		
Decrease in receivables	136,934	336,503
Increase in payables	253,205	300,237
Changes in related company balances	531,319	(824,830)
Cash flows used in operations	(55,500)	(1,950,011)
Income taxes refunded	-	163,222
Net cash flows used in operating activities	(55,500)	(1,786,789)
Cash flows from investing activities		
Purchase of property, plant and equipment	(136,589)	(212,339)
Interest received	154,948	119,550
Proceeds from disposal of assets held for sale	-	210,800
Proceeds from disposal of property, plant and equipment	1,800	339
Net cash flows generated from investing activities	20,159	118,350
Net decrease in cash and cash equivalents	(35,341)	(1,668,439)
Cash and cash equivalents at 1 January	802,373	2,470,812
Cash and cash equivalents at 31 December	767,032	802,373

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

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KDU College (PJ) Sdn. Bhd.
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Notes to the financial statements - 31 December 2018

1. Corporate information

KDU College (PJ) Sdn. Bhd. ("the Company") is a private limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Jalan SS22/41, Damansara Jaya, 47400 Petaling Jaya, Selangor Darul Ehsan.

The holding company is PCB, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activity of the Company is providing educational services.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

On 1 January 2018, the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2018:

- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Investment Property: Transfers of Investment
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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KDU College (PJ) Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

The principal changes in accounting policies and their effects are set out below:

(a) **MFRS 9: Financial Instruments**

The key effect of the adoption of this standard on the Company 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 significant changes to the financial statements.

(b) **MFRS 15: Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue – Barter Transactions Involving Advertising Services. The previous accounting standards placed emphasis on the exchange of risk and rewards. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations whilst introducing additional disclosure requirements.

The Company has applied the requirements of MFRS 15 retrospectively with cumulative effect on initial application of the standard as an adjustment to the opening balance of retained earnings for the financial year ended 31 December 2017. The financial impact to the Company on initial application of the standard is shown below:

Income statement
For the financial year ended 31 December 2017

	As previously reported RM'000	Reclassification RM'000	As Restated RM'000
Revenue	6,183,825	1,123,914	7,307,739
Other income	3,478,455	(1,123,914)	2,354,541

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KDU College (PJ) Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.3 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 Company's financial statements are disclosed below. The Company intends to adopt these standards and amendments to standards, if applicable, when they become effective.

Description	**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
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 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

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 Company in the current or future reporting periods.

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.

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

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

MFRS 16: Leases (cont'd.)

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 Company is in the process of assessing the estimated financial impact on its financial statements on initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Company 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.

2.4 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 Company 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Renovation	5 years
Computers	3 years
Furniture, fixtures and fittings, books and equipment	5 to 10 years

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.

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

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

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 the profit or loss in the year the asset is derecognised.

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the 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.

2.6 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.

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

2.6 Financial instruments (cont'd.)

(i) 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. All financial assets of the Company are classified as financial assets at amortised cost (debt instruments). The Company's financial assets at amortised cost include trade receivables, other receivables, amounts due from holding company and fellow subsidiaries and cash and bank balances.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company'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 Company commits to purchase or sell the asset.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement

The Company 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.

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company has retained.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Derecognition (cont'd.)

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 Company could be required to repay.

Impairment of financial assets

The Company 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 Company 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-month (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, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.6 Financial instruments (cont'd.)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at either fair value through profit or loss or amortised cost as appropriate.

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

The Company's financial liabilities include other payables and amounts due to holding company and a fellow subsidiary.

Subsequent measurement

After initial recognition, other payables and amounts due to holding company and a fellow subsidiary are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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.

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.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.7 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents solely include cash at bank and on hand.

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

2.8 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 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 plan

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

(c) Employee share scheme

The Paramount Corporation Berhad Employee Share Scheme, a long term incentive plan ("LTIP"), grants the ordinary shares of PCB to the employees of the Company. The total fair value of shares granted to employees of the Company is recognised as an employee cost with a corresponding backcharge by the holding company. The fair value of shares is measured at grant date, taking into account, if any, the market conditions and non-vesting conditions. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired 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 at the beginning and end of that period.

2.9 Leases

(a) As lessee

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

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

2.9 Leases (cont'd.)

(b) As lessor

Leases where the Company 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 2.10(c).

When the assets are leased out under an operating lease, the assets are included in the statement of financial position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.10 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 educational fees

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

(b) Interest income

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

(c) Rental income

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

2.11 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.

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

2.11 Taxes (cont'd.)

(a) Current tax (cont'd.)

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 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.

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.

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.)

2.11 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 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 services tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statement of financial position.

2.12 Share capital and share issuance expenses

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

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

2.13 Fair value measurement

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.

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

2.13 Fair value measurement (cont'd.)

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

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

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

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

For the purpose of fair value disclosures, the Company 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.

2.14 Foreign currency

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The 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 functional currency of the Company and are recorded on initial recognition in the functional currency 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.

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

2.14 Foreign currencies (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

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.

2.15 Assets held for sale

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

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.4. Thereafter, on initial classification as held for sale, the assets are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to profit or loss. Assets once classified as held for sale are not depreciated.

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

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

2.16 Provisions

Provisions are recognised when the Company 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.

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

2.16 Provisions (cont'd.)

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.

2.17 Current and non-current classification

The Company presents assets and liabilities in the statement 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 be 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.

2.18 Contract liability

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

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3. Significant accounting judgements and estimates

The preparation of the Company'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

No major judgements have been made by management in applying the Company's accounting policies that have a significant risk of causing a material adjustment as at the reporting date.

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The Company assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Company carried out the impairment test based on the fair value less cost to sell of the property, plant and equipment. The use of fair value less cost to sell requires the Company to make an estimate based on best information available in an active market to reflect the amount obtainable in an arm's length transaction, less cost of disposal. Details of the property, plant and equipment are disclosed in Note 9.

4. Revenue

	2018 RM	2017 RM
Type of goods and service		
Educational fees	6,736,734	7,307,739
Timing of revenue recognition		
Goods transferred at a point in time	406,960	430,444
Services transferred over time	6,329,774	6,877,295
	6,736,734	7,307,739

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5. Employee benefits expense

	2018 RM	2017 RM
Wages and salaries	4,154,093	4,271,849
Contributions to defined contribution plan	569,537	576,475
Share-based payment	-	(163,229)
Other benefits	733,735	543,020
	5,457,365	5,228,115

6. Loss before tax

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

	2018 RM	2017 RM
Auditors' remuneration	8,000	8,000
Depreciation of property, plant and equipment (Note 9)	1,407,669	1,615,446
Gain on disposal of assets held for sale	-	(145,143)
Loss on disposal of property, plant and equipment	3,014	819
Operating leases:		
- minimum lease payments on premises	428,393	542,500
- minimum lease payments on equipment	-	3,625
Property, plant and equipment written off	32,058	872
Net foreign exchange (gains)/losses		
- realised	(229,082)	(215,924)
- unrealised	7,338	(34,268)
Allowance for impairment losses on:		
- trade receivables (Note 11)	58,895	40,818
- other receivables (Note 12)	2,560	2,434
Interest income	(154,948)	(119,550)
Rental income	(1,631,232)	(1,549,217)

7. Finance cost

Finance cost during the current financial year represents interest expense on amount due to a fellow subsidiary.

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8. Income tax expense

	2018 RM	2017 RM
Current income tax:		
Real property gains tax representing income tax expense	-	6,700

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

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

	2018 RM	2017 RM
Loss before tax	(2,333,544)	(2,960,120)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(560,051)	(710,429)
Non-deductible expenses	258,501	207,269
Effect of income subject to real property gains tax	-	(28,134)
Deferred tax assets not recognised	301,550	537,994
Income tax expense	-	6,700

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9. Property, plant and equipment

	Freehold land RM	Building RM	Renovation RM	Computers RM	Furniture, fixtures and fittings, books and equipment RM	Total RM
Cost						
At 1 January 2017	28,000,000	17,000,000	3,997,447	109,686	3,853,349	52,960,482
Additions	-	-	-	52,157	160,182	212,339
Write-offs	-	-	-	-	(1,451)	(1,451)
Disposals	-	-	-	-	(2,891)	(2,891)
At 31 December 2017	28,000,000	17,000,000	3,997,447	161,843	4,009,189	53,168,479
Additions	-	-	-	33,360	103,229	136,589
Write-offs	-	-	(44,156)	-	(86,278)	(130,434)
Disposals	-	-	-	-	(17,803)	(17,803)
Transfer to assets held for sale	(28,000,000)	(17,000,000)	(3,953,291)	-	(2,563,548)	(51,516,839)
At 31 December 2018	-	-	-	195,203	1,444,789	1,639,992

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

	Freehold land RM	Building RM	Renovation RM	Computers RM	Furniture, fixtures and fittings, books and equipment RM	Total RM
Accumulated depreciation						
At 1 January 2017	-	4,761,828	2,730,576	53,025	1,668,062	9,213,491
Depreciation charge for the year (Note 6)	-	680,000	371,499	36,946	527,001	1,615,446
Write-offs	-	-	-	-	(579)	(579)
Disposals	-	-	-	-	(1,733)	(1,733)
At 31 December 2017	-	5,441,828	3,102,075	89,971	2,192,751	10,826,625
Depreciation charge for the year (Note 6)	-	566,667	300,672	38,789	501,541	1,407,669
Write-offs	-	-	(34,572)	-	(63,804)	(98,376)
Disposals	-	-	-	-	(12,989)	(12,989)
Transfer to assets held for sale	-	(6,008,495)	(3,368,175)	-	(1,783,166)	(11,159,836)
At 31 December 2018	-	-	-	128,760	834,333	963,093
Net carrying amount						
At 31 December 2018	-	-	-	66,443	610,456	676,899
At 31 December 2017	28,000,000	11,558,172	895,372	71,872	1,816,438	42,341,854

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

During the financial year, the Company entered into conditional sale and purchase agreements to dispose its property, plant and equipment amounting to RM40,357,003 to its related company, Paramount Greencity Sdn. Bhd. The details are disclosed in Note 15.

