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.

PARAMOUNT

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED DISPOSAL OF CONTROLLING EQUITY INTERESTS IN PARAMOUNT EDUCATION SDN BHD, PARAMOUNT EDUCATION (KLANG) SDN BHD AND SRI KDU SDN BHD, BEING WHOLLY-OWNED SUBSIDIARIES OF PARAMOUNT CORPORATION BERHAD, TO PRESTIGION EDUCATION SDN BHD (FORMERLY KNOWN AS TWO HORSES CAPITAL SDN BHD) FOR AN INDICATIVE TOTAL CASH CONSIDERATION OF RM540,500,000, SUBJECT TO ADJUSTMENT

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

RHB InvestmentBank

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

Sole Financial Adviser

Rothschild & Co

RothschildCo Malaysia Sdn Bhd
(formerly known as Rothschild Malaysia Sendirian Berhad)
(Company No. 15271-D)

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

Date and time of the EGM	:	Friday, 13 September 2019, 11.00 a.m.
Venue of the EGM	:	Ballroom 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.
Last date and time for lodging the Proxy Form	:	Thursday, 12 September 2019, 11.00 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 complete and 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 28 August 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
Board	:	Board of Directors of Paramount
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Call and Put Options	:	Call option granted by Paramount to Prestigion Education to buy and to require Paramount to sell, and the put option granted by Prestigion Education to Paramount to sell and to require Prestigion Education to buy, all the remaining shares held by Paramount (and its affiliates, if applicable) in each Target Company in accordance with the terms of the SHA
CFSB	:	Character First Sdn Bhd (Company No. 261828-W)
CFSB Sale Shares	:	3,676,420 ordinary shares in REAL Education, representing 34.0% equity interest in REAL Education
Circular	:	This circular dated 28 August 2019 in relation to the Proposed Disposal
CMSA	:	Capital Markets and Services Act 2007
Director(s)	:	The director(s) of Paramount and shall have the meaning given in Subsection 2(1) of the Act and Subsection 2(1) of the CMSA
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
EV	:	Enterprise value
FPE	:	Financial period ended/ ending
FYE	:	Financial year ended/ ending
Indicative Disposal Consideration	:	Indicative total cash consideration of RM540,500,000 for the Paramount Sale Shares pursuant to the Proposed Disposal, subject to any adjustment which may be made to the cash consideration pursuant to the terms of the SPA
K12	:	K12 education comprising Pre-school, primary and secondary education
KDUPG	:	KDU University College (PG) Sdn Bhd (Company No. 879357-X)
KDUPJ	:	KDU College (PJ) Sdn Bhd (Company No. 879955-T)
KDUUC	:	KDU University College Sdn Bhd (Company No. 76997-T)
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities

LPD	:	31 July 2019, being the latest practicable date prior to the printing and despatch of this Circular
Market Day	:	Any day between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
NA	:	Net assets
Official List of Bursa Securities	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Paramount or Company	:	Paramount Corporation Berhad (Company No. 8578-A)
Paramount Group or the Group	:	Paramount and its subsidiaries, collectively
Paramount Pre-Tertiary Group	:	Target Companies and REAL Education, collectively
Paramount Sale Shares	:	PESB Sale Shares, PEKSB Sale Shares and Sri KDU Sale Shares, collectively
Paramount Shares or Shares	:	Ordinary shares in Paramount
PAT	:	Profit after tax
PBT	:	Profit before tax
PEKSB	:	Paramount Education (Klang) Sdn Bhd (Company No. 1146340-V)
PEKSB Sale Shares	:	800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB
PESB	:	Paramount Education Sdn Bhd (Company No. 1218014-M)
PESB Sale Shares	:	130,339,000 ordinary shares in PESB, representing 69.7% equity interest in PESB
Pre-school	:	Pre-school educational programme for pupils from the ages of four (4) to six (6) years
Prestigion Education or Purchaser	:	Prestigion Education Sdn Bhd (Company No. 1329913-W) *(formerly known as Two Horses Capital Sdn Bhd)*
Prestigion Education II	:	Prestigion Education II Sdn Bhd (Company No. 1330280-M) *(formerly known as Two Peaks Capital Sdn Bhd)*
Proposed Disposal	:	Proposed disposal of controlling equity interests in PESB, PEKSB and Sri KDU, being wholly-owned subsidiaries of Paramount, to Prestigion Education for the Indicative Disposal Consideration
REAL Education Group	:	REAL Education and its subsidiaries, collectively
REAL Education	:	R.E.A.L. Education Group Sdn Bhd (Company No. 248225-U)
RHBIB or Principal Adviser	:	RHB Investment Bank Berhad (Company No. 19663-P), being the Principal Adviser for the Proposed Disposal

RM and sen	:	Ringgit Malaysia and sen, respectively
Rothschild & Co. or Sole Financial Adviser	:	RothschildCo Malaysia Sdn Bhd (Company No. 15271-D) (*formerly known as Rothschild Malaysia Sendirian Berhad*), being the Sole Financial Adviser for the Proposed Disposal. The role of Rothschild & Co. is to, amongst others, advise Paramount on the transaction structure, sale strategy and process, prepare marketing materials for potential buyers, approach potential buyers and act as a point of contact between them (and their advisers) and Paramount and negotiate, as instructed by Paramount and in conjunction with Paramount's legal adviser(s), the commercial terms and conditions of any offer received by Paramount in connection with the Proposed Disposal
Sale Shares	:	Paramount Sale Shares and CFSB Sale Shares, collectively
SHA	:	Shareholders' agreement dated 19 June 2019 entered into by Paramount, Prestigion Education, Prestigion Education II and the Target Companies
SPA	:	Conditional share sale and purchase agreement dated 19 June 2019 entered into by Paramount, CFSB and Prestigion Education for the disposal by Paramount of the Paramount Sale Shares to Prestigion Education for an indicative total cash consideration of RM540,500,000 and the disposal by CFSB of the CFSB Sale Shares to Prestigion Education for an indicative cash consideration of RM99,500,000, subject to any adjustment which may be made to the cash consideration pursuant to the terms therein
Sri KDU	:	Sri KDU Sdn Bhd (Company No. 556354-A)
Sri KDU Sale Shares	:	1,800,000 ordinary shares in Sri KDU, representing 80.0% equity interest in Sri KDU after the internal restructuring
Target Companies	:	PESB, PEKSB and Sri KDU, collectively

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" and "your" in this Circular are to our shareholders who are entitled to attend, vote and speak 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 any forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company's plans and objectives will be achieved. You should not place any undue reliance on such forward-looking statement and the Company does not undertake any obligation to update or revise such forward-looking statement.

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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

28 August 2019

Board of Directors:

Dato' Teo Chiang Quan	*(Chairman/ Executive Director)*
Jeffrey Chew Sun Teong	*(Group Chief Executive Officer/ Executive Director)*
Benjamin Teo Jong Hian	*(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)*
Foong Pik Yee	*(Independent Non-Executive Director)*

To: **Our shareholders**

Dear Sir/ Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 20 June 2019, RHBIB had, on behalf of the Board announced that Paramount had on 19 June 2019 entered into the SPA with CFSB and Prestigion Education for the disposal by Paramount of the following controlling equity interests in the Target Companies to Prestigion Education for the indicative disposal consideration of RM540,500,000, subject to any adjustment which may be made to the Indicative Disposal Consideration pursuant to the terms of the SPA:

(a) 130,339,000 ordinary shares in PESB*, representing 69.7% equity interest in PESB for an indicative cash consideration of RM134,500,000;

(b) 800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB for an indicative cash consideration of RM21,000,000; and

(c) 1,800,000 ordinary shares in Sri KDU, representing 80.0% equity interest in Sri KDU (after the internal restructuring), for an indicative cash consideration of RM385,000,000.

Note:

* *PESB currently holds 66.0% equity interest in REAL Education whilst the remaining 34.0% equity interest is held by CFSB. Pursuant to the terms of the SPA, CFSB shall dispose of its entire 34.0% equity interest in REAL Education to Prestigion Education.*

In connection with the Proposed Disposal, Paramount had also on 19 June 2019 entered into the SHA with Prestigion Education, Prestigion Education II (a wholly-owned subsidiary company of Prestigion Education) and the Target Companies to regulate the management of the Target Companies and the relationship between Paramount, Prestigion Education and Prestigion Education II as shareholders of the Target Companies upon the completion of the SPA. Pursuant to the terms of the SHA, Paramount irrevocably grants a call option to Prestigion Education to buy and to require Paramount to sell, and Prestigion Education irrevocably grants a put option to Paramount to sell and to require Prestigion Education to buy, all the remaining shares held by Paramount (and its affiliates, if applicable) in each Target Company in accordance with the terms thereof.

Details of the Proposed Disposal are set out in the ensuing sections and the salient terms of the SPA and SHA are set out in Appendix VI of this Circular.

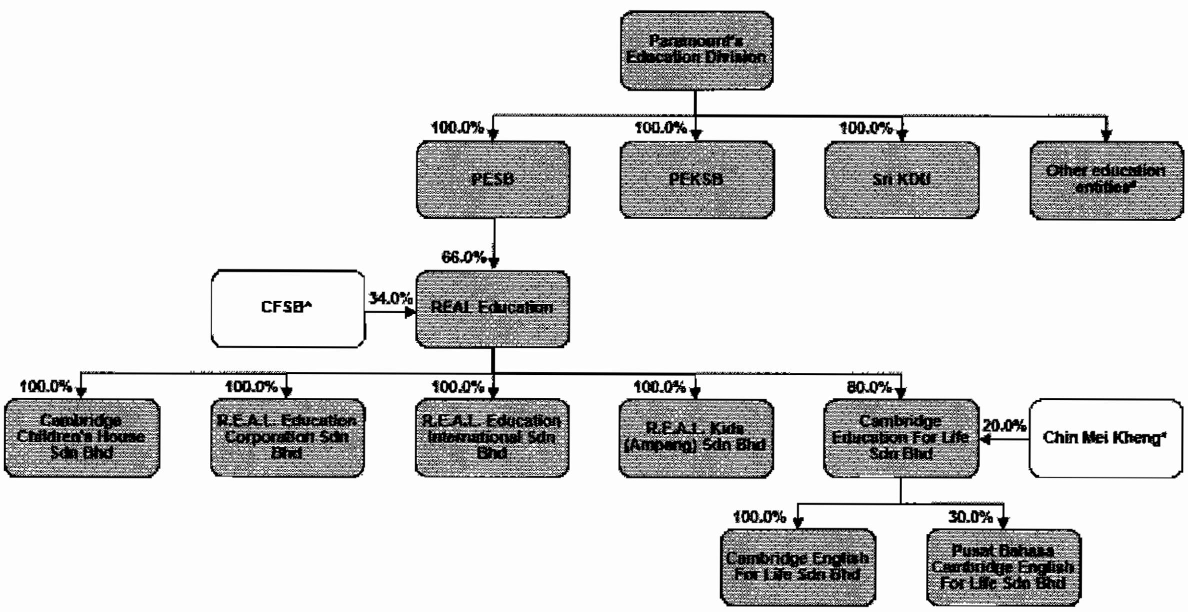
THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

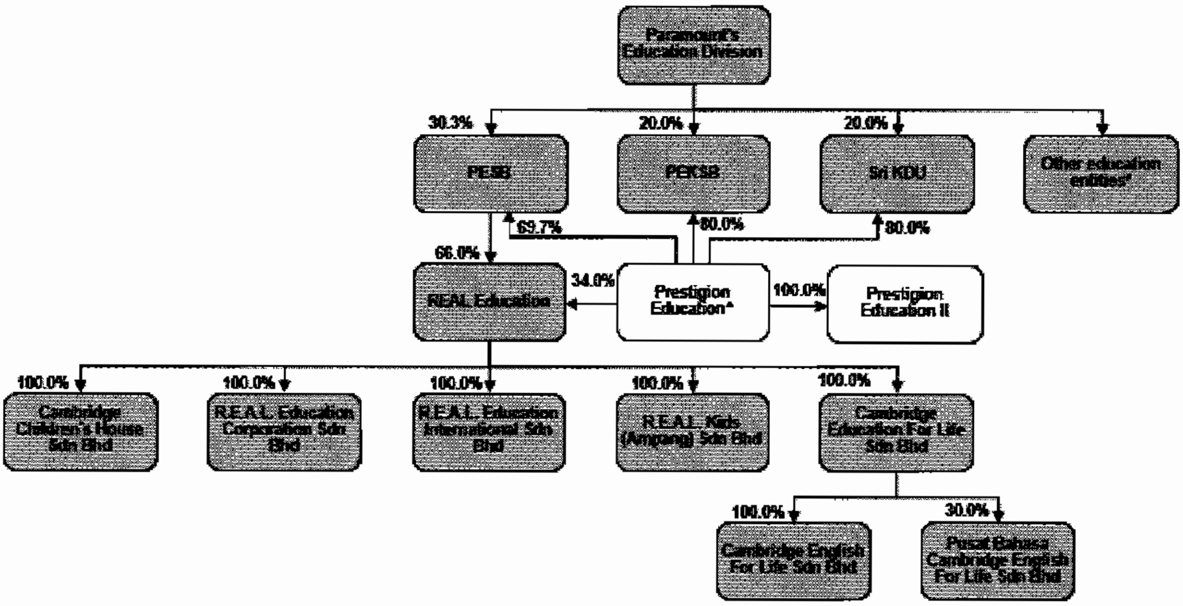
2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails Paramount disposing 69.7% equity interest in PESB, and 80.0% equity interest in PEKSB and Sri KDU respectively, for an indicative disposal consideration of RM540,500,000, subject to any adjustment which may be made to the Indicative Disposal Consideration pursuant to the terms of the SPA. Please refer to the diagram below for the corporate structure of Paramount's education division before and after the Proposed Disposal.