10. Deferred tax assets

	2018 RM	2017 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	705,354	231,236
Deferred tax liability	(705,354)	(231,236)
	-	-

	At 1 January 2018 RM	Recognised in income statement (Note 8) RM	At 31 December 2018 RM
Deferred tax assets:			
Unabsorbed capital allowances	231,236	402,487	633,723
Others	-	71,631	71,631
Deferred tax liability:			
Property, plant and equipment	(231,236)	(474,118)	(705,354)
	-	-	-

	At 1 January 2017 RM	Recognised in income statement (Note 8) RM	At 31 December 2017 RM
Deferred tax assets:			
Unabsorbed capital allowances	-	231,236	231,236
Others	235,467	(235,467)	-
Deferred tax liability:			
Property, plant and equipment	(235,467)	4,231	(231,236)
	-	-	-

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10. Deferred tax assets (cont'd.)

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

	2018 RM	2017 RM
Unused tax losses	4,818,058	3,602,117
Other deductible temporary differences	539,286	498,768
	5,357,344	4,100,885

Deferred tax assets have not been recognised in respect of the above items as it is not probable that the Company will have sufficient future taxable profits available against which the deductible temporary differences can be utilised.

The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Company is subject to no substantial changes in shareholdings of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

11. Trade receivables

	2018 RM	2017 RM
Trade receivables	307,989	409,768
Less: Allowance for impairment	(117,453)	(75,345)
Trade receivables, net	190,536	334,423

Trade receivables are non-interest bearing and are generally on 14 to 30 days (2017: 14 to 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables is as follows:

	2018 RM	2017 RM
1 to 30 days past due but not impaired	15,354	116,826
31 to 60 days past due but not impaired	18,437	18,176
61 to 90 days past due but not impaired	23,998	98,635
More than 90 days past due but not impaired	132,747	100,786
	190,536	334,423
Impaired	117,453	75,345
	307,989	409,768

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11. Trade receivables (cont'd.)

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	2018 RM	2017 RM
Trade receivables - nominal amounts	117,453	75,345
Less: Allowance for impairment	(117,453)	(75,345)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	75,345	35,536
Allowance for impairment losses (Note 6)	58,895	40,818
Write-off	(16,787)	(1,009)
At 31 December	117,453	75,345

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

12. Other receivables

	2018 RM	2017 RM
Sundry receivables	25,749	93,290
Less: Allowance for impairment	(1,000)	(2,434)
	24,749	90,856
Deposits	102,020	150,430
Prepayments	116,623	56,608
Other receivables, net	243,392	297,894

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12. Other receivables (cont'd.)

Receivables that are past due but not impaired

Sundry receivables that are past due but not impaired are unsecured in nature. There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

Receivables that are impaired

The Company's sundry receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	2018 RM	2017 RM
Sundry receivables - nominal amounts	1,000	2,434
Less: Allowance for impairment	(1,000)	(2,434)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	2,434	20,000
Allowance for impairment loss (Note 6)	2,560	2,434
Write-off	(3,994)	(20,000)
At 31 December	1,000	2,434

Sundry receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payment. These receivables are not secured by any collateral.

13. Related company balances

The amounts due from/(to) fellow subsidiaries and holding company are unsecured, repayable on demand and non-interest bearing, other than the amount due from holding company and amounts due from/(to) a fellow subsidiary which bear interest at 4.70% (2017: 4.70%) per annum.

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14. Cash and bank balances

Included in cash and bank balances are interest bearing bank balances amounting to RM400,301 (2017: RM383,015) which earn interest of 1.28% to 1.48% (2017: 1.23% to 1.32%) per annum.

15. Assets held for sale

The Company entered into a conditional sale and purchase agreement to dispose its property, plant and equipment to its related company, Paramount Greencity Sdn. Bhd. The assets to be disposed are as follows:

	2018 RM
Property, plant and equipment:	
Freehold land	28,000,000
Building	10,991,505
Renovation	585,116
Equipment	780,382
At 31 December	40,357,003

16. Other payables

	2018 RM	2017 RM
Sundry payables	2,718,324	2,403,282
Refundable deposits	822,105	768,404
Accruals	105,462	246,566
	3,645,891	3,418,252

Sundry payables are non-interest bearing and are normally settled on an average term of 2 months (2017: 2 months). Sundry payables include short-term accumulated compensated absences amounting to RM117,456 (2017: RM109,839).

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17. Contract liability

	2018 RM	2017 RM
Fees in advance	421,833	388,929

Set out below is the amount of revenue recognised from:

	2018 RM	2017 RM
Amount included in contract liabilities at the beginning of the year	388,929	488,806

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM421,833 which is expected to be recognised within one year.

In adopting MFRS 15 retrospectively, the Company 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.

18. Share capital

	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Authorised				
At 1 January	-	9,980,000	-	9,980,000
Abolishment under Companies Act 2016 *	-	(9,980,000)	-	(9,980,000)
At 31 December	-	-	-	-
Issued and fully paid				
At 1 January	5,000,000	5,000,000	5,000,500	5,000,000
Transfer pursuant to Section 618(2) of Companies Act 2016 #	-	-	-	500
At 31 December	5,000,000	5,000,000	5,000,500	5,000,500

* The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

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.

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18. Share capital (cont'd.)

Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's capital redemption reserve 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.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

19. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")

	Number of NCRCPS		Amount	
	2018	2017	2018 RM	2017 RM
Authorised				
At 1 January	-	20,000	-	20,000
Abolishment under Companies Act 2016 *	-	(20,000)	-	(20,000)
At 31 December	-	-	-	-

	Number of NCRCPS		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
At 1 January	9,980	9,980	49,900,000	9,980
Transfer pursuant to Section 618(2) of Companies Act 2016 #	-	-	-	49,890,020
At 31 December	9,980	9,980	49,900,000	49,900,000
Share premium				
At 1 January			-	49,890,020
Transfer pursuant to Section 618(2) of Companies Act 2016 #			-	(49,890,020)
At 31 December			-	-

* The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's shares no longer have a par or nominal value with effect from 31 January 2017.

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19. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") (cont'd.)

\# 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.

The salient terms of the NCRCPS 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 Company subject to availability of profits.

(ii) The NCRCPS are redeemable at the Company's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the Company's option at any time into ordinary shares in the Company at a conversion rate to be determined by the Company.

(iv) The NCRCPS holders do not carry any right to vote at any general meeting of the Company except on resolutions to amend the NCRCPS holder's rights, to reduce the capital of the Company, to dispose the whole of the Company's property, business and undertakings and to wind up the Company in the event the declared dividend or part of the dividend on the NCRCPS is in arrears for more than six months.

20. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2018 RM	2017 RM
Management fees paid to holding company	431,166	355,608
Rental paid to a fellow subsidiary	195,173	226,800
Interest expense paid to a fellow subsidiary	27,558	-
Interest income received from a fellow subsidiary	(18,094)	-
Interest income received from holding company	(130,147)	(102,231)

Compensation of key management personnel

The Company does not have any key management compensation as the key management personnel is paid by the holding company.

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21. Operating lease commitments

(a) The Company as lessee

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

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2018 RM	2017 RM
Not later than 1 year	157,060	407,150
Later than 1 year and not later than 5 years	540	141,000
	157,600	548,150

(b) The Company as lessor

The Company has entered into non-cancellable operating lease agreements on its property. These leases have remaining non-cancellable lease terms of between 7 and 33 months.

Future minimum rental receivables under the non-cancellable operating leases at the reporting date are as follows:

	2018 RM	2017 RM
Not later than 1 year	133,360	200,270
Later than 1 year and not later than 5 years	92,610	79,880
	225,970	280,150

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22. Classification of financial instruments

	Note	2018 RM	2017 RM
Trade receivables	11	190,536	334,423
Other receivables	*	126,769	241,286
Due from holding company		-	2,842,458
Due from fellow subsidiaries		2,641,893	216,140
Cash and bank balances	14	767,032	802,373
Total financial assets carried at amortised cost		3,726,230	4,436,680
Other payables	16	3,528,435	3,308,413
Due to holding company		115,414	-
Due to a fellow subsidiary		15,700	16,500
Total financial liabilities carried at amortised cost		3,659,549	3,324,913

* These balances exclude non-financial instruments balances which are not within the scope of MFRS 9: Financial Instruments.

23. Fair value of assets and liabilities

The carrying amounts of the Company's financial assets and liabilities are reasonable approximations of fair values due to the short-term maturity of these financial instruments.

24. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group 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 Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(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 Company's exposure to credit risk arises primarily from trade and other receivables and amounts due from related companies. For cash and cash equivalents, the Company minimises credit risk by dealing exclusively with reputable licensed banks.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position and the Company has no significant concentration of credit risk.

Information regarding financial assets that are either past due or impaired is disclosed in Notes 11 and 12.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Company manages liquidity risk by maintaining sufficient cash to ensure it will have sufficient liquidity to meet its liabilities when they fall due. At the reporting date, all financial liabilities of the Company are either repayable on demand or due within one year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

At the reporting date, the Company does not have significant interest rate exposure.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from receipts and payments that are denominated in a currency other than the functional currency of the Company. The foreign currency in which these transactions are denominated is Great Britain Pound Sterling ("GBP").

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

(d) Foreign currency risk (cont'd.)

The Company's foreign currency risk management policy is to minimise economic and significant transactional exposures arising from currency movements.

At the reporting date, the Company's exposure to foreign currency risk based on net carrying amount of financial asset/(liability) are as follows:

	2018 RM	2017 RM
Cash and cash equivalents		
Denominated in:		
GBP	4,328	4,670
Other payables		
Denominated in:		
GBP	(455,456)	(285,200)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's loss before tax to a reasonably possible change in the GBP exchange rate against the functional currency of the Company, with all other variables held constant.

	Loss before tax (Increase)/decrease 2018 RM	 2017 RM
GBP/RM - strengthened 6% (2017: 9%)	(27,068)	(25,248)
- weakened 1% (2017: 7%)	4,511	19,637

25. Capital management

The primary objective of the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in line with changes in economic condition. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

VALUATION CERTIFICATE

Rahim&Co
international property consultants

Rahim & Co International Sdn Bhd
(1126587-X)
Petaling Jaya Branch
36A, 1st Floor
Jalan Yong Shook Lin
Seksyen 52, 46200 Petaling Jaya
Selangor, Malaysia

T | +(603) 7957 9528
F | +(603) 7956 5386
E | pj@rahim-co.com

Board Reg. No. VE(1)0065/9

Kuala Lumpur. Alor Setar. Butterworth. Cheras. Ipoh. Johor Bahru. Kangar. Kemaman. Klang. Kota Bharu. Kota Kinabalu. Kuala Terengganu. Kuantan. Kuching. Malacca. Penang. Petaling Jaya. Seremban. Subang Jaya. Sungai Petani. Temerloh

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ASIA PACIFIC PROPERTY AWARDS REAL ESTATE 2017-2018

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6th March 2019

KDU UNIVERSITY COLLEGE SDN BHD
Level 8, Uptown 1
1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

CERTIFICATE OF VALUATION OF:

(i) Property 1
A purpose-built private college known as KDU University College Utropolis which consists of a Faculty Building comprising of an Eight (8)-Storey Tower with a Multi-Purpose Hall and a Four (4)-Storey Library and a Seven (7)-Storey Hostel Building with Four (4)-Storey Car Park Podium

(ii) Property 2
A purpose-built private college known as KDU Penang University College which consists of a Five (5) Storey Building within Phase 1 referred to as Old Wing, an Eight (8) Storey Building Together with a Basement Floor within Phase 2 referred to as New Wing, One (1) Guard House, One (1) Garbage Collection Centre and One (1) Garden Tools Storage Building

(iii) Property 3
A purpose-built private college to be known as KDU Penang University College Batu Kawan which consists of Block A – Five (5) Storey Building to be used as Administration Centre, Block B – Six (6) Storey Building to be used as Library and Lecture Rooms, Block C – One Level Cafeteria Building, Two (2) units of Guard House and One (1) unit of TNB 11kv Main Switch Station

We were instructed by KDU University College Sdn Bhd ("KDUUC") for Property 1 and KDU University College (PG) Sdn Bhd ("KDUPG") for Property 2 and 3 to ascertain the Market Value of the legal interest in the abovementioned properties.

This Certificate is prepared for the purposes of submission to Bursa Malaysia Securities Berhad in relation to the proposed disposal of the subject properties and for the inclusion in the Circular to the shareholders of Paramount in relative to the above-mentioned corporate proposal.

The valuation was prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysia Valuation Standards published by the Board of Valuers, Appraisers and Estate Agents, Malaysia. This Valuation Certificate should be read in conjunction with the full valuation reports which detailed the basis under which the valuations had been carried out.

The basis of Valuation adopted is the Market Value which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In arriving at the Market Value of the subject property on 'as is' basis for Property 1 and 2, we have adopted the Cost Approach. As a check, we have also adopted the Investment Method by Income Approach.

The Cost Approach involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement cost of the buildings less depreciation, if necessary. The current replacement cost involves the construction cost, financing charges, advertising charges, professional fees and other incidental expenses.

The Investment Method by Income Approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual income is capitalised using a rate of interest to arrive at the capital value of the property.

In arriving at the Market Value of Property 3 on the basis that the buildings in Phase 1 will be completed in accordance to the approved building plans and issued with the Certificate of Completion and Compliance, we have adopted the Cost Approach only as the buildings are still under construction.

For the purpose as mentioned above, we have prepared this Certificate which summarises our valuation reports and bear references as per table below and outlines key factors which have been considered in arriving at our opinion of the Market Value. This Certificate contains all the necessary data and supporting information included in our reports. For further information in relation to those contained herein, reference should be made to the said valuation reports.

VALUATION CERTIFICATE *(Cont'd)*

Report Reference	Properties	Market value
31V180658	<u>Property 1</u> GRN 312848, Lot No. 91902, Mukim of Damansara, District of Petaling, State of Selangor A purpose-built private college known as KDU University College Utropolis which consist of:- I) A Faculty Building comprising of an Eight (8)-Storey Tower with a Multi-Purpose Hall and a Four (4)-Storey Library; and II) A Seven (7)-Storey Hostel Building with Four (4)-Storey Car Park Podium	RM250,000,000/-
31V180659	<u>Property 2</u> GRN 103353, 103100 & 103354, for Lot Nos. 1232, 1249 [formerly known as Lot 1233] & 1234 respectively, all located within Seksyen 13, Bandar George Town, District of Timor Laut and State of Pulau Pinang A purpose-built private college known as KDU Penang University College which consists of:- I) A Five (5) Storey Building within Phase 1 referred to as Old Wing; II) An Eight (8) Storey Building Together with a Basement Floor within Phase 2 referred to as New Wing; III) One (1) Guard House; IV) One (1) Garbage Collection Centre; and V) One (1) Garden Tools Storage Building	RM50,000,000/-
31V180660	<u>Property 3</u> HSD 47091, Lot No. PT 5828 Seksyen 13, located within Mukim 13, District of Seberang Perai Selatan and State of Pulau Pinang A purpose-built private college to be known as KDU Penang University College Batu Kawan which consists of:- (Phase 1) I) Block A – Five (5) Storey Building to be used as Administration Centre; II) Block B – Six (6) Storey Building to be used as Library and Lecture Rooms; III) Block C – One Level Cafeteria Building; IV) Two (2) units of Guard House; and V) One (1) unit of TNB 11kv Main Switch Station;	RM120,000,000/-

IDENTIFICATION OF PROPERTY 1

Property Address	KDU University College Utropolis, Glenmarie, Jalan Kontraktor U1/14, 40150 Shah Alam, Selangor Darul Ehsan
Property Description	A parcel of freehold commercial land built-upon with a purpose-built private college known as KDU University College Utropolis which consists of:- I) A Faculty Building comprising of an Eight (8)-Storey Tower with a Multi-Purpose Hall and a Four (4)-Storey Library; and II) A Seven (7)-Storey Hostel Building with Four (4)-Storey Car Park Podium
Surveyed Land Area	40,474 sq. metres (about 435,662 sq. feet)
Gross Floor Area	93,938.18 sq. metres (about 1,011,142.17 sq. feet)
Planning	Designated for commercial use as noted in the title
Location of Property	It is located about 22 kilometres due south-west of Kuala Lumpur City Centre and 8 kilometres due north-east of Shah Alam town.

GENERAL DESCRIPTION

Brief Description of The Subject property

Site Description

The subject site is identified as GRN 312848, Lot No. 91902, Mukim of Damansara, District of Petaling and State of Selangor.

It has frontage onto Jalan Kontraktor U1/14 whilst the southern site boundary adjoins the Lifestyle Suites and Serviced Apartments of Utropolis. The rear boundary abuts onto the premises of Monfort Boys Town.

Building

Erected on the site is a purpose-built private college known as KDU University College Utropolis which comprises an Eight (8)-Storey Tower Faculty Building and a Seven (7)-Storey Hostel Building with Four (4)-Storey Car Park Podium.

i) An eight (8) storey faculty building together with a multi-purpose hall and a four (4) storey library

Description of the building is as follows:-

Framework	:	Reinforced concrete framework

Walls	:	Plastered brick wall and glass curtain walls
Roof		Concrete flat roof and a part metal trusses laid over with metal deck roofing sheets
Main entrances		Frameless glass panel door
Others doors		Timber panel, frameless glass door, fire rated door, timber door and metal roller shutters
Windows		Aluminium framed with glass panel, top hung glass panel and fixed glass panel
Floor finishes		Laminated timber strips, wall to wall carpet, homogeneous tiles, timber strips, porcelain tiles, vinyl tiles and cement screed
Ceiling		Plastered boards incorporating with down lights, suspended mineral fibre boards and cement plaster ceiling
Vertical access		Reinforced concrete staircases (finished with ceramic tiles/cement rendered and metal/handrail baluster) and 6 units of passenger lift
Gross Floor Area		60,542.28 sq. metres (about 651,693 sq. feet)

ii) A seven (7) storey hostel building together with four (4) storey car park podium

Description of the building is as follows:-

Framework	:	Reinforced concrete framework
Walls	:	Plastered brick wall
Roof	:	Timber pitched roof laid over with metal deck roofing sheets

Main entrances	:	Dual leaf aluminium framed glass panel door
Others doors	:	Aluminium framed with glass panel door, timber flush and fire rated doors
Windows	:	Aluminium framed with glass panel and top hung glass panel
Floor finishes	:	Homogeneous tiles, ceramic tiles and cement screed
Ceiling	:	Suspended mineral fibre boards and cement plaster ceiling
Vertical access	:	Reinforced concrete staircases and 2 units of passenger lift
Gross Floor Area	:	33,392.81 sq. metres (about 359,449 sq. feet)

Services
The services provided include central air-conditioning, fire fighting facilities, lifts and 779 car parking bays.