<u>Current corporate structure of Paramount's education division</u>



Corporate structure of Paramount's education division after the Proposed Disposal



Notes:

\# *Other education entities comprise KDU Management Development Centre Sdn Bhd (100.0%), KDUUC (100.0%), KDUPG (100.0%) and KDUPJ (100.0%). For shareholders' information, Paramount had on 19 November 2018 entered into a conditional share sale and purchase agreement with UOWM Sdn Bhd for the proposed disposel of Paramount's controlling equity interests in KDUUC, KDUPG and KDUPJ to UOWM Sdn Bhd. The proposed disposal has been approved by Paramount's shareholders at its EGM held on 10 July 2019 and is expected to be completed by early September 2019. Please refer to Paramount's circular to shareholders dated 17 June 2019 and Paramount's announcement dated 10 July 2019 for further details.*

^ *Pursuant to the terms of the SPA, CFSB shall dispose of its entire 34.0% equity interest in REAL Education to Prestigion Education. For shareholders' information, CFSB is a non-related party to Paramount and it was the sole shareholder of REAL Education prior to Paramount's acquisition of 66.0% equity interest in REAL Education from CFSB which was completed on 11 April 2017.*

* *An internal restructuring involving amongst others, the acquisition by REAL Education of the remaining 20.0% equity interest in Cambridge Education For Life Sdn Bhd from Chin Mei Kheng for a cash consideration amounting to RM3,000,000 (to be satisfied via REAL Education's internal funds) pursuant to a sale and purchase agreement dated 17 June 2019 which is expected to be completed prior to the completion of the SPA.*

The effective equity interest of Paramount in the Target Companies and REAL Education before and after the completion of the Proposed Disposal is set out below:

	Effective equity interest of Paramount			
	PESB **%**	**PEKSB** **%**	**Sri KDU** **%**	**REAL Education#** **%**
Before the completion of the Proposed Disposal	100.0	100.0	100.0	66.0
After the completion of the Proposed Disposal	30.3	20.0	20.0	20.0

Note:

\# *PESB currently holds 66.0% equity interest in REAL Education. Upon completion of the Proposed Disposal, Paramount will hold an effective equity interest of 20.0% in REAL Education via its shareholding in PESB.*

Upon completion of the Proposed Disposal, the Target Companies and REAL Education will become associate companies of Paramount.

2.1 Mode of settlement

The total consideration for the Sale Shares which will be paid in cash by Prestigion Education to Paramount and CFSB shall be an aggregate sum payable upon the completion of the sale and purchase of the Sale Shares equal to:

i. RM640,000,000^ less the aggregate of (a) any notified leakage#, and (b) the performance incentive payment# (if any) ("**Completion Amount**"); plus

ii. an amount as determined based on the following formula:

$$\text{Locked Box Compensation}^{\#} = \frac{A \times B\%}{C} \times D$$

where:

A = Completion Amount

B% = 5%

C = 365

D = The number of days from 31 December 2018 ("**Locked Box Date**") to (and including) the completion date#

For shareholders' information, the Locked Box Compensation is to compensate Paramount and CFSB for opportunity cost incurred from the Locked Box Date to the completion date as the economic benefits will pass from Paramount Group and CFSB respectively, to Prestigion Education. The management of Paramount deems the rate of 5% to be reasonable compensation since the effective interest rate of Paramount Group's borrowing is approximately 5.00% for the FYE 31 December 2018.

In addition, the payment of RM3,000,000 to be made by REAL Education to Chin Mei Kheng for the acquisition of the 20.0% equity interest she holds in Cambridge Education For Life Sdn Bhd pursuant to an internal restructuring to be completed prior to the completion of the SPA as set out in Section 2 of this Circular, shall constitute a notified leakage# and shall be deducted from the Completion Amount.

Notes:

\# *Please refer to Section 1.2 of Appendix VI of this Circular for the definition of the respective terms.*

^ *The amount attributable to Paramount pursuant to the Proposed Disposal is RM540.5 million.*

For shareholders' information, Paramount and CFSB will not be receiving any deposit for the Proposed Disposal from Prestigion Education under the SPA as the management of the Company were of the view that Prestigion Education had made an attractive offer for the Target Companies which was supported by a strong commitment and financial recourse for the Company through a binding commitment letter issued by TPG Asia VI SF Pte Ltd ("**TPG Asia VI**"), a member of the TPG Group ("**TPG**"), which is incorporated in Singapore, in respect of the total consideration for the Sale Shares payable by the Purchaser upon completion under the SPA. TPG Asia VI is part of the TPG Capital Asia platform and TPG's sixth Asia-focused private equity fund. TPG Asia VI will provide financial assistance to Prestigion Education for the acquisition of the Target Companies and REAL Education from Paramount and CFSB respectively. TPG Asia VI will also provide strategic guidance to Prestigion Education by leveraging on TPG's past experience investing in the education sector in other Asian markets such as Vietnam, People's Republic of China and Morocco. TPG has an extensive investment experience in the education sector which the Paramount Pre-Tertiary Group can leverage on to elevate its growth to the next level. Please refer to Section 4 of Appendix V of this Circular for the profile on TPG.

2.2 Basis and justification of arriving at the Indicative Disposal Consideration

The Indicative Disposal Consideration for the Proposed Disposal was arrived at based on Paramount's share of the following (as represented by its equity interests in the Target Companies to be disposed of):

(i) the total EBITDA of the Target Companies and REAL Education based on their respective audited financial statements for the FYE 31 December 2018 as set out below:

Company	**RM' mil**
PESB *(net of consolidation adjustments between PESB and REAL Education)*	*
PEKSB	^
Sri KDU	26.9
REAL Education *(net of consolidation adjustments)*	26.9
Total	**53.8**

Notes:

* *PESB (net of consolidation adjustments between PESB and REAL Education) generated negative EBITDA of RM57,000 during the FYE 31 December 2018 as PESB is the investment holding company for Real Education.*

^ *PEKSB generated negative EBITDA of RM65,000 during the FYE 31 December 2018 as PEKSB has not commenced operations.*

(ii) multiplied by an agreed multiple of 16.0 times,

which will result in an implied EV of RM861.0 million for a 100% equity interest in the Target Companies and REAL Education.

A summary of the computation in arriving at the Indicative Disposal Consideration is as follows:

		RM'000
EV		861,000
Less:	Total debt* of the Target Companies and REAL Education as at 31 December 2018, after adjusting for inter-company balances in accordance with the terms of the SPA	(84,000)
Add:	Total cash* of the Target Companies and REAL Education as at 31 December 2018	23,000
Equity value on 100% equity interest in the Target Companies and REAL Education		**800,000**

		RM'000
Disposal consideration for 80% effective interest in the Target Companies and REAL Education		640,000
Less:	Disposal consideration attributable to CFSB for its 34% equity interest in REAL Education based on 100% of REAL Education's equity value	(99,500)
Indicative Disposal Consideration (attributable to Paramount)		**540,500**

Note:

* *Based on the audited financial statements of the respective companies for the FYE 31 December 2018*

The Company, after considering other available valuation methods such as price-to-earnings multiple and price-to-book multiple, deems the EV/EBITDA multiple of the Target Companies and REAL Education as reasonable as the EV/EBITDA multiple valuation methodology is capital structure neutral since it will not be affected by differences in accounting policies, taxation regime and capital structures (i.e. levels of indebtedness). As the Target Companies and REAL Education operate in the same business segment, a single EV/EBITDA multiple has been adopted as the benchmark valuation of the Target Companies and REAL Education.

For the purpose of assessing the reasonableness of the Indicative Disposal Consideration and in view that the Target Companies and REAL Education are involved in the provision of K12 education, the Company has identified and assessed the trading multiples of public listed companies which are listed on other regional stock exchanges whose principal business activities or at least approximately 50% of its revenues are generated from the provision of education services in the Pre-school and/ or K12 education segment ("**Comparable Companies**") since there is no direct Comparable Companies listed on Bursa Securities as at 18 June 2019, being the last market day prior to the signing of the SPA.

However, it should be noted that there is no public listed company (whether local or foreign) which may be considered to be identical to the Target Companies in terms of, amongst others, composition of business activities, geographical markets, scale of business operations, risk profile, track record, future prospects and competitive environment.

The table below sets out the EV/EBITDA multiples of the Comparable Companies:

Comparable Companies	Education Segment	Stock exchange	Market capitalisation* (USD' million)	EV/EBITDA* multiples (Times)
China Yuhua Education Corporation Limited	K12	Hong Kong	1,351	11.8
Virscend Education Company Limited	K12	Hong Kong	1,238	15.9
China Maple Leaf Education Systems Limited	K12	Hong Kong	1,186	9.8
Wisdom Education International Holdings Company Limited	K12^	Hong Kong	1,061	17.5
MindChamps Preschool Limited	Pre-school	Singapore	112	15.4
Overseas Education Limited	K12	Singapore	88	7.4
			Minimum	7.4
			Average	13.0
			Maximum	17.5
Target Companies				16.0

(Source: Bloomberg and respective companies' annual report)

Notes:

* *Based on the market capitalisation of the respective Comparable Companies as at 18 June 2019, being the last market day prior to the signing of the SPA.*

^ *Wisdom Education International Holdings Company Limited does not have any Pre-school operations.*

The Board is of the view that the Indicative Disposal Consideration is reasonable after taking into consideration the following:

i. the EV/EBITDA multiple of 16.0 times is above the average EV/EBITDA multiples of the Comparable Companies; and

ii. the rationale of the Proposed Disposal as set out in Section 4 of this Circular, which includes, enabling the Paramount Group to:

- monetise and unlock the value of part of its investments in the Paramount Pre-Tertiary Group at an attractive valuation which is comparable to regional education service providers operating in developed markets. The EV/EBITDA multiple of 16.0 times of the Target Companies and REAL Education is above the average EV/EBITDA multiples of the Comparable Companies and the Paramount Group's EV/EBITDA multiple of 9.9 times making the Proposed Disposal value accretive to shareholders.

The breakdown of Paramount Group's EV/EBITDA multiple is set out below:

	(RM' mil)
EV	1,949*
EBITDA based on the audited consolidated financial statements of Paramount Group for the FYE 31 December 2018	197
EV/EBITDA (Times)	**9.9**

Note:

* *The Company's EV was computed based on, amongst others, the market capitalisation of the Company as at 18 June 2019, being the last market day prior to the signing of the SPA.*

- realise a pro forma gain on disposal of approximately RM487.8 million, which will translate to an improvement in the EPS of the Company by RM1.10 per Share; and

- enhance the brand visibility of the Paramount Pre-Tertiary Group regionally as Yang Amat Mulia Tunku Ali Redhauddin ibni Tuanku Muhriz ("**Tunku Ali**") and Datuk Ganendran Sarvananthan ("**Datuk Ganen**"), the directors and indirect shareholders of Prestigion Education, have extensive regional business networks through their involvement in TPG as adviser and managing partner respectively. As set out in Section 4 of Appendix V of this Circular, TPG has extensive investment experience in the education sector which the Paramount Pre-Tertiary Group can leverage on to elevate its growth to the next level.

2.3 Information on the Target Companies

Information on PESB, PEKSB and Sri KDU are set out in Appendices I, II and III of this Circular respectively.

2.4 Information on REAL Education

Information on REAL Education is set out in Appendix IV of this Circular.

2.5 Information on Prestigion Education

Information on Prestigion Education is set out in Appendix V of this Circular.

2.6 Salient terms of the SPA

The salient terms of the SPA are set out in Appendix VI of this Circular.

2.7 Salient terms of the SHA

The salient terms of the SHA are set out in Appendix VI of this Circular.

2.8 Liabilities/ guarantees in relation to the Proposed Disposal

There are no liabilities, including contingent liabilities which will remain with Paramount after the Proposed Disposal. Paramount will not be providing any guarantees in respect of the Proposed Disposal.

2.9 Date and original cost of investment

The date and original cost of investment for the Paramount Sale Shares are set out below:

	Date of investment	Original cost of investment RM'000
PESB Sale Shares	7 February 2017	130,339
PEKSB Sale Shares	8 July 2015	800
Sri KDU Sale Shares	13 June 2019	1,800[(1)]
Total		**132,939**

Note:

(1) For shareholders' information, Paramount had since 31 December 2009 invested an aggregate of RM20,000,000 to acquire 100.0% equity interest in Sri KDU. As part of its internal restructuring steps, Sri KDU had, on 13 June 2019, converted all 360 non-cumulative redeemable convertible preference shares to 1,800,000 ordinary shares equivalent to RM1,800,000. As set out in Section 2 of Appendix III of this Circular, Sri KDU is currently undertaking a capital reduction exercise (which is also part of its internal restructuring steps) and upon completion of the capital reduction exercise, its resultant issued share capital would be RM2,258,600 represented by 2,250,000 ordinary shares, of which 80% of the resultant issued share capital equivalent to RM1,800,000 comprising 1,800,000 ordinary shares will form the Sri KDU Sale Shares.

2.10 Expected gain arising from the Proposed Disposal

The Proposed Disposal is expected to result in a pro forma gain on disposal to the Paramount Group as follows:

		RM'000
Indicative Disposal Consideration		540,500
Less:	Total cost of investment for the Paramount Sale Shares	(132,939)
	Transaction cost	(22,000)
Add:	Realisation of total post-acquisition reserve[(a)]	2,030
	Gains on disposal of land by Paramount Group to PEKSB, which was previously deemed as an inter-company transaction	2,820
Sub total		390,411
Add:	Fair value gain on remaining equity interest retained[(b)]	97,400
Total pro forma gain on the disposal		**487,811**

Notes:

(a) *The total post-acquisition reserve is derived as follows:*

		RM'000
Total retained earnings of the Target Companies and REAL Education as at 31 December 2018*		*79,954*
Less:	*Dividends declared and paid by the Target Companies and REAL Education to its shareholders after the FYE 31 December 2018*	*(23,239)*
Total retained earnings* of the Target Companies and REAL Education after dividends		***56,715***
Less:	*Total retained earnings* of REAL Education prior to the acquisition by Paramount in 2017*	*(60,663)*
Total post-acquisition retained earnings of REAL Education (net of dividends) and total retained earnings of Target Companies (net of dividends)		***(3,948)***
Add:	*Total post acquisition retained earnings based on the remaining effective equity interest held by Paramount in the Target Companies and REAL Education as at 31 December 2018*	*1,166*
	Realisation of goodwill attributable to the business operations of Sri KDU due to the acquisition of an effective 15% equity interest in Sri KDU in 2008.	*752*
Total		***(2,030)***

Note:

* *Based on the audited financial statements of the respective companies for the FYE 31 December 2018*

For the avoidance of doubt, the dividends declared and paid by the Target Companies and REAL Education amounting to approximately RM23.24 million as set out above would not be deducted from the Completion Amount as set out in Section 2.1 of this Circular.