Planning Provision

The subject property is designated for 'Commercial' (*'Bangunan Perniagaan'*) use as per the title document.

The subject buildings have been issued with a Certificate of Completion and Compliance vide a letter bearing reference no. LAM/S/No.12506 and LAM/S/No. 12507 dated 24th November 2014 issued by SA Architects Sdn Bhd. At the time of inspection, we noted that there was no breach of building bylaws at the subject property.

Our enquiries at Jabatan Perancangan Pembangunan, Majlis Bandaraya Shah Alam reveals that the subject property is located within an area zoned for commercial.

Registered Owner

KDU University College Sdn Bhd – 1/1 share

Date of Valuation

20th December 2018

Valuation

Cost Method
There are no recent transactions of commercial lands in Glenmarie Industrial Park. Noted below are transactions of vacant commercial lands located in the vicinity of Bandar Setia Alam and Subang Bistari.

Description	Comparable 1	Comparable 2	Comparable 3
Property Type	A parcel of commercial land	A parcel of commercial land	A parcel of commercial land
Lot No.	PT 26923, Mukim of Bukit Raja, District of Petaling and State of Selangor	Lot 23788 (Formerly PT No. 12189), Locality of Subang Bistari, Mukim of Sungai Buloh, District of Petaling and State of Selangor	PT 27890, Mukim of Bukit Raja, District of Petaling and State of Selangor
Location	Jalan Setia Murni AH U13/AH, Bandar Setia Alam	Jalan Zuhal U5/179, Seksyen U5, Shah Alam	Persiaran Setia Alam, Bandar Setia Alam
Tenure	Freehold	Leasehold interest for 99 years expiring on 6th July 2113	Freehold
Land Area	7,335 sq. metres (about 78,956 sq. feet)	40,470 sq. metres (about 435,615 sq. feet)	54,870 sq. metres (about 590,615 sq. feet)
Consideration	RM22,108,610/-	RM80,000,000/-	RM147,668,500/-
Date of Transaction	22/06/2017	06/12/2017	25/03/2015
Adjustments	Upward adjustment made on land improvement. Downward adjustment made on size.	Upward adjustment made on land improvement & tenure.	Upward adjustment made on land improvement.
Analysed Land Value	RM280.00 psf	RM183.65 psf	RM250.00 psf
Adjusted Land Value	RM252.02 psf	RM220.38 psf	RM275.03 psf
Source	JPPH	Bursa Announcement	JPPH

Based on adjustments made on the comparables above, the adjusted land values are ranging from RM220.38 per sq. foot to RM275.03 per sq. foot. We consider Comparable 2 as the best comparables as it is similar in size and transacted relatively recently. We have therefore adopted the land value of RM220.00 per sq. foot as the fair market value of the land.

The subject property was largely completed in 2014 and is currently 4 years old. We have assumed that the economic life of the building is 50 years and have adopted a depreciation rate of 2.0% per year. The total depreciation is therefore 8%.

The **Depreciated Building Value** is arrived as follows:-

Buildings	Building Value	Depreciation Rate
Basement 1st to 5th Floor Faculty Building	RM210 per sq. foot	8%
6th Floor to 7th Floor Faculty Building	RM100 per sq. foot	
7-storey hostel	RM115 per sq. foot	
Car parks	RM100 per sq. foot	

Valuation

Investment Method by Income Approach

We have gathered the following rental data for investment method. The data was obtained from *Bursa Announcements & information provided by the client and Amanahraya Annual Report 2017.*

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Type	Two (2) purposed built private schools known as Sekolah Sri KDU (SSKDU) and Sri KDU International School (SKIS)	A 5-storey purpose built office building with 6 lower ground levels inclusive of a 4-level car park known as HELP University	An institutional complex comprising of 1 block of 7-storey administrative building and one block of 5-storey academic building known as SEGI University	A 12-storey purpose built commercial building with 3 basement car park levels known as SEGi College
Title No/Lot No.	HSD 216821, 216822 & 216823, Lot Nos. PT 9239, 9240 & 9241 respectively, all located within Pekan Baru Sungai Buloh, District of Petaling and State of Selangor	HSD 83465 & PN 46441, Lot Nos. PT 6 & 36622 respectively, all located within Mukim & District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur	HSD 255765, Lot No. PT 12171, located within Pekan Baru Sungai Buloh, District of Petaling and State of Selangor	Geran 313189, Lot No. 13, located within Pekan Subang Jaya, District of Petaling and State of Selangor
Locality	Nos. 3, 5 & 7, Jalan Teknologi 2/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	HELP University, No. 15, Jalan Sri Semantan 1, Damansara Heights, 50490 Kuala Lumpur	SEGi University (Malaysia Main Campus), No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya,	SEGi College, Persiaran Kewajipan USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan

			Selangor Darul Ehsan	
Tenant	Sri KDU Sdn Bhd	HELP University Sdn Bhd	SEG International Bhd	SEG International Berhad
Gross Floor Area	571,634 sq. feet	170,000 sq. feet	577,031 sq. feet	280,575 sq. feet
Commencement Date/Lease Period	30/09/2017	25 years commencing from September 2014 *(Lease Period)*	10 years commencing from January 2008 *(Lease Period)*	15 years commencing from May 2006 *(Lease Period)*
Expiry Date	29/09/2027	N/A	N/A	N/A
Monthly Net Rental	RM911,625.00	RM450,759.00	RM1,196,250.00	RM330,050.00
Adjustments	Downward adjustment made on size.	Downward adjustment made on location & size.	Downward adjustment made on size.	Downward adjustment made on size.
Analysed Net Rental	RM1.59 psf	RM2.65 psf	RM2.07 psf	RM1.18 psf
Adjusted Net Rental	RM1.52 psf	RM1.72 psf	RM1.97 psf	RM1.06 psf
Source	Bursa Announcement & information provided by the client	Amanahraya Annual Report 2017	Amanahraya Annual Report 2017	Amanahraya Annual Report 2017

Based on the adjustments made on the comparables, the adjusted net rents are ranging from RM1.06 per sq. foot to RM1.97 per sq. foot. We have adopted Comparable 1 as the best comparable because it is based on Bursa Announcement and is verifiable whereas Comparable 2, 3 and 4 are based on third party report which we are unable to verify. We have therefore adopted a rental of RM1.52 per sq. foot as net rent in this valuation exercise.

Capitalisation Rate
We have adopted a net yield of, 6.60%.

Outgoings
The average monthly outgoings of the subject property for the past 3 years is approximately RM0.50 per sq. foot. Therefore, we have adopted the market derived outgoing of RM0.61 per sq. foot in this valuation exercise.

Void
The void allowance is for possible future vacancies, rent free periods and the possibility of bad debts. We have allowed for a void of 10% after taking into consideration the huge supply arising from the size of the subject property.

Valuation Rationale

Valuation Approach	Market Value of KDU University College Utropolis
Cost Approach	RM250,000,000/-
Investment Method by Income Approach	RM240,000,000/-

Taking into consideration that KDU University College Utropolis is an institutional property and is owner occupied, the Cost Approach is the most suitable method to be used as other methods are less appropriate due to lack of market data, rarely sold or let in open market.

In this valuation exercise, the Investment Method by Income Approach is therefore only used as a check method. This is because only one comparable is extracted from Bursa Announcement and is verifiable whereas the other rental comparables are based on third party report which we are unable to verify. As such, this renders the computation less reliable.

Therefore, we have adopted the Market Value as derived from the **Cost Approach** ie. **RM250,000,000/-** as a fair representation of the Market Value of the subject property.

We are of the opinion that the Market Value of the Subject property on 'as is' basis as at 20th December 2018, subject to the limiting conditions, in its existing condition, free from all encumbrances, with the title held under freehold interest and being good, marketable and registrable as well as with vacant possession, is at **RM250,000,000/-**
(Ringgit Malaysia : Two Hundred and Fifty Million Only)

IDENTIFICATION OF PROPERTY 2

Property Address	KDU Penang University College, No. 32, Jalan Anson, George Town, 10400 Pulau Pinang
Subject property	A parcel of freehold commercial land built-upon with a purpose-built private college known as KDU Penang University College which consists of:-

I) A Five (5) Storey Building within Phase 1 referred to as Old Wing;
II) An Eight (8) Storey Building Together with a Basement Floor within Phase 2 referred to as New Wing;
III) One (1) Guard House;
IV) One (1) Garbage Collection Centre; and
V) One (1) Garden Tools Storage Building

Tenure (For all titles)	Freehold
Total Land Area	7,991 sq. metres (about 86,014.33 sq. feet)
Gross Floor Area	28,748.30 sq. metres (about 309,443.74 sq. feet)
Planning	Designated specifically for institutional use by Majlis Bandaraya Pulau Pinang (MBPP)
Location of Property	The subject property is located along Jalan Anson about 8 kilometres due north-west of the Penang First Bridge and about 4 kilometres due west of the Penang Ferry Terminal.