(b) *The fair value gain on remaining equity interest retained is derived as follows:*

		RM'000
Fair value on remaining equity interest retained		*153,545[(1)]*
Less:	*Total cost of investment*	*(57,311)*
Add:	*Share of post-acquisition reserve*	*1,166*
Total		***97,400***

Note:

(1) *Based on the equity value of the remaining effective interest of the Target Companies and REAL Education of RM160.0 million and taking into consideration the estimated expenses of approximately 4% of the equity value.*

3. UTILISATION OF PROCEEDS

The indicative disposal consideration of RM540,500,000 arising from the Proposed Disposal is intended to be utilised by the Paramount Group in the following manner:

Details of utilisation	Time frame for utilisation	Amount of proceeds RM'000
Proposed distribution[(a)^]	Within 6 months from completion of SPA	177,000
Acquisition of land bank[(b)]	Within 24 months from completion of SPA	150,000
Repayment of borrowings[(c)]	Within 6 months from completion of SPA	133,649
Working capital[(d)^]	Within 12 months from completion of SPA	57,851
Estimated expenses in relation to the Proposed Disposal[(e)]	Within 3 months from completion of SPA	22,000
Total		**540,500**

Notes:

(a) *Subject to the completion of the Proposed Disposal, Paramount intends to distribute approximately RM177.0 million from the Indicative Disposal Consideration to its shareholders by way of a special cash dividend. The exact amount to be distributed, together with the entitlement basis and entitlement date will be determined and announced by the Board later. The quantum of special cash dividend to be declared will depend on, amongst others, the availability of sufficient distributable profits and the Company being in a position to comply with the relevant provisions of the Act.*

(b) *As at the LPD, the Paramount Group has a total undeveloped land bank of approximately 536.2 acres. The proceeds are intended to support the Paramount Group's plans to replenish and expand its land bank for future development. This may entail the acquisition of additional land directly from third parties and/ or through joint venture(s) as well as acquisition of and/ or investment in corporations that own land bank. The Company is exploring land banks mainly within the Klang Valley, the state of Penang and Kedah but has not identified any as at the LPD. If required, the Company will make the requisite announcement(s) and/ or seek the approval of its shareholders pursuant to the Listing Requirements, as and when the underlying agreement for such acquisition targets has been entered into.*

(c) *As at the LPD, the Paramount Group's total borrowings amounted to approximately RM1,130.08 million, of which approximately RM133.6 million has been earmarked for repayment of the following term loan:*

Type of facility	***Purpose of facility***	***Interest rate per annum***	***Repayment amount RM'000***
Term loan	*Acquisition of 66.0% equity interest in REAL Education*	*Cost of funds + 1.25%*	*133,649*

The Paramount Group expects the repayment of the term loan to result in interest savings of approximately RM6.9 million per annum based on the effective interest rate of approximately 5.00% for the FYE 31 December 2018.

(d) *The gross proceeds from the Proposed Disposal earmarked for working capital purposes will include payment of day-to-day operational expenses and payment to contractors for the Paramount Group's existing property development projects as follows:*

Property development projects	***Amount (RM'000)***	***Details of the property development projects***
Atwater (located in Section 13, Petaling Jaya	*23,000*	*A mixed development project on 5.09 acres of leasehold land in the Klang Valley consisting of commercial and residential components with an estimated gross development value ("**GDV**") of RM861 million. As at the LPD, the construction works for the two (2) service apartment towers/ corporate office towers is on-going. The development of Atwater is expected to be completed by 2022.*

Property development projects	*Amount (RM'000)*	*Details of the property development projects*
Greenwoods (located in Salak Tinggi Sepang)	*17,851*	*A mixed township development on 237 acres of freehold land in the Klang Valley with an estimated GDV of RM1.1 billion. As at the LPD, the Paramount Group had completed the construction of 143 units (consisting of double storey shop lots and double storey terrace houses) while construction works for an additional 458 units of double storey terrace houses are on-going. The development of the Greenwoods township is expected to be completed by 2027.*
Berkeley Uptown (located in Klang)	*17,000*	*An integrated property-education development project of 33.3 acres of freehold land in the Klang Valley. Berkeley Uptown will be anchored by a new Sri KDU International School campus and is supported by residential and various lifestyle components with an estimated GDV of RM1.2 billion. Phase 1 of the residential development has been launched in August 2019 with the remaining development expected to be completed in 2028. For the avoidance of doubt, the proceeds from the Proposed Disposal earmarked for working capital purposes for this project will not be utilised for the construction of the abovementioned Sri KDU International School.*
Total	***57,851***	

(e) *Estimated expenses in relation to the Proposed Disposal will comprise the following:*

	RM'000
Professional fees	
- *Principal Adviser and Sole Financial Adviser*	*18,821*
- *Accountants and tax adviser*	*1,382*
- *Legal adviser*	*420*
- *Market researcher*	*278*
Regulatory fees	*25*
Other incidental expenses	*1,074*
Total	***22,000***

^ *In the event the actual distribution is less than the amount of gross proceeds earmarked for such purpose, the excess will be utilised for working capital purposes. Conversely, in the event the actual distribution is higher than the estimated amount, the deficit will be funded using the gross proceeds earmarked for working capital purposes.*

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

4. RATIONALE AND JUSTIFICATION OF THE PROPOSED DISPOSAL

The Paramount Group ventured into the K12 education business with the establishment of Sekolah Sri KDU in Kota Damansara, Selangor in 2003 which offers the Malaysian National School Curriculum. Arising from the growing preference for private international schools, the Paramount Group had in 2011 opened its international school at the same location in Kota Damansara, Selangor.

The Paramount Group acquired REAL Education in 2017 to expand its private and international school business to new geographical locations as well as to the more affordably priced segments. In addition, this enabled the Paramount Group to gain access to the kindergarten and child enrichment programmes segment.

As one of the largest pre-tertiary private education providers in Malaysia, the Paramount Pre-Tertiary Group is an attractive platform for Prestigion Education to gain a foothold in the Malaysian pre-tertiary education market. To spur the next stage of growth for this segment, the Paramount Pre-Tertiary Group could benefit from a tie-up with strategic partners possessing the relevant industry expertise. Tunku Ali is the Chairman of Marlborough College, Malaysia, founding trustee and Chairman of Teach for Malaysia, and Pro-Chancellor at Universiti Sains Islam Malaysia. Tunku Ali and Datuk Ganen have gained extensive regional business networks through their involvement in TPG as adviser and managing partner respectively. TPG has past investment experience in the education sector in Vietnam, the People's Republic of China and Morocco.

The Proposed Disposal enables the Paramount Group to:

- monetise and unlock the value of part of its investments in the Paramount Pre-Tertiary Group at an attractive valuation which is comparable to regional education service providers operating in developed markets. The EV/EBITDA multiple of 16.0 times of the Target Companies and REAL Education is above the average EV/EBITDA multiples of the Comparable Companies and the Paramount Group's EV/EBITDA multiple of 9.9 times, as set out in Section 2.2 in this Circular, making the Proposed Disposal value accretive to shareholders;

- realise a pro forma gain on disposal of approximately RM487.8 million, which will translate into an improvement in the EPS of the Company by RM1.10 per Share;

- focus the Paramount Group's resources on driving growth for its core business of property development and to explore new business opportunities, while at the same time retaining an effective minority stake of 20.0% in the Paramount Pre-Tertiary Group's business. The Board had deliberated that it is in the best interest of Paramount to continue holding an effective minority stake of 20.0% in the Paramount Pre-Tertiary Group's business as this would also allow the Paramount Group to participate in the growth of the Paramount Pre-Tertiary Group and benefit from a tie-up with its strategic partners;

- raise the required funds for working capital purposes as well as to partially repay the Paramount Group's borrowings. The partial repayment of the Paramount Group's borrowings is expected to improve the Paramount Group's gearing level and cash flows due to the annual interest savings of approximately RM6.9 million, of which the Paramount Group will be able to utilise it to fund its working capital; and

- enhance the brand visibility of the Paramount Pre-Tertiary Group regionally as Tunku Ali and Datuk Ganen have extensive regional business networks through their involvement in TPG as adviser and managing partner respectively. As set out in Section 4 of Appendix V of this Circular, TPG has an extensive investment experience in the education sector which the Paramount Pre-Tertiary Group can leverage on to elevate its growth to the next level.

As the Paramount Group will continue to hold non-controlling interests in the Target Companies upon completion of the Proposed Disposal, the Company has entered into the SHA to regulate the management of the Target Companies and the relationship between Paramount, Prestigion Education and Prestigion Education II as shareholders of the Target Companies upon the completion of the SPA to safeguard its interest and seek to minimise disagreements between the parties moving forward.

The Call and Put Options are further put in place to allow Paramount to exit the Target Companies entirely if it decides to, or in the event Prestigion Education exercises its right to buy the Company's remaining equity interests. Further details of the Call and Put Options are set out in Section 2.1 of Appendix VI of this Circular.

In addition, as set out in the SHA, Paramount, Prestigion Education, Prestigion Education II and the Target Companies have agreed to put in place *"drag-along and tag-along rights"* to safeguard the remaining equity interest of Paramount in the Target Companies by enabling Paramount to exit from the relevant Target Company in the event an offer from a third party purchaser is received by Prestigion Education. Further details of the *"drag-along and tag-along rights"* are set out in Section 2.2 of Appendix VI of this Circular.

5. RISK FACTORS OF THE PROPOSED DISPOSAL

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

i. Non-completion of the Proposed Disposal

The completion of the Proposed Disposal is conditional upon the conditions precedent of the SPA being fulfilled or waived. In the event that any of the conditions precedent is not fulfilled or waived, the Proposed Disposal 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 or waived in accordance with the terms of the SPA. Nevertheless, Paramount anticipates that such risk can be mitigated by proactively engaging with the relevant authorities/ parties to obtain all the necessary approvals or to meet the necessary conditions required for the completion of the SPA.

ii. Contractual risk

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

iii. Loss of income from the Target Companies

Upon completion of the Proposed Disposal, the Target Companies will cease to be subsidiaries of Paramount and Paramount will cease to consolidate the financial results of the Target Companies. The contribution of the Target Companies to the Paramount Group's consolidated revenue and PAT attributable to the shareholders of the Company based on the audited consolidated financial statements of Paramount for the FYE 31 December 2018 are as follows:

	FYE 31 Dec 2018	
	Revenue RM'000	**PAT/(LAT) attributable to the shareholders of the company RM'000**
PESB *(net of consolidation adjustments between PESB and the REAL Education Group)*	104,898	7,598
PEKSB	-	(135)
Sri KDU	87,839	22,408
Total for Target Companies	**192,737**	**29,871**
Paramount Group	907,670	91,814
Target Companies' contribution to the Paramount Group (%)	**21.2**	**32.5**

As set out in Section 3 of this Circular, part of the proceeds arising from the Proposed Disposal are intended to be channeled towards growing the Paramount Group's property development business through land bank acquisitions. However, there is no assurance that the Paramount Group will be able to generate the desired return from this business.

Nevertheless, Paramount would continue to retain an interest in the Paramount Pre-Tertiary Group's performance through its effective minority stake of 20.0%, and benefit from a tie-up with its strategic partners.

The proceeds from the Proposed Disposal will be used to, amongst others, partially repay the Paramount Group's borrowings which is expected to improve the Paramount Group's gearing level and cash flows due to the annual interest savings.

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 Paramount as it will not involve the issuance of any new Paramount Shares.

6.2 NA per Paramount 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 Disposal had been effected on that date, the pro forma effects of the Proposed Disposal on the NA per Paramount Share and gearing of the Paramount Group are set out below:

	Audited as at 31 December 2018 RM'000	**I After adjustments for subsequent events [(a)] RM'000**	**II After I and the Proposed Disposal RM'000**
Share capital	310,315	316,862 [(b)]	316,862
Employee share reserve	8,125	1,578 [(b)]	1,578
Translation reserve	(140)	(140)	(140)
Retained earnings	752,991	769,905 [(c)]	1,080,716 [(g)]
Shareholders' funds/ NA	**1,071,291**	**1,088,205**	**1,399,016**
Private debt securities ("**PDS**")	199,787	99,787 [(d)]	99,787
Non-controlling interest	75,207	75,207	- [(h)]
Total equity	**1,346,285**	**1,263,199**	**1,498,803**
No. of Paramount Shares in issue ('000)	428,272	606,683 [(e)]	606,683
NA per Paramount Share (RM)	2.50	1.79	2.31
Total borrowings (RM'000)	900,661	973,161 [(f)]	737,737 [(i)]
Gearing (times)	0.84	0.89	0.53

Notes:

(a) *After taking into consideration the following:*

(i) *issuance of 5,072,800 new Shares as announced on 22 March 2019, pursuant to the vesting of Paramount Shares granted under the Company's existing long-term incentive plan ("**LTIP Shares**");*

(ii) *partial redemption of RM50.0 million PDS on 7 February 2019 via the drawdown of revolving credit facilities by the Paramount Group;*

(iii) *the securitisation exercise through the disposal of the campus properties as set out in Paramount's circular to shareholders dated 17 June 2019 which has been completed on 22 August 2019;*

(iv) assuming the disposal of Paramount's controlling equity interests in KDUUC, KDUPG and KDUPJ to UOWM Sdn Bhd as set out in the circular to shareholders dated 17 June 2019 has been completed; and

(v) issuance of 173,337,846 bonus shares which were listed and quoted on 26 July 2019 pursuant to the issue of bonus shares as set out in Paramount's circular to shareholders dated 17 June 2019.

(b) After taking into consideration the issuance of 5,072,800 new Shares as set out in item (a)(i) above.

(c) After taking into consideration the following:

(i) expenses of RM2.5 million in relation to the securitisation exercise as set out in item (a)(iii) above;

(ii) estimated gain of RM20.2 million and estimated expenses of RM500,000 in relation to the disposal of controlling equity interests in KDUUC, KDUPG and KDUPJ as set out in item (a)(iv) above; and

(iii) expenses of RM300,000 in relation to the issue of bonus shares and issue of free warrants as set out in item (a)(v) above.

(d) After taking into consideration the partial redemption of RM50.0 million PDS on 7 February 2019 as set out in item (a)(ii) above and the expected utilisation of proceeds amounting to RM50.0 million from the securitisation exercise as set out in item (a)(iii) above for the partial redemption of PDS.

(e) After taking into consideretion the issuance of 5,072,800 new Shares as announced on 22 March 2019 as set out in items (a)(i) and issuance of 173,337,846 bonus shares which were listed and quoted on 26 July 2019 as set out in item (a)(v) above.

(f) After taking into consideration the following:

(i) the drawdown of revolving credit facilities by the Paramount Group as set out in item (a)(ii) above;

(ii) the RM294.0 million raised by Dynamic Gates Sdn Bhd through the issuance of asset-backed securities, which will form part of the Paramount Group's borrowings, to refinance the borrowings/ financing of the Paramount Group amounting to RM241.5 million in relation to item (a)(iii) above; and

(iii) the expected utilisation of proceeds amounting to approximately RM30.0 million from the disposal as set out in item (a)(iv) above for repayment of bank borrowings.

(g) After taking into consideration the pro forma gain on Proposed Disposal of RM487.8 million (after deducting the estimated expenses of RM22.0 million in relation to the Proposed Disposal) and the proposed distribution amounting to RM177.0 million.

(h) After taking into consideration the deconsolidation of the non-controlling interest held by CFSB and Chin Mei Kheng in the REAL Education Group, in accordance with the Malaysian Financial Reporting Standard 10 : Consolidated Financial Statement, as a result of the disposal of the controlling equity interest in PESB pursuant to the Proposed Disposal.

(i) After taking into consideration the partial repayment of bank borrowings amounting to approximately RM133.6 million via the proceeds raised by the Proposed Disposal and the deconsolidation of the borrowings of PESB, PEKSB and Sri KDU amounting to RM101.8 million upon completion of the Proposed Disposal.

6.3 Substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in the Company as it will not involve the issuance of any new Paramount Shares.

6.4 Earnings and EPS

The pro forma effects of the Proposed Disposal on the consolidated EPS of Paramount assuming the Proposed Disposal had been effected at the beginning of the FYE 31 December 2018, is illustrated as follows:

	Audited FYE 31 December 2018 RM'000	After the Proposed Disposal RM'000
PAT attributable to ordinary equity holders	91,814	91,814
Less:		
• Deconsolidation of the Target Companies' and REAL Education's PAT for the FYE 31 December 2018	-	(29,871)
Add:		
• Pro forma gain from the Proposed Disposal	-	487,811
• Share of net profits from PESB, PEKSB, Sri KDU and REAL Education for the FYE 31 December 2018 in proportion to Paramount's equity holdings in the respective companies after the Proposed Disposal	-	6,758
• Expected interest savings from the partial repayment of bank borrowings of the Paramount Group	-	6,883
Pro forma PAT attributable to ordinary equity holders	**91,814**	**563,395**
Weighted average no. of Paramount Shares in issue ('000)	427,609	427,609
Basic EPS (sen)	21.47	131.75

7. APPROVALS REQUIRED AND INTER-CONDITIONALITY

7.1 Approvals required

The Proposed Disposal is subject to the following approvals being obtained from the following authorities/ parties:

(i) the shareholders of Paramount, for the Proposed Disposal (including the Call and Put Options) at the forthcoming EGM;

(ii) the Ministry of Education in relation to the Proposed Disposal; and

(iii) any other relevant authority or party, if required.

7.2 Inter-conditionality

The proposed disposal of the Company's controlling equity interests in PESB, PEKSB and Sri KDU respectively, are inter-conditional with each other. The Proposed Disposal and the proposed disposal of CFSB's equity interest in REAL Education are also inter-conditional in view that both proposals are contemplated in the same SPA. The Proposed Disposal is not conditional upon any other proposals by the Company.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 67.9% based on the aggregate value of the consideration as compared to the latest audited consolidated NA of Paramount as at 31 December 2018.

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

None of the Directors, major shareholders of Paramount and/ or persons connected with them has any interests, whether direct or indirect, in the Proposed Disposal.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal, including the rationale and justification for the Proposed Disposal, the terms of the SPA and SHA, the basis and justification for arriving at the Indicative Disposal Consideration, the utilisation of proceeds from the Proposed Disposal and the financial effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is 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 is no other corporate proposal announced but have yet to be completed as at the date of this Circular:

(i) the 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. Barring any unforeseen circumstances, the proposed development is expected to complete by July 2027, being eight (8) years from the unconditional date of the development rights agreement; and

(ii) the disposal of Paramount's controlling equity interests in KDUUC, KDUPG and KDUPJ to UOWM Sdn Bhd as set out in the Company's circular to shareholders dated 17 June 2019, which was approved by the shareholders on 10 July 2019. The disposal is expected to be completed by early September 2019.

12. TENTATIVE TIMETABLE FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals/ conditions being obtained/ fulfilled, the Proposed Disposal is expected to be completed by the fourth (4th) quarter of 2019.

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

Month	Event
13 September 2019	• EGM for the Proposed Disposal
December 2019	• Approval from the Ministry of Education in relation to the Proposed Disposal
	• Fulfilment of all conditions precedent of the SPA
	• Full settlement of the Indicative Disposal Consideration
	• Transfer of the Paramount Sale Shares to the name of Prestigion Education

13. EGM

The EGM will be held at Ballroom 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, on Friday, 13 September 2019, 11.00 a.m. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Disposal. The notice of the EGM and the Proxy Form are enclosed in this Circular.

If you are unable to attend, vote and speak 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 of this Circular 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 PESB

1. HISTORY AND BUSINESS

PESB was incorporated in Malaysia on 7 February 2017 under the Act as a private limited company. The principal activity of PESB is investment holding. PESB commenced operations in 2017.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PESB is RM187,000,000 represented by 187,000,000 ordinary shares.

3. SHAREHOLDER

As at the LPD, PESB is a wholly-owned subsidiary of Paramount.

4. DIRECTORS

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

		<--------Direct--------->		<--------Indirect------>	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	187,000,000*	100.0*
Chew Sun Teong	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Note:

* *Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20.0% in Paramount pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, PESB holds 66.0% equity interest in REAL Education. Please refer to Appendix IV of this Circular for further information on REAL Education.

As at the LPD, PESB does not have any associated company.

6. TYPE OF ASSETS OWNED

For the FYE 31 December 2018, save for its 66.0% equity interest in REAL Education, PESB does not own any other asset.

7. MATERIAL CONTRACTS

Save for the SHA, PESB has not entered into any material contract (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular. Please refer to Appendix VI of this Circular for the salient terms of the SHA.

8. MATERIAL LITIGATION

As at the LPD, PESB is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of PESB and the board of directors of PESB is not aware of any proceeding, pending or threatened, against PESB or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of PESB.

9. HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of PESB's audited financial information for the financial period since the incorporation of PESB on 7 February 2017 to 31 December 2017 and the FYE 31 December 2018:

	FPE 31 December 2017 RM'000	FYE 31 December 2018 RM'000
Revenue	5,924	7,990
PBT	5,189	7,933
PBT but after non-controlling interest	5,189	7,933
PAT	5,189	7,899
PAT and non-controlling interest	5,189	7,899
Issued share capital	10,000	10,000
Shareholders' funds/ NA	192,189	200,089
Total equity	192,189	200,089
Total borrowings (all interest-bearing debts)	-	-
NA per share (RM)[(1)]	19.22	20.01
Current ratio (times)	42.38	205.21
Net EPS (sen)	52	79
Gearing (times)	-	-

Note:

(1) Computed based on the audited NA divided by the number of shares outstanding as at the respective financial years under review.

Financial commentaries:

For the FYE 31 December 2018, revenue increased by approximately 34.9% or RM2.1 million from RM5.9 million in the FPE 31 December 2017 to RM8.0 million in the FYE 31 December 2018 mainly due to higher dividend income received from REAL Education amounting to RM7.9 million in the FYE 31 December 2018 as compared to RM5.9 million in the FPE 31 December 2017.

The higher dividend income received from REAL Education also resulted in an increase in PBT and PAT of approximately 52.9% or RM2.7 million from RM5.2 million in the FPE 31 December 2017 to RM7.9 million in the FYE 31 December 2018. The increase in shareholders' funds for the FYE 31 December 2018 was due to the increase in the said financial years' PAT.

The audited financial statements of PESB for the financial years under review were prepared in accordance with the Malaysian Financial Reporting Standard ("**MFRS**") and the requirements of the Act, and were not subject to any audit qualification.

There are no accounting policies adopted by PESB which are peculiar to PESB due to the nature of its business for the financial years under review.

INFORMATION ON PEKSB

1. HISTORY AND BUSINESS

PEKSB was incorporated in Malaysia on 28 May 2015 under the Companies Act, 1965 as a private limited company under the name Cosmo Knowledge Sdn Bhd. It assumed its present name on 28 July 2015. PEKSB has not commenced operations since its incorporation. It has however acquired a plot of freehold land in Bandar Klang, Selangor, and has started construction of the new Sri KDU International School on the said land. PEKSB has obtained the provisional approval from the Ministry of Education, Malaysia to establish Sri KDU International School in Klang. The construction is targeted to be completed in 2020 and its first academic year is expected to commence in January 2021. The intended principal activity of PEKSB is the provision of educational services.

2. SHARE CAPITAL

As at the LPD, the issued share capital of PEKSB is RM1,000,000 represented by 1,000,000 ordinary shares.

3. SHAREHOLDER

As at the LPD, PEKSB is a wholly-owned subsidiary of Paramount.

4. DIRECTORS

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

		<--------Direct--------->		<--------Indirect------>	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Teo Chiang Quan	Malaysian	-	-	1,000,000*	100.0*
Chew Sun Teong	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Note:

* *Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20.0% in Paramount pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, PEKSB does not have any subsidiary or associated company.

6. TYPE OF ASSETS OWNED

For the FYE 31 December 2018, PEKSB has acquired a plot of freehold land held under HS(D) 157107, PT 4194, Seksyen 21, Bandar Klang, Daerah Klang, Negeri Selangor measuring approximately 21,154 square meters, with a carrying value of RM43,088,180 as at 31 December 2018. PEKSB has started construction of the new Sri KDU International School on the freehold land and construction is targeted to be completed in 2020. The carrying value of PEKSB's capital work-in-progress amounted to RM13,491,922 as at 31 December 2018.

7. MATERIAL CONTRACTS

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

(i) the SHA (the salient terms of which are set out in Appendix VI of this Circular);

(ii) the sale and purchase agreement dated 16 July 2018 entered into between Berkeley Sdn Bhd (as the vendor) and PEKSB (as the purchaser) for the acquisition by PEKSB of the freehold land held under HS(D) 157107 PT 4194, Seksyen 21 Bandar Klang, Daerah Klang, Negeri Selangor, measuring in area approximately 21,154 square metres for a total cash consideration of RM43,057,750. Pursuant to the terms of the sale and purchase agreement, the memorandum of transfer in respect of the land will only be presented to the land registry for registration after the construction of the private school has been completed and the certificate of completion and compliance has been issued or at such time as PEKSB deems fit provided always that the full purchase price has been settled by PEKSB; and

(iii) the letter of award dated 23 July 2018 issued by SA Architects Sdn Bhd on behalf of PEKSB to Paramount Property Construction Sdn Bhd for the construction and completion of the main building and infrastructure works of "Sri KDU Primary and Secondary International School in Klang". The accepted contract sum shall be a lump sum price of RM72,460,240.

8. MATERIAL LITIGATION

As at the LPD, PEKSB is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of PEKSB and the board of directors of PEKSB is not aware of any proceeding, pending or threatened, against PEKSB or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of PEKSB.

9. HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of PEKSB's audited financial information for the past three (3) financial years up to the FYE 31 December 2018:

	<--------------FYE 31 December------------>		
	2016	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**
Revenue	-	-	-
LBT	(9)	(132)	(134)
LBT but after non-controlling interest	(9)	(132)	(134)
LAT	(10)	(132)	(135)
LAT and non-controlling interest	(10)	(132)	(135)
Issued share capital	1,000	1,000	1,000
Shareholders' funds/ NA	967	836	701
Total equity	967	836	701
Total borrowings (all interest-bearing debts)	-	-	30,867
NA per share (RM)[(1)]	0.97	0.84	0.70
Current ratio (times)	0.09	0.03	0.03
Net loss per share (sen)	(1)	(13)	(13)
Gearing (times)[(2)]	-	-	44.03

INFORMATION ON PEKSB *(Cont'd)*

Notes:

(1) Computed based on the audited NA divided by the number of shares outstanding as at the respective financial years under review.

(2) Computed based on the total borrowings divided by the shareholders' funds of the financial year under review.

Financial commentaries:

For the FYE 31 December 2016 to the FYE 31 December 2018, the LBT and LAT for the respective years were due to pre-operating and administrative expenses such as secretarial fees, audit fees and interest expenses. These resulted in the decrease in shareholders' funds/ NA for the respective years under review.

Total borrowings increased to RM30.9 million in the FYE 31 December 2018 due to the financing of the construction of the new Sri KDU International School which is expected to be completed in 2020.

The audited financial statements of PEKSB 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.

There are no accounting policies adopted by PEKSB which are peculiar to PEKSB due to the nature of its business for the financial years under review.

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INFORMATION ON SRI KDU

1. HISTORY AND BUSINESS

Sri KDU was incorporated in Malaysia on 15 August 2001 under the Companies Act, 1965 as a private limited company under the name KDU Smart School Sdn Bhd. It assumed its present name on 20 April 2017. Sri KDU commenced operations in 2001 and is principally involved in the operating of a private school.

At present, Sri KDU operates the Sekolah Sri KDU and the Sri KDU International School at its campus in Kota Damansara via the Triple Net Lease Agreement (as defined below) entered into with RHB Trustees Berhad (not in its own capacity but solely in its capacity as the trustee of Alpha Real Estate Investment Trust ("**Alpha REIT**")). Sekolah Sri KDU offers the Malaysian national curriculum while Sri KDU International School offers the British curriculum leading to Cambridge IGCSE.

The number of students of Sri KDU for the past 3 years are as follows:

Year	Number of students
December 2016	3,117
December 2017	3,039
December 2018	2,952

2. SHARE CAPITAL

As at the LPD, the issued share capital of Sri KDU is RM21,808,600 represented by 21,800,000 ordinary shares. Sri KDU is currently undertaking a capital reduction exercise and upon completion of the capital reduction exercise, Sri KDU's resultant issued share capital would be RM2,258,600 represented by 2,250,000 ordinary shares.