GENERAL DESCRIPTION

Brief Description of The Subject property

Site Description

The subject site identified as GRN 103353, 103100 & 103354, for Lot Nos. 1232, 1249 [formerly known as Lot 1233] & 1234 respectively, all located within Seksyen 13, Bandar George Town, District of Timor Laut and State of Pulau Pinang. It encompasses a surveyed land area of 7,991 sq. metres (about 86,014.33 sq. feet).

The site is generally flat in physical terrain and lies slightly elevated above the level of the frontage road, i.e. Jalan Anson.

Building

Erected on the site is a purpose-built private college known as KDU Penang University College which consists of a five (5) storey building referred to as Old Wing (Phase 1), an eight (8) storey building together with a basement floor referred to as New Wing (Phase 2), one (1) Guard House, one (1) Garbage Collection Centre and one (1) Garden Tools Storage building.

Description of the building is as follows:-

Old Wing (Phase 1)

Structure : Reinforced concrete framework

VALUATION CERTIFICATE *(Cont'd)*

Walls	:	Plastered and painted brick walls
Roof	:	Reinforced concrete flat roof
Doors	:	Frameless glass doors, fire-rated doors, timber panels and timber flush doors
Windows	:	Aluminium framed glass panels and top hung glass
Ceiling	:	Generally skim coat to reinforced concrete, plastered ceiling incorporating downlights and suspended mineral fibre boards
Floor Finishes	:	Generally ceramic tiles, homogeneous tiles, cement rendered and wall to wall carpets
Gross Floor Area	:	11,625.60 sq. metres (about 125,136.80 sq. feet)

New Wing (Phase 2)

Structure	:	Reinforced concrete framework
Walls	:	Plastered and painted brick walls
Roof	:	Reinforced concrete flat roof
Doors	:	Frameless glass doors, fire-rated doors, timber panels and timber flush doors
Windows	:	Aluminium framed glass panels and top hung glass
Ceiling	:	Generally skim coat to reinforced concrete, plastered ceiling incorporating downlights and suspended mineral fibre boards
Floor Finishes	:	Generally ceramic tiles, homogeneous tiles, cement rendered and wall to wall carpets
Gross Floor Area	:	17,097.42 sq. metres (about 184,034.94 sq. feet)

	Services The services provided include central air-conditioning, fire fighting facilities, lifts and 137 car parking bays
Planning Provision	Our enquiries at Jabatan Perancang, Majlis Bandaraya Pulau Pinang (MBPP) revealed that the subject property is designated specifically for institutional use. The Old Wing (Phase 1) of KDU Penang University College has been issued with Certificate of Fitness for Occupation bearing Certificate No. 4889 dated 26th September 1997 whilst the New Wing (Phase 2) has been issued with Certificate of Fitness for Occupation under Reference No. JB/SKM/02/0091 dated 19th November 2002. At the time of inspection, we noted that there was no breach of building bylaws at the subject property.
Registered Owners	Lot 1232 — KDU College Sdn Bhd – 1/1 share Lot 1249 — Kolej Damansara Utama Sdn Bhd – 1/1 share Lot 1234 — KDU College Sdn Bhd – 1/1 share
Date of Valuation	21st December 2018

We have gathered the following sales data for land value comparison purposes. The data were obtained from the Valuation and Property Services Department (JPPH).

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Type	A parcel of development land	A parcel of commercial land	A parcel of commercial land	A parcel of development land together with an old detached building erected thereon
Lot No.	449, 457, 458, 750, 787, 788, 791 & 815, all within Seksyen 14, Town of George Town, District of North-East and State of Pulau Pinang	201, 202 & 204, all within Seksyen 17, Town of George Town, District of North-East and State of Pulau Pinang	387, Seksyen 17, Town of George Town, District of North-East and State of Pulau Pinang	1146 Seksyen 16, Town of George Town, District of North-East and State of Pulau Pinang
Location	Jalan Dato Koyah / Jalan Penang / Jalan Argyll, George Town, Pulau Pinang	Jalan Penang / Jalan Lim Chwee Leong, George Town, Pulau Pinang	Jalan Penang / Jalan Lim Chwee Leong, George Town, Pulau Pinang	No. 19, Jalan Anson, George Town, Pulau Pinang

Tenure	Freehold	Freehold	Leasehold interest for 99 years expiring on 05/08/2083	Freehold
Land Area	2,665.726 sq. metres (about 28,693.61 sq. feet)	2,078.452 sq. metres (about 22,372.25 sq. feet)	2,354.00 sq. metres (about 25,338.22 sq. feet)	3,517.194 sq. metres (about 37,858.72 sq. feet)
Consideration	RM35,867,066	RM21,925,540	RM24,831,240	RM29,000,000
Date of Transaction	17/12/2017	6/5/2017	6/5/2017	13/6/2014
Adjustments	Upward adjustment made on land improvement. Downward adjustment made on location, accessibility, land use/zoning & size.	Upward adjustment made on land improvement. Downward Adjustment made on location, accessibility, land use/zoning & size.	Upward adjustment made on land improvement & tenure. Downward adjustment made on location, accessibility, land use/zoning & size.	Upward adjustment made on time. Downward adjustment made on land use/zoning & size.
Analysed Land Value	RM1,250.00 psf	RM980.03 psf	RM979.99 psf	RM766.00 psf
Adjusted Land Value	RM375.00 psf	RM294.01 psf	RM441.00 psf	RM383.00 psf
Source	JPPH	JPPH	JPPH	JPPH

Based on adjustments made on these comparables, the adjusted land values are ranging from RM375.00 per sq. foot to RM441.00 per sq. foot. We observed that both Comparables 2 and 3 had been purchased at the same time by the same purchaser. However, we noted that even though Comparable 2 is freehold and Comparable 3 is a relatively short leasehold land both had been transacted at almost the same price, i.e. RM980.03 per sq. foot and RM979.99 per sq. foot respectively when it is common knowledge that the freehold plot should have a significantly higher value than the leasehold plot with only 65 years unexpired term. Hence we are of the opinion that a fairer representation of the value is the average of the two analysed values, i.e. RM367.50 per sq. foot.

In our opinion, Comparable 1 is the best comparable as it is the most recent transaction whereas Comparable 4 is rather dated and as explained above for Comparables 2 and 3 the pricing allocation is rather arbitrary. We have therefore adopted the analysed value of RM375.00 per sq. foot in this valuation exercise.

The subject building was completed in 1997 and 2002 and currently about 21 years old and 16 years old respectively. We have assumed that the economic life of the a building is 50 years and have therefore adopted a depreciation rate of 2% per annum. The total depreciation is therefore 42% for the Old Wing and 32% for the New Wing.

The **Depreciated Building Value** is arrived as follows:-

Buildings	Building Value	Depreciation Rate
Old Wing and Ancillary Buildings	RM90 per sq. foot	42%
New Wing	RM90 per sq. foot	32%

Valuation

Investment Method by Income Approach

We have gathered the following rental data for investment method. The data was obtained from *Bursa Announcements & information provided by the client and Amanahraya Annual Report 2017.*

Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Type	Two (2) purposed built private schools known as Sekolah Sri KDU (SSKDU) and Sri KDU International School (SKIS)	A 5-storey purpose built office building with 6 lower ground levels inclusive of a 4-level car park known as HELP University	An institutional complex comprising of 1 block of 7-storey administrative building and one block of 5-storey academic building known as SEGI University	A 12-storey purpose built commercial building with 3 basement car park levels known as SEGi College
Title No/Lot No.	HSD 216821, 216822 & 216823, Lot Nos. PT 9239, 9240 & 9241 respectively, all located within Pekan Baru Sungai Buloh, District of Petaling and State of Selangor	HSD 83465 & PN 46441, Lot Nos. PT 6 & 36622 respectively, all located within Mukim & District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur	HSD 255765, Lot No. PT 12171, located within Pekan Baru Sungai Buloh, District of Petaling and State of Selangor	Geran 313189, Lot No. 13, located within Pekan Subang Jaya, District of Petaling and State of Selangor

Locality	Nos. 3, 5 & 7, Jalan Teknologi 2/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	HELP University, No. 15, Jalan Sri Semantan 1, Damansara Heights, 50490 Kuala Lumpur	SEGi University (Malaysia Main Campus), No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan	SEGi College, Persiaran Kewajipan USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan
Tenant	Sri KDU Sdn Bhd	HELP University Sdn Bhd	SEG International Bhd	SEG International Berhad
Gross Floor Area	571,634 sq. feet	170,000 sq. feet	577,031 sq. feet	280,575 sq. feet
Commencement Date/Lease Period	30/09/2017	25 years commencing from September 2014 *(Lease Period)*	10 years commencing from January 2008 *(Lease Period)*	15 years commencing from May 2006 *(Lease Period)*
Expiry Date	29/09/2027	N/A	N/A	N/A
Monthly Net Rental	RM911,625.00	RM450,759.00	RM1,196,250.00	RM330,050.00
Adjustment	Upward adjustment made on size. Downward adjustment made on location.	Downward adjustment made on location and size.	Upward adjustment made on size. Downward adjustment made on location.	Downward adjustment made on location.
Analysed Net Rental	RM1.59 psf	RM2.65 psf	RM2.07 psf	RM1.18 psf
Adjusted Net Rental	RM1.04 psf	RM1.33 psf	RM1.35 psf	RM0.82 psf
Source	Bursa Announcements & information provided by the client	Amanahraya Annual Report 2017	Amanahraya Annual Report 2017	Amanahraya Annual Report 2017

Based on the adjustments made on the comparables, the adjusted net rents range from RM0.82 per sq. foot to RM1.35 per sq. foot. We have adopted Comparable 1 as the best comparable because it is based on Bursa Announcement and is verifiable whereas Comparable 2, 3 and 4 are based on third party report which we are unable to verify. We have therefore adopted a rental of RM1.04 per sq. foot as net rent in this valuation exercise.

Capitalisation Rate
We have adopted a net yield of, 6.60%.

Outgoings
The average monthly outgoings of the subject property for the past 3 years is approximately RM0.71 per sq. foot. Therefore, we have adopted RM0.71 per sq. foot in this valuation exercise.

Void
The void allowance is for possible future vacancies, rent free periods and the possibility of bad debts. We have allowed for a void of 10% after taking into consideration the huge supply arising from the size of the subject property.

Valuation Rationale

Valuation Approach	Market Value of KDU Penang University College
Cost Approach	RM50,000,000/-
Investment Method by Income Approach	RM48,000,000/-

Taking into consideration that KDU Penang University College is an institutional property and is owner occupied, the Cost Approach is the most suitable method to be used as other methods are less appropriate due to lack of market data and are rarely sold or let in open market.

In this valuation exercise, the Investment Method by Income Approach is therefore only used as a check method.

Therefore, we have adopted the Market Value as derived from the **Cost Approach** ie. **RM50,000,000/-** as a fair representation of the Market Value of the subject property.

We are of the opinion that the Market Value of the Subject property on 'as is' basis at 21st December 2018, subject to the limiting conditions, in its existing condition, free from all encumbrances, with the title held under freehold interest and being good, marketable and registrable as well as with vacant possession, is at **RM50,000,000/-**
(Ringgit Malaysia : Fifty Million Only)

IDENTIFICATION OF PROPERTY 3

Property Address	KDU Penang University College Batu Kawan, Persiaran Cassia Barat 3, Bandar Cassia, 14110 Pulau Pinang
Subject property	A parcel of freehold commercial land for institution use and is built-upon with a purpose-built private college to be known as KDU Penang University College Batu Kawan. It is consists of the following buildings under Phase 1:- I) Block A – Five (5) Storey Building to be used as Administration Centre; II) Block B – Six (6) Storey Building to be used as Library and Lecture Rooms; III) Block C – One Level Cafeteria Building; IV) Two (2) units of Guard House; and V) One (1) unit of TNB 11kv Main Switch Station
Provisional Land Area	4.2089 hectares (about 453,032 sq. feet or 10.40 acres)
Gross Floor Area	18,019.95 sq. metres (about 193,965.52 sq. feet)
Planning	Designated for Institution Use
Basis of Valuation	As the buildings in Phase 1 are nearing completion, the subject property is valued on the basis that the buildings will be completed in accordance to the approved building plans and issued with the Certificate of Completion and Compliance.
Location of Property	The subject property is located Batu Kawan which is about 3 kilometres to the east of the 2nd Penang Bridge, about 17 kilometres north-west of Nibong Tebal town centre and 17 kilometres to the south of Juru Auto City.

GENERAL DESCRIPTION

Brief Description of The Subject property	**Site Description** The subject site identified as HSD 47091, Lot No. PT 5828 Seksyen 13, located within Mukim 13, District of Seberang Perai Selatan and State of Pulau Pinang. It is near rectangular in shape and enjoys dual road frontage. On the eastern side, it enjoys a frontage width of about 147.811 metres (about 484.97 feet) onto an unnamed road, whilst on the southern side, it enjoys a frontage width of about 271.075 metres (about 889.39 feet) onto Persiaran Cassia Barat 3.

Buildings

The three blocks of building are currently under construction and upon completion will be a purpose-built private college known as KDU Penang University College Batu Kawan. It will which consist of :-

i. Block A – Five (5) Storey Building to be used as Administration Centre;
ii. Block B – Six (6) Storey Building to be used as Library and Lecture rooms;
iii. Block C – One Level Cafeteria Building;
iv. Two (2) Units of Guard House; and
v. One (1) unit of TNB 11KV Main Switch Station;

Based on the approved building plans, the buildings are described as follows:-

Structure	:	Reinforced concrete framework
Walls	:	Plastered and painted brick walls
Roof	:	Reinforced concrete flat roof
Doors	:	Frameless glass doors, fire-rated doors, timber panels and timber flush doors
Windows	:	Aluminium framed glass panels and top hung glass
Ceiling	:	Generally skim coat to reinforced concrete, plastered ceiling incorporating downlights and suspended mineral fibre boards
Floor Finishes	:	Generally ceramic tiles, vinyl, homogeneous tiles, cement rendered and wall to wall carpets

Services

The services provided include the building automation system, central air-conditioning, fire fighting facilities, lifts and escalators.

The Gross Floor Area as extracted from the Approved Building Plans are as follows:-

Subject Buildings	Gross Floor Area
Block A	3,924.80 sq. metres (42,246.15 sq. feet)
Block B	10,811.18 sq. metres (116,370.46 sq. feet)
Block C	3,142.98 sq. metres (33,830.75 sq. feet)
Two (2) Units of Guard House	26.00 sq. metres (280 sq. feet)
One (1) unit of TNB 11KV Main Switch Station	115.00 sq. metres (1,238 sq. feet)
Total Gross Floor Area	**18,019.95 sq. metres (193,965.52 sq. feet)**

Planning Provision — The subject property is designated for 'institutional' use as stated in the title document. As the subject buildings were in the final stage of construction (90%), the subject property is valued on the basis that the buildings will be completed in accordance to the Approved Building Plans and issued with the Certificate of Completion and Compliance (CCC) and hence there should not be any breach of building bylaws.

Registered Owner — KDU University College (PG) Sdn Bhd

Date of Valuation — 21st December 2018

We have gathered the following sales data for land value comparison purposes. The data were obtained from the Valuation and Property Services Department (JPPH).

Description	Comparable 1	Comparable 2	Comparable 3
Property Type	A parcel of development land	A parcel of commercial land	A parcel of commercial land
Planning provision	Commercial and industrial use	Commercial use	Commercial and residential use
Lot No.	13254, Mukim 14, District of Seberang Perai Tengah and State of Pulau Pinang	PT 5261, Mukim 13, District of Seberang Perai Selatan and State of Pulau Pinang	153, 463, 464, 465 & 6993, all within Mukim 1, District of Seberang Perai Tengah, State of Pulau Pinang
Location	Jalan Permatang Tinggi, Bukit Mertajam, Pulau Pinang	Lebuhraya Bandar Cassia, Batu Kawan, Pulau Pinang	Jalan Baru, Perai, Pulau Pinang
Tenure	Freehold	Leasehold interest for 99 years expiring on 01/12/2112	Freehold
Land Area	2, 44,070.309 sq. metres (about 474,368 sq. feet)	1,214,357.00 sq. metres (about 13,071,217 sq. feet)	20,272.633 sq. metres (about 218,212.59 sq. feet)

Consideration	RM43,800,321/-	RM731,988,878/-	RM28,374,638/-
Date of Transaction	03/07/2017	28/06/2016	20/04/2015
Adjustments	Upward adjustment made on location. Downward adjustment made on land use/zoning & land improvement.	Upward adjustment made on size & tenure. Downward adjustment made on land use/zoning.	Downward adjustment made on location, land use/zoning & size.
Analysed Land Value	RM92.33 psf	RM56.00 psf	RM130.03 psf
Adjusted Land Value	RM60.02 psf	RM67.20 psf	RM58.51 psf
Source	Bursa Announcement	JPPH	JPPH

Based on adjustments made on the comparables above, the adjusted land values are ranging from RM58.51 per sq. foot to RM67.20 per sq. foot. We have considered Comparable 1 as the most suitable comparable as it has about the same size as the subject land while Comparable 2 has a much bigger land area (10.890 acres vs 300.074 acres) and conveys a leasehold interest. Comparable 3 is also less suitable as the transaction is rather dated and it is in more favourable location being in a relatively more developed area. We have therefore adopted RM60.00 per sq. foot as the land value of the unimproved land.

At the time of our inspection, we noted that the subject buildings were in the final stage of construction (90%). All the construction works had been awarded and the total construction costs as per the interim certificates. Arcadis Malaysia Sdn Bhd has been appointed as an Independent Cost Audit Consultant (ICAC) to determine whether the overall construction cost is within reasonable price range. In summary, ICAC found that the construction costs awarded are reasonable and within market price range for the overall construction cost. As such, for the construction costs we have relied upon the Interim Certificates provided by the Unitech QS Consultancy Sdn Bhd in our valuation which are as follows:-

Interim Certificate	Date	Contract Sum
Site Clearance, Earthworks & Ground Treatment Works – Valuation for Final Certificate	28/3/2018	RM7,535,672.79

Piling, Pile Cap and Column Stump Works – Valuation for Final Certificate	16/6/2018	RM5,555,444.15
Specialist Works – Valuation Certificate No. 17	30/8/2018	RM55,329,276.86
Main Building Works – Valuation Certificate No. 22	30/8/2018	RM28,718,453.94
Total Contract Sum		**RM97,138,847.74**

The total contract sum is RM97,138,847.74. We have excluded the cost for furniture & equipment, i.e. RM4,397,450.00 from there and the total net contract sum is RM92,741,397.74. Piling had been done for all the five blocks of building as per Approved Building Plans Bearing Reference No. MPSP/40/30-73/90(68) dated 27th July 2018. We have apportioned the piling costs to each of the five blocks of building based on their respective gross floor areas.