3. SHAREHOLDER

As at the LPD, Sri KDU is a wholly-owned subsidiary of Paramount.

4. DIRECTORS

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

		<--------Direct--------->		<--------Indirect------>	
Directors	Nationality	No. of shares	%	No. of shares	%
Dato' Teo Chiang Quan	Malaysian	-	-	21,800,000*	100.0*
Chew Sun Teong	Malaysian	-	-	-	-
Datin Teh Geok Lian	Malaysian	-	-	-	-
Benjamin Teo Jong Hian	Malaysian	-	-	-	-

Note:

* *Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20.0% in Paramount pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Sri KDU does not have any subsidiary or associated company.

6. TYPE OF ASSETS OWNED

For the FYE 31 December 2018, save for the computers, equipment, books, furniture, and fixtures and fittings with a carrying value of RM1,457,928 and motor vehicles with a carrying value of RM16,839, Sri KDU does not own any other asset.

As at the LPD, the particulars of the trade marks registered in the name of Sri KDU are set out below:

No.	Trade Mark No.	Trade Mark	Class and Description
1.	03007871	SRI KDU	Class 16 (Paper, cardboard and goods made from these materials, printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printing material; all included in class 16.)
2.	03007873	SRI KDU	Class 41 (Education; providing of training; entertainment; sporting and cultural activities; all included in class 41.)
3.	03007869	SRI KDU	Class 25 (Clothing; footwear; headgear; all included in class 25.)
4.	03007872	SRI KDU	Class 42 (Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services; all included in class 42.)
5.	03007870	SRI KDU	Class 20 (Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics; all included in class 20.)

7. MATERIAL CONTRACTS

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

(i) the SHA (the salient terms of which are set out in Appendix VI of this Circular); and

(ii) the triple net lease agreement dated 30 September 2017 entered into between RHB Trustees Berhad (not in its own capacity but solely in its capacity as the trustee of Alpha REIT) (as the lessor) and Sri KDU (as the lessee) for the lease of the Sri KDU campus situated in Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan to Sri KDU for a period of ten (10) years commencing on 30 September 2017 at the rent as set out therein, with options to extend the lease for a first renewal term of an additional ten (10) years and a second renewal term of a further ten (10) years ("**Triple Net Lease Agreement**").

8. MATERIAL LITIGATION

As at the LPD, Sri KDU is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of Sri KDU and the board of directors of Sri KDU is not aware of any proceeding, pending or threatened, against Sri KDU or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of Sri KDU.

9. HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of Sri KDU's audited financial information for the past three (3) financial years up to the FYE 31 December 2018:

	<-----------FYE 31 December----------->		
	2016	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**
Revenue	83,789	88,491	87,839
PBT	37,552	92,031	29,351
PBT but after non-controlling interest	37,552	92,031	29,351
PAT	33,032	80,491	22,408
PAT and non-controlling interest	33,032	80,491	22,408
Issued share capital	20,000	20,009	20,009
Shareholders' funds/ NA	123,732	39,221	29,628
Total equity	123,732	39,221	29,628
Total borrowings (all interest-bearing debts)	-	-	-
NA per share (RM)[(1)]	6.19	1.96	1.48
Current ratio (times)	1.18	1.49	1.31
Net EPS (sen)	165	402	112
Gearing (times)	-	-	-

Note:

(1) Computed based on the audited NA divided by the number of shares outstanding as at the respective financial years under review.

Financial commentaries:

Revenue for the FYE 31 December 2016 to the FYE 31 December 2018 has been relatively stable throughout the financial years under review.

PBT for the FYE 31 December 2017 increased by approximately 145.1% or RM54.4 million from RM37.6 million in the FYE 31 December 2016 to RM92.0 million in the FYE 31 December 2017 mainly due to one-off gains of approximately RM56.3 million as a result of the disposal of its leasehold land and buildings to Alpha REIT. This has also resulted in an increased in PAT for the FYE 31 December 2017 by approximately 143.7% or RM47.5 million from RM33.0 million in the FYE 31 December 2016 to RM80.5 million in the FYE 31 December 2017.

However, excluding the abovementioned one-off gains, the PBT and PAT for the FYE 31 December 2017 would decrease by RM1.8 million and RM8.8 million respectively, to RM35.7 million and RM24.2 million respectively. The decrease in PBT was mainly due to the lease rental payment for the usage of the leasehold land and buildings, while the lower PAT in the FYE 31 December 2017 was due to an investment tax allowance granted to Sri KDU in the FYE 31 December 2016.

NA decreased from RM123.7 million in the FYE 31 December 2016 to RM29.6 million in the FYE 31 December 2018 due to the declaration of dividends amounting to RM165.0 million and RM32.0 million in the FYE 31 December 2017 and FYE 31 December 2018 respectively.

The audited financial statements of Sri KDU 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.

There are no accounting policies adopted by Sri KDU which are peculiar to Sri KDU due to the nature of its business for the financial years under review.

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INFORMATION ON REAL EDUCATION

1. HISTORY AND BUSINESS

REAL Education was incorporated in Malaysia on 3 September 1992 under the Companies Act, 1965 as a private limited company under the name Tobelo Sdn Bhd, and thereafter it changed its name to Education Ventures Sdn Bhd on 6 July 1993. It assumed its present name on 13 October 2008. REAL Education commenced operations in 1994 and is principally involved in the operations of kindergartens and schools.

At present, the REAL Education Group operates the R.E.A.L Schools at its three (3) campuses in Cheras, Shah Alam and Johor Bahru offering both the Malaysian national curriculum and the British curriculum. In addition, as at the LPD, the REAL Education Group operates 34 kindergartens in Malaysia under the R.E.A.L Kids brand. The REAL Education Group also provides English language and enrichment courses under the Cambridge English For Life brand.

The number of students of the REAL Education Group for the past 3 years are as follows:

Year	Number of students
December 2016	18,212
December 2017	18,453
December 2018	18,363

2. SHARE CAPITAL

As at the LPD, the issued share capital of REAL Education is RM11,869,267 represented by 10,813,000 ordinary shares.

3. SHAREHOLDERS

Particulars of the shareholders of REAL Education as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Shareholder	Place of incorporation	No. of shares	%	No. of shares	%
PESB	Malaysia	7,136,580	66.0	-	-
CFSB	Malaysia	3,676,420	34.0	-	-

4. DIRECTORS

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

		<--------Direct--------->		<--------Indirect------->	
Directors	Nationality	No. of shares	%	No. of shares	%
Dato' Teo Chiang Quan	Malaysian	-	-	7,136,580*	66.0*
Kee Keok Kuay	Malaysian	-	-	-	-
Ee Ching Wah	Malaysian	-	-	3,676,420^	34.0^
Datin Teh Geok Lian	Malaysian	-	-	-	-
Chew Sun Teong	Malaysian	-	-	-	-

Notes:

* *Deemed to have an indirect interest to the extent that Paramount has an interest by virtue of his shareholdings of not less than 20.0% in Paremount pursuant to Section 8 of the Act.*

^ *Deemed to have an indirect interest to the extent that CFSB has an interest by virtue of his shareholding of not less than 20% in CFSB pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, details of the subsidiaries and associated companies of REAL Education are as follows:

Company name	Date and place of incorporation	Share Capital RM	Effective equity interest %	Principal activities
R.E.A.L. Education Corporation Sdn Bhd	13 May 1985 Malaysia	350,000	100.0	Operation and provision of management services for kindergarten cum day-care centre
R.E.A.L. Kids (Ampang) Sdn Bhd	3 October 1995 Malaysia	200,000	100.0	Operation and provision of management services for kindergarten cum child-care centre
R.E.A.L. Education International Sdn Bhd	23 February 1995 Malaysia	1,500,000	100.0	Dormant
Cambridge Children's House Sdn Bhd	29 December 2004 Malaysia	2	100.0	Dormant
Cambridge Education For Life Sdn Bhd	1 October 2002 Malaysia	1,000,000	80.0	Investment holding
Cambridge English For Life Sdn Bhd	11 May 1996 Malaysia	100,000	80.0	Provision of English language education
Pusat Bahasa Cambridge English For Life Sdn Bhd	27 September 2003 Malaysia	50,000	24.0	Provision of educational services

6. TYPE OF ASSETS OWNED

For the FYE 31 December 2018, the carrying value of the REAL Education Group's land and buildings (including renovations) is RM158,720,640. The REAL Education Group operates 3 R.E.A.L Schools, 34 kindergartens and 11 English language centres throughout Malaysia as set out below:

Location	No. of R.E.A.L Schools	No. of kindergartens	No. of English language centres
Peninsular Malaysia			
• Northern Region (Kedah, Penang and Perak)	-	1	1
• Central Region (Selangor and Kuala Lumpur)	2	28	7
• Southern Region (Johor, Negeri Sembilan and Melaka)	1	5	-
• East Coast Region (Pahang, Kelantan and Terengganu)	-	-	1
East Malaysia (Sabah and Sarawak)	-	-	2
Total	**3**	**34**	**11**

INFORMATION ON REAL EDUCATION *(Cont'd)*

In addition to the above, the REAL Education Group owns the following assets as at 31 December 2018:

Type of Assets	Audited carrying value FYE 31 December 2018 RM'000
Furniture and fitting	2,205
Equipment and information technology assets	3,404
School/ kindergarten assets	1,285
Motor vehicles	101
Total	**6,995**

As at the LPD, the particulars of the trade marks registered within the name of the REAL Education Group are set out below:

No.	Trade Mark No.	Trade Mark	Class and Description
1.	2017074291	R.E.A.L	Class 16 (Printed matter, including books, magazines, newspapers, brochures and other periodicals and publications; paper, cardboard and goods made from these materials, not included in other classes; posters; photographs; instructional and teaching material (except apparatus); all included in class 16.)
2.	07022362	R·E·A·L EDUCATION	Class 41 (Arranging and conducting of education related conferences; education services for pre-school; enrichment and computer classes; organizing of education related competitions; provision of tuition; seminars and exhibitions; operation of children's clubs and childcare centres; all included in class 41.)
3.	07022361	R·E·A·L Kids	Class 41 (Arranging and conducting of education related conferences; education services for pre-school; enrichment and computer classes; organizing of education related competitions; provision of tuition; seminars and exhibitions; operation of children's clubs and childcare centres; all included in class 41.)
4.	09021607	AMAZING KIDS	Class 41 (Education included in class 41.)
5.	02013992	CEC	Class 41 (Arranging and conducting of education related conferences; education services for pre-school; enrichment and computer classes; organizing of education related competitions; provision of teacher training (if intended); provision of tuition; seminars and exhibitions; operation of children's clubs and childcare centres; all included in class 41.)
6.	2017074294	R.E.A.L	Class 41 (Arranging and conducting of education related conferences; education services for pre-school; enrichment and computer classes; organizing of education related competitions; provision of tuition; seminar and exhibitions; operation of children's clubs; all included in class 41.)

INFORMATION ON REAL EDUCATION *(Cont'd)*

No.	Trade Mark No.	Trade Mark	Class and Description
7.	2015051651	CEFL works!	Class 41 (Education; providing of training; entertainment; sporting and cultural activities; all included in class 41.)

7. MATERIAL CONTRACTS

REAL Education has not entered into any material contract (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular.

8. MATERIAL LITIGATION

As at the LPD, neither REAL Education nor its subsidiaries is involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of the REAL Education Group and the board of directors of REAL Education is not aware of any proceeding, pending or threatened, against REAL Education or its subsidiaries or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the REAL Education Group.

9. HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of the audited consolidated financial information of the REAL Education Group for the past three (3) financial years up to the FYE 31 December 2018:

	<-----------FYE 31 December----------->		
	2016	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**
Revenue	100,773	105,371	104,758
PBT	17,457	18,429	16,542
PBT but after non-controlling interest	17,160	18,217	16,234
PAT	15,283	16,012	13,895
PAT and non-controlling interest	14,986	15,800	13,588
Issued share capital	10,813	11,869	11,869
Shareholders' funds/ NA	62,695	69,521	71,214
Total equity	63,453	70,490	72,492
Total borrowings (all interest-bearing debts)	58,524	66,671	70,908
NA per share (RM)(1)	5.80	6.43	6.59
Current ratio (times)	0.67	0.59	0.58
Net EPS (sen)	139	146	126
Gearing (times)(2)	0.93	0.96	1.00

Notes:

(1) Computed based on the audited NA divided by the number of shares outstanding as at the respective financial years under review.

(2) Computed based on the total borrowings divided by the shareholders' funds of the financial year under review.

Financial commentaries:

Revenue for the FYE 31 December 2016 to the FYE 31 December 2018 has been relatively stable for the financial years under review.

PBT for the FYE 31 December 2016 and the FYE 31 December 2017 were relatively stable, while PBT for the FYE 31 December 2018 decreased by approximately 10.2% or RM1.9 million from RM18.4 million in the FYE 31 December 2017 to RM16.5 million in the FYE 31 December 2018 mainly due to higher interest expenses and staff salary costs.

PAT for the FYE 31 December 2016 and the FYE 31 December 2017 were relatively stable, while PAT for the FYE 31 December 2018 decreased by approximately 13.2% or RM2.1 million from RM16.0 million in the FYE 31 December 2017 to RM13.9 million in the FYE 31 December 2018 mainly due to higher interest expenses and staff salary costs.

Shareholders' funds and total equity have increased from RM62.7 million and RM63.5 million respectively in the FYE 31 December 2016 to RM71.2 million and RM72.5 million respectively in the FYE 31 December 2018 mainly due to the PAT recorded for the respective financial years but off-set by the dividends declared in the FYE 31 December 2017 and the FYE 31 December 2018 amounting to approximately RM9.0 million and RM11.9 million respectively.

Total borrowings have also increased from RM58.5 million in the FYE 31 December 2016 to RM70.9 million in the FYE 31 December 2018 mainly due to the acquisition of the land for its campus in Cheras.

The audited financial statements of REAL Education 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.

There are no accounting policies adopted by REAL Education which are peculiar to REAL Education due to the nature of its business the financial years under review.