Based on the Cost Approach the market value of the subject property is arrived as follows:-

Market Value of the Unimproved Land	RM27,181,920/-
Value arising from Land Improvements	RM 7,535,673/-
Piling Cost for Phase 2 only	RM 2,901,012/-
Non-typical Construction Works	RM22,333,264/-
Construction Cost & Piling Cost for Phase 1 only	RM59,971,448/-
Total Market Value of the Subject Property	RM119,923,317/-
say	**RM120,000,000/-**

We are of the opinion that the Market Value of the Subject property on the basis that the buildings will be completed in accordance to the Approved Building Plans and issued with the Certificate of Completion and Compliance at 21st December 2018, subject to the limiting conditions, free from all encumbrances, with the title held under freehold interest and being good, marketable and registrable as well as with vacant possession, is at **RM120,000,000/- (Ringgit Malaysia : One Hundred and Twenty Million Only)**

IT IS PERTINENT TO NOTE THAT THIS VALUATION IS PREPARED SPECIFICALLY FOR THE ABOVE INTENDED PURPOSE AND SHOULD NOT BE USED FOR ANY OTHER PURPOSES.

Yours faithfully,
RAHIM & CO INTERNATIONAL SDN. BHD.

CHOY YUE KWONG
ICVS, MRICS, FRISM, BSC, DLE (SCOTLAND)
Chartered Surveyor
Registered Valuer (V-328)

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors of Paramount have seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after making all reasonable enquiries and to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT AND CONFLICT OF INTERESTS

RHB Investment Bank

RHB Investment Bank, being the Principal Adviser for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad ("**RHB Bank**"), and the subsidiaries and associated companies of RHB Bank ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and funds management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for Paramount Group, in addition to the role as set out in this Circular.

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with the Group and the directors and/or substantial shareholders of the Company, hold long or short positions in the securities offered by the Company, make investments recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in equity securities of Paramount Group.

RHB Banking Group via RHB Bank (being the parent company of RHB Investment Bank), had in its ordinary course of business granted credit facilities to Paramount Group of up to RM797.48 million for general investment and working capital purposes ("**Credit Facilities**"). As at 30 May 2019, the Credit Facilities has an outstanding amount of approximately RM511.40 million. RHB Bank's exposure to Paramount Group represents approximately 3.41% of the audited consolidated net assets of RHB Bank of approximately RM23,357.99 million as at 31 December 2018. In addition, RHB Banking Group will hold up to RM300.00 million MTNs issued by DGSB under the Securitisation Exercise in relation to the Proposed Transaction.

Notwithstanding the above, RHB Investment Bank confirms that there is no conflict of interests which exists or is likely to exist in its capacity as the Principal Adviser for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants on the basis as set out below:

(a) the Credit Facilities was provided on arm's length basis and is not material when compared to the audited consolidated net assets of RHB Bank of approximately RM23,357.99 million as at 31 December 2018;

(b) the Credit Facilities was granted for general investment and working capital purposes and is not conditional upon the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants;

(c) The appointment of RHB Investment Bank as the Principal Adviser to Paramount for the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants is in the ordinary course of business as a licensed investment bank. RHB Investment Bank does not have any interests in the Proposed Issue of Bonus Shares and Proposed Issue of Free Warrants other than the professional fees received in relation to its appointment as the Principal Adviser based on the terms of engagement which are mutually agreed between both parties; and

(d) RHB Banking Group maintains a strict physical separation of the divisions/departments pursuant to its Chinese Wall Policy to avoid the sharing of sensitive information. The advisory work carried by RHB Investment Bank's Corporate Finance Department is strictly regulated by the SC, Bursa Securities and Bank Negara Malaysia.

The conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013 and CMSA, and RHB Investment Bank has a robust system of internal controls to prevent the overriding of its established credit approval policies and procedures. This would include comprehensive monitoring and reporting mechanism. Credit proposals (such as the Credit Facilities and the MTNs) that are prepared by the respective departments of RHB Banking Group are escalated to independent reviewing parties and committees within RHB Banking Group for approval. Further, there is no involvement by RHB Investment Bank in respect of any credit application process undertaken by other departments within RHB Banking Group.

Rahim & Co.

Rahim & Co., being the independent property valuer in relation to the Proposed Transaction, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the valuation certificate and all references thereto in the form and context in which they appear in this Circular.

Rahim & Co. has also given their written confirmation that there is no conflict of interests which exists or is likely to exist in relation to its role as the independent property valuer in relation to the Proposed Transaction.

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3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

Save as disclosed below, as at the LPD, the Directors of Paramount are not aware of any other material commitments incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial position of the Group:

	Unaudited As at the LPD RM'000
Investment properties	
• Authorised and contracted for	**8,433**
Property, plant and equipment	
• Authorised and contracted for	70,999
• Authorised and not contracted for	8,932
	79,931
Development rights	
• Authorised and contracted for	**113,000**
Total	**201,364**

3.2 Contingent liabilities

As at the LPD, the Directors of Paramount are not aware of any contingent liabilities, which upon becoming enforceable, may have a material impact on the financial position of the Group.

4. MATERIAL LITIGATION

As at the LPD, Paramount is not engaged in any material litigation, claims or arbitration, and the Board is not aware of any proceedings, pending or threatened, against the Group or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

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5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies of them are available for inspection during normal business hours at our registered office at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, from Mondays to Fridays (except public holidays) during the period from the date of this Circular up to and including the date of the forthcoming EGM:

(i) Constitution of the Company and Constitution of DGSB;

(ii) Audited consolidated financial statements of the Company for the FYE 31 December 2017 and FYE 31 December 2018 and the latest unaudited quarterly financial report of the Company for the three (3)-month FPE 31 March 2019;

(iii) The letters of consent referred to in Section 2 of this Appendix;

(iv) The Valuation Certificates from Rahim & Co. in respect of the Subject Campus Properties;

(v) The draft Deed Poll;

(vi) The Jalan Anson Campus Properties SPA, Batu Kawan Campus Properties SPA and Utropolis Glenmarie Campus Properties SPA;

(vii) The Supplemental SPAs, Master Lease Agreement, Call and Put Option Agreements, CRNCPS Subscription Agreement (SPA Purchase Consideration) and CRNCPS Subscription Agreement; and

(viii) The SPA-UOWM and Supplemental Letter.

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PARAMOUNT

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Paramount Corporation Berhad ("**Paramount**" or the "**Company**") will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 10 July 2019 at 10.30 a.m. for the purpose of considering and if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED SALE BY WHOLLY-OWNED SUBSIDIARY COMPANIES OF PARAMOUNT:

(i) KDU UNIVERSITY COLLEGE (PG) SDN BHD ("KDUPG") TO DYNAMIC GATES SDN BHD ("DGSB" OR "PURCHASER") OF:

(a) THE KDU PENANG UNIVERSITY COLLEGE CAMPUS PREMISES HELD UNDER TITLES BEARING PARTICULARS (I) GERAN NO. 103353, LOT NO. 1232; (II) GERAN NO. 103354, LOT NO. 1234 AND (III) GERAN NO. 103100, LOT NO. 1249 (FORMERLY KNOWN AS LOT NO. 1233); ALL LOCATED WITHIN SEKSYEN 13, BANDAR GEORGE TOWN, DAERAH TIMOR LAUT, PULAU PINANG ("JALAN ANSON CAMPUS PROPERTIES") FOR A 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 AND THE SUBSEQUENT LEASEBACK BY KDUPG OF THE ENTIRE CAMPUS PROPERTIES ("JALAN ANSON CAMPUS PROPERTIES SPA"); AND

(b) 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 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 THE SUBSEQUENT LEASEBACK BY KDUPG OF THE ENTIRE CAMPUS PROPERTIES ("BATU KAWAN CAMPUS PROPERTIES SPA"); AND

(ii) KDU UNIVERSITY COLLEGE SDN BHD ("KDUUC") TO DGSB OF 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 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 AND THE SUBSEQUENT LEASEBACK BY KDUUC OF THE ENTIRE CAMPUS PROPERTIES ("UTROPOLIS GLENMARIE CAMPUS PROPERTIES SPA").

"**THAT**, subject to all the necessary approvals and/or consents having been obtained from the relevant regulatory authorities and/or parties and all the conditions precedent stipulated in the following sale and purchase agreements ("**SPAs**"):

(i) SPAs entered into between KDU University College (PG) Sdn Bhd ("**KDUPG**"), a wholly-owned subsidiary of the Company, and Dynamic Gates Sdn Bhd ("**DGSB**") dated 25 October 2018, to dispose of the KDU Penang University College campus premises held under:

(a) titles bearing particulars (i) Geran No. 103353, Lot No. 1232; (ii) Geran No. 103354, Lot No. 1234 and (iii) Geran No. 103100, Lot No. 1249 (formerly known as Lot No. 1233); all located within Seksyen 13, Bandar George Town, Daerah Timor Laut, Pulau Pinang ("**Jalan Anson Campus Properties**"); and

(b) title bearing particulars H.S.(D) 47091, PT No. 5828, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang ("**Batu Kawan Campus Properties**"); and

(ii) SPA entered into between KDU University College Sdn Bhd ("**KDUUC**"), a wholly-owned subsidiary of the Company, and DGSB dated 25 October 2018 to dispose of the campus premises held under the title bearing particulars Geran No. 312848, Lot No. 91902, Mukim Damansara, Daerah Petaling, Selangor ("**Utropolis Glenmarie Campus Properties**"); and

having been fulfilled or waived (as the case may be), approval and authority be and is hereby given for the above-mentioned wholly-owned subsidiaries of the Company to dispose of the following campus properties for a total disposal consideration of RM420,000,000:

(a) the Jalan Anson Campus Properties by KDUPG to DGSB for a 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;

(b) the Batu Kawan Campus Properties by KDUPG to DGSB for a 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

(c) the Utropolis Glenmarie Campus Properties by KDUUC to DGSB for a 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.

(collectively referred to as the "**Proposed Transaction**")

THAT the Board of Directors of the Company ("**the Board**") be and is hereby authorised to take all necessary steps and do all necessary acts and things to give full effect to the Proposed Transaction with full powers to enter into, deliver and execute all such agreements, arrangements, undertakings, indemnities, guarantees, transfers and/or assignments with any party or parties as may be necessary in connection with the Proposed Transaction, to assent to any terms, conditions, modifications, variations and/or amendments to such agreements, and to deal with all matters relating to the Proposed Transaction in such a manner as the Board may in its absolute discretion deem fit and expedient in the best interest of the Company.

AND THAT the aforesaid authority shall be deemed to include a ratification of all previous actions taken by the Board or any Director of the Company in connection with the Proposed Transaction, including the execution of the SPAs, Supplemental SPAs, Master Lease Agreement, Call and Put Option Agreements, CRNCPS Subscription Agreement (SPA Purchase Consideration) and CRNCPS Subscription Agreement as defined in the Definition section and Part A of the Circular to Shareholders dated 17 June 2019."

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF UP TO 180,045,328 NEW ORDINARY SHARES AS BONUS SHARES ON THE BASIS OF TWO (2) BONUS SHARES FOR EVERY FIVE (5) EXISTING PARAMOUNT SHARES HELD IN THE COMPANY

"**THAT**, subject to all necessary approvals having been obtained from all the relevant authorities, authority be and is hereby given to the Board of Directors of the Company ("**the Board**") to allot and issue up to 180,045,328 new ordinary shares in the Company as bonus shares to be credited as fully paid up at no consideration and without any capitalisation of the Company's reserves ("**Bonus Shares**") to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the entitlement date to be determined and announced later by the Board ("**Entitlement Date**") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares held in the Company on the Entitlement Date ("**Proposed Issue of Bonus Shares**");

THAT all fractional entitlements, if any, arising from the Proposed Issue of Bonus Shares shall be disregarded and dealt with in such a manner as the Board shall in its absolute discretion deem fit and expedient in the best interest of the Company;

THAT such Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the existing ordinary shares in the Company on the date of allotment of the Bonus Shares, save and except that the Bonus Shares will not carry any entitlement to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid where the entitlement date of which is before the date of allotment of the Bonus Shares;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Issue of Bonus Shares with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interest of the Company."

ORDINARY RESOLUTION 3

PROPOSED ISSUE OF UP TO 180,045,328 FREE WARRANTS IN PARAMOUNT ON THE BASIS OF TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING ORDINARY SHARES HELD IN THE COMPANY

"**THAT**, subject to all the necessary approvals having been obtained from all the relevant authorities, authority be and is hereby given to the Board of Directors of the Company ("**the Board**") to allot and issue up to 180,045,328 free warrants ("**Warrants**") in a registered form that is duly and constituted by a deed poll to be executed by the Company ("**Deed Poll**") to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on an entitlement date to be determined by the Board ("**Entitlement Date**") on the basis of two (2) Warrants for every five (5) existing ordinary shares held in the Company on the Entitlement Date ("**Proposed Issue of Free Warrants**");

THAT the Board be and is hereby authorised to allot and issue such additional Warrants as may be required or permitted to be issued as consequences of any adjustments under the provisions in the Deed Poll ("**Additional Warrants**");

THAT the Board be and is hereby authorised to allot and issue such appropriate number of new ordinary shares in the Company arising from the exercise by the holders of the Warrants of their rights to subscribe for new ordinary shares in accordance with the provisions of the Deed Poll, including such appropriate number of new ordinary shares arising from the exercise of subscription rights represented by the Additional Warrants;

THAT all fractional entitlement, if any, arising from the Proposed Issue of Free Warrants shall be disregarded and dealt with in such a manner as the Board shall in its absolute discretion deem fit and expedient in the best interest of the Company;

THAT the Board be and is hereby authorised to enter into and execute, for and on behalf of the Company, the Deed Poll with full powers to assent to any conditions, variations, modifications and/or amendments thereto in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/or amendments to the exercise price, exercise period and/or number of Warrants as may be required or permitted to be revised as a consequence of any such adjustments under the provisions of the Deed Poll with full power to implement and give effects to the terms and conditions of the Deed Poll, and to take all necessary steps as the Board deems fit and/or expedient in order to implement, finalise and give full effect to the Deed Poll;

THAT the new ordinary shares to be issued arising from the exercise of the Warrants and/or the Additional Warrants shall, upon allotment and issuance, rank equally in all respects with the existing ordinary shares in the Company, save and except that such new shares shall not carry an entitlement to participate in any rights, allotments, dividends, and/or other distributions that may be declared, made or paid for where the entitlement date is before the date of allotment of such new shares;

THAT the Board be and is hereby authorised to utilise the proceeds from the exercise of the Warrants in the manner and for the purposes as set out in Section 2.2.5 of Part B of the Circular to Shareholders dated 17 June 2019.

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver, for and on behalf of the Company, all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Issue of Free Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interest of the Company."

ORDINARY RESOLUTION 4

PROPOSED DISPOSAL OF EQUITY INTERESTS IN KDU UNIVERSITY COLLEGE SDN BHD, KDU UNIVERSITY COLLEGE (PG) SDN BHD AND KDU COLLEGE (PJ) SDN BHD BY THE COMPANY TO UOWM SDN BHD

"**THAT**, subject to all the necessary approvals and/or consents having been obtained from the relevant regulatory authorities and/or parties and all the conditions precedent stipulated in the Share Purchase Agreement entered into between the Company and UOWM Sdn Bhd on 19 November 2018 ("**SPA-UOWM**") having been fulfilled or waived (as the case may be), approval and authority be and is hereby given for the Company to dispose of the Company's controlling equity interests in KDU University College Sdn Bhd ("**KDUUC**"), KDU University College (PG) Sdn Bhd ("**KDUPG**") and KDU College (PJ) Sdn Bhd ("**KDUPJ**") to UOWM Sdn Bhd, Company No. 1303649-W ("**UOWM**") through the disposal of:

(i) 9,750,000 ordinary shares in KDUUC representing 65% of the issued ordinary share capital of KDUUC to UOWM for a cash consideration of RM16,000,000;
(ii) 9,750,000 ordinary shares in KDUPG representing 65% of the issued ordinary share capital of KDUPG to UOWM for a cash consideration of RM22,000,000; and
(iii) 3,500,000 ordinary shares in KDUPJ representing 70% of the issued ordinary share capital of KDUPJ to UOWM for a cash consideration of RM500,000;

amounting to a total sale consideration of RM38,500,000 ("**the Proposed Disposal**").

THAT the Board of Directors of the Company ("**the Board**") be and is hereby authorised to take all necessary steps and do all necessary acts and things to give full effect to the Proposed Disposal with full powers to enter into, deliver and execute all such agreements, arrangements, undertakings, indemnities, guarantees, transfers and/or assignments with any party or parties as may be necessary in connection with the Proposed Disposal, to assent to any terms, conditions, modifications, variations and/or amendments to such agreements, and to deal with all matters relating to the Proposal Disposal in such a manner as the Board may in its absolute discretion deem fit and expedient in the best interest of the Company including, the payment of the Completion Adjustment, disposal of the Initial Shares, disposal of the Call Option Shares, disposal of the Put Option Shares, and buy-back of the KDUPJ Shares as referred to in the Circular to Shareholders dated 17 June 2019.

AND THAT the aforesaid authority shall be deemed to include a ratification of all previous actions taken by the Board or any Director of the Company in connection with the Proposed Disposal, including the execution of the SPA-UOWM, the Supplemental Letter to the SPA-UOWM and all letters, undertakings, confirmation and documents drawn up in connection therewith."

BY ORDER OF THE BOARD

NG WAI PENG (MAICSA 7014112)
Company Secretary

Petaling Jaya
Selangor Darul Ehsan
17 June 2019

NOTES:

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.*

6. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 July 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the meeting.*

PARAMOUNT

PROXY FORM
Paramount Corporation Berhad (8578-A)

*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 No./ Passport No	No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC No./ 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 Extraordinary General Meeting of the Company to be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 10 July 2019 at 10.30 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
Ordinary Resolution 1	**Proposed Transaction**		
Ordinary Resolution 2	**Proposed Issue of Bonus Shares**		
Ordinary Resolution 3	**Proposed Issue of Free Warrants**		
Ordinary Resolution 4	**Proposed Disposal**		

Dated this _______day of ________________2019

CDS ACCOUNT NO.	NO. OF SHARES HELD

____
Signature/Common Seal

NOTES:

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. *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 3 July 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the meeting.*

Fold this flap for sealing

Then fold here

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
Malaysia

1st fold here