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INFORMATION ON PRESTIGION EDUCATION

1. HISTORY AND BUSINESS

Prestigion Education was incorporated in Malaysia on 12 June 2019 under the Act as a private limited company under the name Two Horses Capital Sdn Bhd. It assumed its present name on 24 June 2019. Prestigion Education is principally an investment holding company.

2. SHARE CAPITAL

As at the LPD, the issued share capital of Prestigion Education is RM8 represented by 8 ordinary shares.

3. SHAREHOLDERS

The shareholders of Prestigion Education as at the LPD are set out below:

Shareholders	Place of incorporation/ Nationality	<--------Direct---------> No. of shares	%	<--------Indirect-------> No. of shares	%
Prestigion Education Holdings Sdn Bhd	Malaysia	8	100.0	-	-
Prestigion Education Group Holdings Sdn Bhd	Malaysia	-	-	8(i)	100.0(i)
Prestigion Holdings Pte Ltd	Singapore	-	-	8(ii)	100.0(ii)
Tiger Crest Sdn Bhd	Malaysia	-	-	8(iii)	100.0(iii)
Lightbringer Sdn Bhd	Malaysia	-	-	8(iv)	100.0(iv)
Datuk Ganen	Malaysian	-	-	8(v)	100.0(v)
Tunku Ali	Malaysian	-	-	8(vi)	100.0(vi)

Notes:

(i) *Deemed interested pursuant to the Act by virtue of its indirect interest (through Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(ii) *Deemed interested pursuant to the Act by virtue of its indirect interest (through Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(iii) *Deemed interested pursuant to the Act by virtue of its indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(iv) *Deemed interested pursuant to the Act by virtue of its indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(v) *Deemed interested pursuant to the Act by virtue of his direct interest in Tiger Crest Sdn Bhd, which has an indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(vi) *Deemed interested pursuant to the Act by virtue of his direct interest in Lightbringer Sdn Bhd, which has an indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

4. DIRECTORS

The directors of Prestigion Education as at the LPD are set out below:

		<--------Direct--------->		<--------Indirect------->	
Directors	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Datuk Ganen	Malaysian	-	-	8[(i)]	100.0[(i)]
Tunku Ali	Malaysian	-	-	8[(ii)]	100.0[(ii)]

Notes:

(i) *Deemed interested pursuant to the Act by virtue of his direct interest in Tiger Crest Sdn Bhd, which has an indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

(ii) *Deemed interested pursuant to the Act by virtue of his direct interest in Lightbringer Sdn Bhd, which has an indirect interest (through Prestigion Holdings Pte Ltd, Prestigion Education Group Holdings Sdn Bhd and Prestigion Education Holdings Sdn Bhd) in Prestigion Education.*

Profile of Tunku Ali

Tunku Ali Redhauddin Tuanku Muhriz, a graduate of both the University of Cambridge and Harvard University, is Chairman of Marlborough College, Malaysia, founding trustee and Chairman of Teach for Malaysia, and Pro-Chancellor at Universiti Sains Islam Malaysia. In 2013 he was recognised as a Young Global Leader by the World Economic Forum. Previously, he worked at both McKinsey & Company and Khazanah Nasional Berhad, and he currently holds other board and advisory roles at several corporations and non-profit entities, including TPG Capital Asia.

Profile of Datuk Ganen

Datuk Ganen is the Managing Partner of TPG Capital Asia. He joined TPG in 2014 from Khazanah, where he had been since 2004. As the Head of Investments at Khazanah, he oversaw a team of more than 100 professionals based in Kuala Lumpur, Beijing, Mumbai, San Francisco and Istanbul and managed a USD45 billion portfolio across these regions. Prior to his time at Khazanah, he worked at UBS Investment Bank in both corporate finance and equity capital markets in their London, Singapore and Hong Kong offices for over seven (7) years. He currently serves as a board member of several TPG Capital's investee companies in Southeast Asia. He holds a Bachelor of Laws (LLB) from University College London and is qualified as a Barrister at Law in England and Wales.

Profile of TPG

TPG is a leading global alternative asset firm founded in 1992 with more than USD108 billion of assets under management and offices in Austin, Beijing, Boston, Dallas, Fort Worth, Hong Kong, Houston, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, San Francisco, Seoul, and Singapore. TPG's investment platforms are across a wide range of asset classes, including private equity, growth equity, real estate, credit, and public equity. TPG aims to build dynamic products and options for its investors while also instituting discipline and operational excellence across the investment strategy and performance of its portfolio. TPG has been present in Asia since 1994.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Prestigion Education has a wholly-owned subsidiary, i.e. Prestigion Education II.

6. HISTORICAL FINANCIAL INFORMATION

As Prestigion Education was incorporated on 12 June 2019, there are no audited financial statements or interim results of Prestigion Education available as at the LPD.

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SALIENT TERMS OF THE SPA AND SHA

1. SALIENT TERMS OF THE SPA

1.1 Sale of the Sale Shares

Pursuant to the terms of the SPA, Paramount has agreed to sell the Paramount Sale Shares and CFBS has agreed to sell the CFSB Sale Shares, to the Purchaser upon the terms and subject to the conditions set out in the SPA.

1.2 Purchase Price

The purchase price for the Sale Shares is based on the terms and conditions of the SPA and subject to any adjustment based on a locked box mechanism which may be made, in accordance with the terms of the SPA.

Pursuant to the terms of the SPA, the purchase price for the Sale Shares shall be an aggregate sum payable by the Purchaser to Paramount and CFSB (collectively known as "**Sellers**") on the date where Completion (as defined in Paragraph 1.4 below) takes place ("**Completion Date**") in cash equal to:

(a) (**Completion Amount**) The purchase price of **RM640,000,000** less the aggregate of (a) Notified Leakage (as defined below); and (b) the Performance Incentive Payment* (if any); *plus*

(b) (**Locked Box Compensation**) An amount as determined based on the following formula:

$$\text{Locked Box Compensation} = \frac{A \times B\%}{C} \times D$$

where:

A = Completion Amount

B% = 5%

C = 365

D = The number of days from the Locked Box Date to (and including) the Completion Date

("**Purchase Price**"), based on the apportionment as set out in the SPA.

Note:

* *The Performance Incentive Payment means 30% of all amounts paid to Chin Mei Kheng between the Locked Box Date (as defined below) and Completion (as defined below) as performance incentives pursuant to her employment agreement dated on or about 11 June 2019 with Cambridge English For Life Sdn Bhd.*

For shareholders' information, the Performance Incentive Payment is to retain and reward Chin Mei Kheng, being the founder and chief executive officer of Cambridge English For Life Sdn Bhd to continue managing and growing the company. It was mutually agreed between Paramount and Prestigion Education that upon Chin Mei Kheng's fulfilment of the performance conditions set out in her employment letter with Cambridge English For Life Sdn Bhd, Paramount will bear 30% of the total performance incentive to be paid to Chin Mei Kheng, up to the Completion Date. Paramount considers the Performance Incentive Payment to be reasonable to Paramount as the amount to be paid to Chin Mei Kheng is not material to the overall Indicative Disposal Consideration.

Based on the locked box provisions in the SPA, the Sellers represent and warrant to the Purchaser that, during the period from 31 December 2018 ("**Locked Box Date**") until the date of the SPA, there has been no leakage. The Sellers also must procure that, during the period from the date of the SPA until Completion, no leakage occurs.

At least five (5) business days *(being a day (other than a Saturday, a Sunday or public holiday) on which commercial banks are open for business in New York, Kuala Lumpur and Selangor, Malaysia and Singapore)* before the completion, the Sellers must procure that the Purchaser is delivered with a locked box certificate which:

(a) confirms to the Purchaser that there has been no leakage; or

(b) provides reasonable details, including all amounts, of any leakage that has occurred after the Locked Box Date or (to the extent possible) will occur in the period up to and including Completion ("**Notified Leakage**").

For shareholders' information, the payment of RM3,000,000 to Chin Mei Kheng for the acquisition of the 20.0% equity interest she holds in Cambridge Education For Life Sdn Bhd pursuant to an internal restructuring prior to Completion shall constitute a Notified Leakage and be deducted from the Completion Amount.

The aggregate amount of any Notified Leakage will be a reduction of the Completion Amount. To the extent that any leakage has occurred between the Locked Box Date and Completion Date other than any Notified Leakage, the Sellers undertakes to pay to the Purchaser of a sum equal to such leakage on a RM for RM basis plus the Locked Box Compensation paid in respect of such leakage. If any payment is made by the Sellers, the payment will be treated as an adjustment of the Purchase Price. The liability of the Sellers pursuant to the locked box provisions or in respect of all locked box claims, will terminate on the date falling ten (10) months after the Completion Date, provided that if the Completion Date is before 31 December 2019, such date shall be forty-five (45) days after the date on which the FYE 31 December 2019 audited accounts have been prepared and audited in accordance with Malaysian law, unless:

(a) prior to that date the Purchaser has notified the Sellers of a breach of the locked box provisions or in respect of a locked box claim in which case, in relation to any relevant breach or locked box claim being notified, the Sellers will remain liable under the locked box provisions until any relevant locked box claims have been satisfied, settled or withdrawn and any payment in respect of any such satisfaction or settlement has been made to the Purchaser (or the nominated member of the Purchaser's group); and

(b) Completion has occurred.

1.3 Conditions precedent

The Proposed Disposal is conditional upon the satisfaction or waiver of the following conditions precedent by or before the Cut-Off Date (as defined below):

(a) the shareholders' approval of Paramount having been obtained for the Proposed Disposal;

(b) the written approvals (including letters of no objection) having been obtained from the Ministry of Education to, amongst others, reflect the change in ownership and board of directors in connection with the Proposed Disposal;

(c) the written consent of each relevant counterparty as identified in the SPA (to the extent such contract remains in place as of the Cut-Off Date) of which consent is required for the Proposed Disposal having been obtained;

(d) either:

(i) the written consent of each counterparty to the finance documents as identified in the SPA has been obtained on terms reasonably satisfactory to the Purchaser in relation to the change of control occurring upon the sale of the Sale Shares to the Purchaser under the Proposed Disposal; or

(ii) in respect of each finance document for which the Sellers fail to obtain counterparty consent at least 30 business days prior to Completion (despite the Sellers using reasonable endeavours to seek and obtain such consent), Paramount procures the full repayment and discharge of the outstanding debt facility under such finance document (including full and final release of all security supporting such debt facility) by either:

(A) the provision of a shareholder loan provided by Paramount (or its affiliates) on the terms as set out in the SPA to any target group company for the sole purpose of repaying an outstanding debt facility under a finance document on terms approved by the Purchaser and provided such early repayment does not involve a fee, break cost or other make-whole payment in excess of RM300,000 or one per cent (1%) of the outstanding debt facility amount under the applicable finance document (whichever is lower); or

(B) by a target group company using excess uncommitted cash on its balance sheet, provided that the use of such cash:

(1) will not have any impact on the target group's ability to: (a) fund its current liabilities or ordinary course operating expenses; (b) meet its ongoing contractual commitments (including capital expenditure); or (c) pay its debts as and when they fall due; or

(2) otherwise be adverse or detrimental to the target group's business or financial condition; and

(e) no regulatory adverse event has occurred between the date of the SPA and Completion.

"**Cut-Off Date**" means:

(i) six (6) months after the date of the SPA;

(ii) if the condition set out in paragraph 1.3(b) has not been satisfied before the date which is six (6) months after the date of the SPA (but all other conditions precedent have been satisfied or waived), the date which is eight (8) months after the date of the SPA; or

(iii) such other date as may be agreed in writing between the parties.

In the event the conditions precedent are not fulfilled or waived on or before the Cut-Off Date, either party may by written notice to the other parties elect to terminate the SPA.

Based on the terms of the SPA, Paramount undertakes to take all steps reasonably necessary to promptly convene and hold an EGM of Paramount for the purposes of fulfilling the condition precedent set out in paragraph 1.3(a).

1.4 Completion

Completion shall take place at the offices of Paramount at midday on the date which is 15 business days after all of the conditions precedent have been satisfied or waived in accordance with the terms of the SPA. On completion, each party shall perform its completion obligations set out in the SPA. Against the compliance of the Sellers of their completion obligations, the Purchaser shall pay the Purchase Price to the Sellers in accordance with terms of the SPA.

1.5 Conditions subsequent

Based on the terms of the SPA, the Sellers shall within one (1) year from the Completion Date fulfill certain conditions relating to attendance to regulatory and operational matters of the target group.

1.6 Termination

The SPA may be terminated in accordance with the following:

(a) **by the Purchaser**, at any time prior to Completion, if any of the Sellers is in material breach of any of its undertakings or obligations of the SPA and if such breach is capable of being remedied, the relevant Seller fails, refuses or neglects to remedy such breach, the Purchaser shall be entitled to terminate the SPA by a notice in writing to the Sellers;

(b) **by the Sellers**, at any time prior to Completion, if the Purchaser is in material breach of any of its undertakings or obligations of this SPA and if such breach is capable of being remedied, the Purchaser fails, refuses or neglects to remedy such breach, the Sellers shall be entitled to terminate the SPA by notice in writing to the Purchaser;

(c) **by the Sellers** at any time prior to Completion, if the Purchaser is in material breach of any purchaser's warranty and if such breach is capable of being remedied, the Purchaser fails, refuses or neglects to remedy such breach the Sellers shall be entitled by notice in writing to the Purchaser to terminate the SPA;

(d) **by the Purchaser** at any time prior to Completion, if any of the Sellers is in material breach of any sellers' warranty or in breach of a sellers' fundamental warranty and if such breach is capable of being remedied, the relevant Seller fails, refuses or neglects to remedy such breach the Purchaser shall be entitled by notice in writing to the Sellers to terminate this SPA; or

(e) **by either** the Sellers or the Purchaser (as the case may be) in the event of any breach of material completion obligations.

Upon issuance of a written notice each party shall forthwith return or cause to be returned to the other Parties, all the documents provided by those parties (including its representatives, officers, employees, agents, professional advisers and/ or consultants) pursuant to the SPA with the Sellers' interest in the Sale Shares intact. Thereafter the SPA shall be terminated.

2. SALIENT TERMS OF THE SHA

2.1 Effective date

Other than, amongst others, the provisions on interpretation, effective date and capacities of parties, the SHA shall take effect on and will become legally binding from the Completion Date.

Call and Put options

Call option

Paramount irrevocably grants Prestigion Education an option to buy, and to require Paramount to sell, all (but not some) of the shares held by Paramount (and its affiliates, if applicable) in each Target Company ("**Call Option**").

The Call Option can only be exercised once, at any time during the period forty-five (45) calendar days after delivery of the latest FYE audited accounts (signed by the relevant auditors) for the FYE 31 December 2021 ("**Exercise Period**").

Prestigion Education (by delivering the call option notice) agrees to buy and Paramount agrees to sell all of the shares held by Paramount (and its affiliates, if applicable) in each Target Company and specified in the call option notice (the "**Call Option Shares**"), and each right attaching to the Call Option Shares at the call option completion date.

Put option

Prestigion Education irrevocably grants Paramount an option to sell, and to require Prestigion Education to buy, all (but not some) of the shares held by Paramount (and its affiliates, if applicable) in each Target Company ("**Put Option**").

The Put Option can only be exercised once at any time during the Exercise Period and Paramount may exercise the Put Option by delivering to Prestigion Education a put option notice.

Paramount (by delivering a put option notice) agrees to sell and Prestigion Education agrees to buy all of the shares held by Paramount (and its affiliates, if applicable) in each Target Company and specified in the put option notice (the "**Put Option Shares**"), and each right attaching to the Put Option Shares at the put option completion date.

Notwithstanding anything in the provisions relating to Call and Put Option, no shareholder may exercise any Call Option or Put Option (as applicable): (a) for such time as that shareholder is a defaulting party for the purposes of the SHA; or (b) if a shareholder has exercised its rights under the provisions relating to the Drag-along and Tag-along rights as set out in Section 2.2 of this Appendix.

Breakdown of Call Option Sum or Put Option Sum

Prestigion Education and Paramount shall act reasonably and in good faith to agree on the breakdown of the Call Option Sum (as defined below) or the Put Option Sum (as defined below), as the case maybe, to be allocated between the total shares of each Target Company the subject of the Call Option Shares or Put Option Shares, as the case may be.

For the purpose of the Call and Put Options:

(a) "**Call Option Sum**" means the aggregate consideration payable by Prestigion Education to Paramount for the transfer of the Call Option Shares, being an amount equal to the higher of: (i) Option Price per share x Call Option Shares; and (ii) Option Floor Price per share x Call Option Shares.

Option Floor Price per share means a price per share for the Call Option Shares calculated by reference to where RM160,000,000 would be the aggregate purchase price payable for 20% of the total shares and:

(a) where the number of Call Option Shares divided by the total shares is less than 20% and such reduction in shareholding percentage arises from a transfer of shares by Paramount to a third party purchaser, such price per share will be proportionately adjusted,

(b) provided that, where the number of Call Option Shares divided by total shares is less than 20% due to a dilution resulting from an increase in total shares after the date of completion under the SPA ("**Effective Date**"), such price per share will not be proportionately adjusted.

For shareholders' information, the Option Floor Price is to preserve the value that may be realised by Paramount in relation to its remaining effective equity interest in the Target Companies and REAL Education, calculated based on the equity value of the Target Companies of RM800.0 million as set out in Section 2.2 of this Circular.

(b) "**Put Option Sum**" means the aggregate consideration payable by Prestigion Education to Paramount for the transfer of the Put Option Shares being an amount equal to Option Price per share x Put Option Shares.

The "Option Price per share" means the following price per share for the transfer of the Call Option Shares or Put Option Shares, as applicable:

$$\frac{(13.8 \times \text{normalised EBITDA*}) - \text{net debt*}}{\text{Total shares}}$$

Note:

* *In determining EBITDA and net debt respectively, the SHA provides amongst others that the application of the Malaysian Financial Reporting Standard 16 shall be excluded.*

For shareholders' information, the management of Paramount agreed to the 13.8 multiple after taking into consideration the prospective earnings of the Target Companies and REAL Education, driven mainly by the higher tuition fees and student enrolment.

2.2 Drag-along and Tag-along rights

Subject to provisions of the SHA, if Prestigion Education receives an offer from a third party purchaser to purchase its (and its affiliates, if applicable) shares in any Target Company ("**Offered Shares**") and such Offered Shares account for over half of the shares held by Prestigion Education and its affiliates (if applicable) in respect of the applicable Target Company, Prestigion Education shall have the right (the "**Drag-Along Right**") by serving a notice in writing on each other shareholder (each a "**Drag-Along Party**") to require all of the Drag-Along Parties to sell, on terms and conditions no less favourable than those offered by the third party purchaser to Prestigion Education, either: (a) all of the Drag-Along Party's Drag-Along Shares; or (b) all of the Drag-Along Party's Shares if its shareholding percentage is below the Governance Rights Threshold (as defined below).

If Prestigion Education receives a bona fide offer from a third party purchaser to purchase the Offered Shares but does not exercise its Drag-Along Right, then each of the other shareholders (each a "**Tag-Along Party**") shall have the right but not the obligation (the "**Tag-Along Right**") to sell their Tag-Along Shares (as defined below) on terms and conditions no less favourable than those offered by the third party purchaser to Prestigion Education.

For the avoidance of doubt, Prestigion Education is not required to comply with the tag-along rights provisions, and the other shareholders will have no Tag-Along Right, with respect to a transfer of Offered Shares if Prestigion Education serves a drag-along notice in accordance with the drag-along rights provisions on each of the other shareholders in connection with such transfer of Offered Shares.

For the purpose of the Drag-Along Right and Tag-Along Right:

"**Drag-Along Shares**" means, with respect to a class of shares, the total number of shares held by a Drag-Along Party multiplied by X/Y where: (a) X equals the number of shares being offered for sale by Prestigion Education (and its affiliates, if applicable) to the third party purchaser; and (b) Y equals the total number of shares held by Prestigion Education (and its affiliates, if applicable) on the date of the drag-along notice;

"**Tag-Along Shares**" means, with respect to a class of shares, the total number of shares held by the Tag-Along Party multiplied by X/Y where: (a) X equals the number of shares being offered for sale by Prestigion Education (and its affiliates, if applicable) to the third party purchaser; and (b) Y equals the total number of shares held by Prestigion Education (and its affiliates, if applicable) on the date of the tag-along offer;

"**Governance Rights Threshold**" means, in respect of Paramount (together with its affiliates), a direct or indirect shareholding of at least ten per cent (10%) of the issued ordinary share capital of each target group company.

The SHA shall terminate on the earliest to occur of:

(i) the date on which the SPA terminates in accordance with its terms if completion thereunder does not occur;

(ii) the date on which one shareholder (or its affiliates) holds all the issued share capital of the Target Companies;

(iii) the date on which the SHA is terminated by the written agreement of all shareholders;

(iv) the date on which an effective resolution is passed or a binding order is made for the winding-up of the Target Companies; and

(v) if requested by Prestigion Education or required by applicable laws, the completion of an exit event as set out in the SHA.

2.3 Transfer of Shares

Unless otherwise expressly permitted under the SHA, Paramount shall not transfer any shares to another party without the prior written consent of Prestigion Education. It is expressly acknowledged and agreed that, in the event the transfer of shares by Paramount (or its affiliates, if applicable) is pursuant to the provisions relating Call Option, Put Option or events of default, Paramount (or its affiliates, if applicable) shall be required to transfer all of their shares in each Target Company.

Prestigion Education agrees that it shall not proactively solicit any person for a sale or transfer of shares in any Target Company for a period of two (2) years commencing from the Effective Date, provided that nothing shall prevent Prestigion Education from agreeing to sell or transfer its shares to a bona fide third party purchaser who approaches the Prestigion Education on its own accord in relation to such sale or transfer without Prestigion Education approaching that third party purchaser. Any sale or transfer of shares to a bona fide third party purchaser shall be subject to, amongst others, the Drag-Along Rights and Tag-Along Rights.

2.4 Board of Directors and Corporate Governance

As at the Effective Date, the maximum number of directors that may be appointed to the board of a group company shall be eight (8) directors. Paramount shall have the right to appoint, remove and replace such number of directors as permitted under the SHA.

If, at any time, the shareholding percentage of Paramount in respect of a group company exceeds thirty-five per cent (35%), the number of directors that Paramount shall be entitled to appoint, remove and replace in respect of such group company's board shall be up to three (3) directors in aggregate, provided that Prestigion Education has appointed at least four (4) directors to such board.

For such time as Paramount maintains the Governance Rights Threshold, each shareholder must exercise its voting and other rights and powers in relation to the group (and shall procure that each director nominated by such shareholder exercises all voting and other rights and powers) so as to cause each group company to refrain from taking any action with respect to a reserved matter without first obtaining the prior written approval of Paramount or a director nominated by Paramount.

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PARAMOUNT EDUCATION SDN. BHD.

(1218014-M)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2018

1218014-M

Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

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 activities

The principal activity of the Company is investment holding.

Results

	RM
Profit net of tax	7,899,379

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.

Dividends

No dividends has been paid or declared by the Company since the end of the previous financial period. The directors do not recommend any dividend to be paid or declared in respect of the current financial year.

Directors of the Company

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

Dato' Teo Chiang Quan
Chew Sun Teong

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of 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 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
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

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					
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 holding company is also deemed interested in the 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 612,300 restricted shares ("RS") under the 2015 RS Grant;
(ii) Second vesting of 750,300 RS under the 2016 RS Grant;
(iii) First vesting of 811,900 RS under the 2017 RS Grant; and
(iv) Vesting of 1,801,500 performance-based shares ("PS") under the 2015 PS Grant.

** 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 was 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 there were no bad debts and that no allowance for doubtful debts was necessary; and

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

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Other statutory information (cont'd.)

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

(i) if necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Company; 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 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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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Auditors

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

Auditors' remuneration are disclosed in Note 5 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 in accordance with a resolution of the directors dated 15 May 2019.

Dato' Teo Chiang Quan

Chew Sun Teong

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Teo Chiang Quan and Chew Sun Teong, being the two directors of Paramount Education Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 32 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 in accordance with a resolution of the directors dated 15 May 2019.

Dato' Teo Chiang Quan

Chew Sun Teong

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Foong Poh Seng, being the officer primarily responsible for the financial management of Paramount Education Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 32 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the abovenamed Foong Poh Seng at Petaling Jaya in Selangor Darul Ehsan on 15 May 2019

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

Building a better working world

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Independent auditors' report to the member of Paramount Education Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Paramount Education 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 32.

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 Paramount Education 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 Paramount Education 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 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 Paramount Education 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
15 May 2019

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Revenue	4	7,990,419	5,923,988
Other expenses		(57,410)	(734,743)
Profit before tax	5	7,933,009	5,189,245
Taxation	6	(33,630)	-
Profit net of tax, representing total comprehensive income for the year/period		7,899,379	5,189,245

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

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current asset			
Investments in subsidiaries	7	191,920,244	191,920,244
Current assets			
Due from holding company	8	8,203,791	271,518
Cash at bank	9	4,659	3,983
		8,208,450	275,501
Total assets		200,128,694	192,195,745
Current liabilities			
Other payables		6,590	6,500
Tax payable		33,480	-
		40,070	6,500
Net current assets		8,168,380	269,001
Equity			
Share capital	10	10,000,000	10,000,000
Non-cumulative redeemable convertible preference shares ("NCRCPS")	11	177,000,000	177,000,000
Retained earnings	12	13,088,624	5,189,245
		200,088,624	192,189,245
Total equity and liabilities		200,128,694	192,195,745

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

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2018

	Share capital RM	Non-cumulative redeemable convertible preference shares RM	Distributable retained earnings RM	Total equity RM
At 7 February 2017 (date of incorporation)	100	-	-	100
Total comprehensive income	-	-	5,189,245	5,189,245
Transactions with owners				
Issuance of ordinary shares (Note 10)	9,999,900	-	-	9,999,900
Issuance of NCRCPS (Note 11)	-	177,000,000	-	177,000,000
Total transactions with owners	9,999,900	177,000,000	-	186,999,900
At 31 December 2017	10,000,000	177,000,000	5,189,245	192,189,245
At 1 January 2018	10,000,000	177,000,000	5,189,245	192,189,245
Total comprehensive income	-	-	7,899,379	7,899,379
At 31 December 2018	10,000,000	177,000,000	13,088,624	200,088,624

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

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2018

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Cash flows from operating activities		
Profit before tax	7,933,009	5,189,245
Adjustments for:		
Interest income	(140,181)	(627)
Dividend income	(7,850,238)	(5,923,361)
Operating loss before working capital changes	(57,410)	(734,743)
Increase in payables	90	6,500
Changes in holding company balances	(7,792,775)	(271,518)
Cash used in operations	(7,850,095)	(999,761)
Income tax paid	(150)	-
Net cash used in operating activities	(7,850,245)	(999,761)
Cash flows from investing activities		
Interest received	683	627
Dividend received	7,850,238	5,923,361
Acquisition of subsidiaries	-	(191,920,244)
Net cash generated from/(used in) investing activities	7,850,921	(185,996,256)
Cash flows from financing activities		
Issuance of ordinary shares	-	9,999,900
Issuance of NCRCPS	-	177,000,000
Net cash generated from financing activities	-	186,999,900
Net increase in cash and cash equivalents	676	3,883
Cash and cash equivalents at beginning of year/period	3,983	100
Cash and cash equivalents at end of year (Note 9)	4,659	3,983

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

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2018

1. Corporate information

Paramount Education 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 holding company of the Company is Paramount Corporation Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activity of the Company is investment holding.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 May 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"), 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

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Paramount Education 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.

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

The directors expect that above new MFRSs Amendments to MFRSs and Annual Improvements which are issued but not yet effective will not have a material impact on the financial statements of the Company in the period of initial application.

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

2.4 Investment in subsidiaries

Subsidiaries are those entities over which the Company has the ability to have power over the activities that significantly affect the entities' return. The existence and effect of potential voting rights that are currently exercisable or convertible and contractual rights arising from other arrangements are considered when assessing whether the Company has such power over another entity.

Investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The Company is exempted from preparing consolidated financial statements based on criteria set in paragraph 4 of MFRS 10: Consolidated Financial Statements, as the holding company, Paramount Corporation Berhad, prepares consolidated financial statements, which are available for public use.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated 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.

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

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

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.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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 amount due from holding company and cash at bank.

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. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. 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.

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.

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

2.6 Financial instruments (cont'd.)

(a) 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 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.

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

2.6 Financial instruments (cont'd.)

(a) 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 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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.

(b) 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.

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

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

2.6 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Initial recognition and measurement (cont'd.)

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 liability includes other payables.

Subsequent measurement

After initial recognition, other payables 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.

(c) 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 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 are equity instruments.

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

2.8 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. Income is measured at the fair value at consideration received or receivable.

(a) Interest income

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

(b) Dividend income

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

2.9 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.

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

2.9 Income taxes (cont'd.)

(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.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.10 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents solely include cash at bank.

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

2.11 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.

2.12 Functional and presentation currency

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

2.13 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.

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

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:

- In the principal market for the asset or liability; or

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

Valuation techniques that are appropriate for which sufficient data are available, are used 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:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

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.

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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.

3.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have a significant risk of causing a material adjustment.

4. Revenue

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Interest income from:		
- Deposits with licensed bank	683	627
- Advances to holding company	139,498	-
Dividends from a subsidiary	7,850,238	5,923,361
	7,990,419	5,923,988

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5. Profit before tax

The following item has been included in arriving at profit before tax:

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Auditors' remuneration	5,000	5,000

6. Income tax expense

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Current income tax:		
Malaysian income tax	33,480	-
Under provision of tax in prior period	150	-
Income tax expense	33,630	-

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

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

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Profit before tax	7,933,009	5,189,245
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	1,903,922	1,245,419
Income not subject to tax	(1,884,057)	(1,421,757)
Expenses not deductible for tax purposes	13,615	176,338
Under provision of tax in prior period	150	-
Income tax expense for the year	33,630	-

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7. Investments in subsidiaries

	2018 RM	2017 RM
Unquoted shares, at cost	191,920,244	191,920,244

The unquoted shares held by the Company has been pledged as security for term loan of the holding company.

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest 2018 %	Effective interest 2017 %	Share capital '000	Principal activities
R.E.A.L. Education Group Sdn. Bhd.	66	66	RM10,813	Educational services
R.E.A.L. Kids (Ampang) Sdn. Bhd.	66	66	RM200	Educational services
R.E.A.L. Education Corporation Sdn. Bhd.	66	66	RM350	Educational services
Cambridge Education For Life Sdn. Bhd.	53	53	RM1,000	Educational services
R.E.A.L. Education International Sdn. Bhd.	66	66	RM1,500	Inactive
Cambridge Children's House Sdn. Bhd.	66	66	*	Inactive
Cambridge English For Life Sdn. Bhd.	53	53	RM100	Educational services

* Share capital of RM2

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8. Amount due from holding company

The amount due from holding company is non-trade in nature, unsecured, repayable on demand and bears interest of 4.70% per annum.

9. Cash and cash equivalents

	2018 RM	2017 RM
Cash at bank	4,659	3,983

Cash at bank is interest-bearing, which bears interest at 1.75% (2017: 1.75%) per annum.

10. Share capital

	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
At 1 January/date of incorporation	10,000,000	100	10,000,000	100
Issued during the year	-	9,999,900	-	9,999,900
At 31 December	10,000,000	10,000,000	10,000,000	10,000,000

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.

11. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")

	Number of NCRCPS		Amounts	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
At 1 January/ date of incorporation	35,400	-	177,000,000	-
Issued during the year	-	35,400	-	177,000,000
At 31 December	35,400	35,400	177,000,000	177,000,000

11. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") (cont'd.)

The salient features of the NCRCPS issued by the Company are as follows:

(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.

12. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 under the single tier system.

13. Classification of financial instruments

The table below provides an analysis of financial statements categorised as follows:

	Note	2018 RM	2017 RM
Financial assets			
Amount due from holding company	8	8,203,791	271,518
Cash at bank	9	4,659	3,983
Total financial assets at amortised cost		8,208,450	275,501
Financial liability			
Other payables, representing total financial liability carried at amortised cost		6,590	6,500

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Paramount Education Sdn. Bhd
(Incorporated in Malaysia)

14. Fair values of financial instruments

The carrying amounts of the Company's financial instruments are reasonable approximation of fair values due to the relatively short term maturity of these financial instruments.

15. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following transaction between the Company and related parties took place at terms agreed between the parties during the financial year/period:

	1.1.2018 to 31.12.2018 RM	7.2.2017 to 31.12.2017 RM
Management fee charged by holding company	44,303	-

(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.

There is no remuneration paid or payable to key management personnel during the financial year as they are borne by the holding company.

16. Financial risk management

The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders while minimising the potential adverse effects on the performance of the Company.

The key financial risk of the Company is credit risk. Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. The Company's exposure to credit risk arises from amount due from holding company. For cash at bank, the Company minimises credit risk by dealing exclusively with reputable licensed banks.

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17. 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.

PARAMOUNT EDUCATION (KLANG) SDN. BHD.

(1146340-V)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2018

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

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Paramount Education (Klang) 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 activities

The intended principal activity of the Company is that of providing educational services.

The Company has not commenced operations since its incorporation.

Results

	RM
Loss net of tax	(134,639)

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 at 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

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 acquisition of shares in or debentures of the Company or any other body corporate.

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Paramount Education (Klang) Sdn. Bhd.
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Directors' benefits (cont'd.)

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of 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 the director 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 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' 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					
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400
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 612,300 restricted shares ("RS") under the 2015 RS Grant;
(ii) Second vesting of 750,300 RS under the 2016 RS Grant;
(iii) First vesting of 811,900 RS under the 2017 RS Grant; and
(iv) Vesting of 1,801,500 performance-based shares ("PS") under the 2015 PS Grant.

** 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; 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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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Other statutory information (cont'd.)

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

(i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; 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 as and 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.

(g) The financial statements of the Company have been prepared under the going concern basis as the holding company has agreed to provide the Company with financial support to meet its liabilities as and when they fall due.

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Significant events during the financial year

Significant events during the financial year are disclosed in Note 12 and Note 20 to the financial statements.

Auditors

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

Auditors' remuneration are disclosed in Note 5 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 directors dated 15 May 2019.

Chew Sun Teong

Datin Teh Geok Lian

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Paramount Education (Klang) 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 Paramount Education (Klang) Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 34 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 for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 May 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 Paramount Education (Klang) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 34 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 15 May 2019

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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Independent auditors' report to the member of Paramount Education (Klang) Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Paramount Education (Klang) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2018, and income statement, statements of changes in equity and statements 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 34.

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
Paramount Education (Klang) 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 Paramount Education (Klang) 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 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
Paramount Education (Klang) 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
15 May 2019

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Other income		2,057	94
Administrative expenses		(64,601)	(74,027)
Finance cost	4	(71,602)	(57,621)
Loss before tax	5	(134,146)	(131,554)
Income tax expense	6	(493)	(23)
Loss net of tax, representing total comprehensive loss for the year		(134,639)	(131,577)

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

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current assets			
Property, plant and equipment	7	56,580,102	2,152,456
Current assets			
Other receivables	8	30,000	30,000
Amount due from holding company	9	2	-
Amount due from a related company	9	166,155	-
Tax recoverable		918	752
Cash and bank balances	10	573,746	4,568
		770,821	35,320
Total assets		57,350,923	2,187,776
Current liabilities			
Other payables	11	713,222	30,447
Amount due to holding company	9	-	1,321,520
Amounts due to related companies	9	25,069,941	-
		25,783,163	1,351,967
Net current liabilities		(25,012,342)	(1,316,647)
Non-current liability			
Term loan	12	30,866,590	-
Total liabilities		56,649,753	1,351,967
Equity			
Share capital	13	1,000,000	1,000,000
Accumulated losses		(298,830)	(164,191)
Total equity		701,170	835,809
Total equity and liabilities		57,350,923	2,187,776

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

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2018

	Share capital RM	Accumulated losses RM	Total RM
At 1 January 2017	1,000,000	(32,614)	967,386
Total comprehensive loss for the year	-	(131,577)	(131,577)
At 31 December 2017	1,000,000	(164,191)	835,809
At 1 January 2018	1,000,000	(164,191)	835,809
Total comprehensive loss for the year	-	(134,639)	(134,639)
At 31 December 2018	1,000,000	(298,830)	701,170

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

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Paramount Education (Klang) 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		
Loss before tax	(134,146)	(131,554)
Adjustment for:		
Interest expense	71,602	57,621
Interest income	(2,057)	(94)
Operating loss before working capital changes	(64,601)	(74,027)
Increase/(decrease) in other payables	682,775	(189,807)
Change in intercompany balances	22,973,560	449,927
Cash flows generated from operations	23,591,734	186,093
Interests paid	(360,057)	-
Net tax (paid)/refunded	(659)	1,243
Net cash flows generated from operating activities	23,231,018	187,336
Cash flows from investing activities		
Purchase of property, plant and equipment	(53,510,948)	(240,353)
Interest received	2,057	94
Net cash flows used in investing activities	(53,508,891)	(240,259)
Cash flows from financing activities		
Proceeds from loan, net of transaction cost paid	30,847,051	-
Placements in banks restricted for use	(400,960)	-
Net cash flows generated from financing activities	30,446,091	-
Net decrease in cash and cash equivalents	168,218	(52,923)
Cash and cash equivalents at 1 January	4,568	57,491
Cash and cash equivalents at 31 December (Note 10)	172,786	4,568

Note:

(a) Reconcilation of liabilities arising from financing activities:

	2018 RM
Borrowings	
At 1 January	-
Drawdown during the year	31,548,751
Transaction cost paid	(701,700)
Amortisation of loan transaction cost	19,539
At 31 December	30,866,590

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

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 31 December 2018

1. Corporate information

Paramount Education (Klang) 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 holding company of the Company is Paramount Corporation Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The intended principal activity of the Company is that of providing educational services. The Company has not commenced operations since its incorporation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 May 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Company have been prepared on a going concern basis as the holding company has agreed to provide the Company with financial support to meet its liabilities as and when they fall due.

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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Paramount Education (Klang) 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:

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.

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

The directors expect that above new MFRSs Amendments to MFRSs and Annual Improvements which are issued but not yet effective will not have a material impact on the financial statements of the Company in the period of initial application.

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Paramount Education (Klang) Sdn. Bhd.
(Incorporated in Malaysia)

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

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.

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.The policy for the recognition and measurement of impairment losses is in accordance with Note 2.5.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss. 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 other receivables, amounts due from holding company and a related company 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. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. 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.

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

2.6 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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

2.6 Financial instruments (cont'd.)

(a) 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 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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.)

(b) 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 related companies and borrowing.

Subsequent measurement

After initial recognition, payables, amounts due to related companies 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 statements of profit or loss.

(c) 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 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 are equity instruments.

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

2.8 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.

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

2.9 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. Income is measured at the fair value at consideration received or receivable.

Interest income

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

2.10 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.

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

2.10 Income taxes (cont'd.)

(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.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

2.11 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents solely include cash at banks.

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

2.12 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.

2.13 Functional and presentation currency

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

2.14 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.

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

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:

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

Valuation techniques that are appropriate for which sufficient data are available, are used 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:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

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.

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.

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

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.

3.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date that have a significant risk of causing a material adjustment.

4. Finance costs

	2018 RM	2017 RM
Interest expense on:		
- Term loan	360,057	-
- Advances from holding company	12,953	57,621
- Advances from a related company	595,751	-
- Amortisation of transaction cost	19,539	-
	988,300	57,621
Less: Interest expense capitalised in capital work-in-progress (Note 7)	(916,698)	-
	71,602	57,621

5. Loss before tax

Loss before tax is derived after charging/(crediting):

	2018 RM	2017 RM
Auditors' remuneration	3,000	3,000
Interest income	(2,057)	(94)
Interest expense	71,602	57,621

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6. Income tax expense

	2018 RM	2017 RM
Current income tax:		
Malaysian income tax	493	23

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

A reconciliation of income tax and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2018 and 31 December 2017 are as follows:

	2018 RM	2017 RM
Loss before tax	(134,146)	(131,554)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(32,195)	(31,573)
Expenses not deductible for tax purposes	32,688	31,596
Income tax expense for the year	493	23

7. Property, plant and equipment

	Freehold land RM	Capital work-in-progress RM	Total RM
Cost			
At 1 January 2017	-	1,912,103	1,912,103
Additions	-	240,353	240,353
At 31 December 2017	-	2,152,456	2,152,456
Additions	43,088,180	11,339,466	54,427,646
At 31 December 2018	43,088,180	13,491,922	56,580,102

(a) The freehold land with carrying value of RM43,088,180 (2017: RM Nil) has been pledged as security for term loan as disclosed in Note 12.

(b) The Company's capital work-in-progress includes borrowing costs capitalised arising from amount due to a related company and term loan specifically for the purpose of the construction of building. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RM916,698 (2017: RM Nil).

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8. Other receivables

	2018 RM	2017 RM
Refundable deposits	30,000	30,000

9. Related company balances

The amounts due from holding and a related company are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The amounts due to related companies are non-trade in nature, unsecured and repayable on demand. The amount due to a related company bears interest of 4.95% per annum.

In the previous financial year, the amount due to holding company was non-trade in nature, unsecured, repayable on demand and bore interest of 4.70% per annum.

10. Cash and bank balances

	2018 RM	2017 RM
Cash at banks, representing cash and bank balances	573,746	4,568
Cash and bank balances restricted for use	(400,960)	-
Cash and cash equivalents	172,786	4,568

Pursuant to the term loan as disclosed in Note 12, the Company shall maintain a Revenue Account and a Finance Service Reserve Account ("FSRA"). Both the Revenue Account and FSRA are secured against the term loan as disclosed in Note 12.

The Revenue Account shall capture all revenue, operating proceeds and any other proceeds from the operations of the Company and shall be maintained and operated solely by the Company.

The FSRA shall be operated solely by the lender. The Company shall maintain an amount equivalent to the three months interest payment of the term loan principal sum in the FSRA at all times.

Included in cash and bank balances is amount of RM400,960 (2017: RM Nil) in the FSRA which is restricted in usage and does not form part of cash and cash equivalents.

Cash and cash equivalents include an interest-bearing bank balance which bears interest ranging from 0.00% to 1.75% (2017: 0.00% to 1.75%) per annum.

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11. Other payables

	2018 RM	2017 RM
Accruals	541,411	28,539
Other payables	171,811	1,908
	713,222	30,447

Other payables are non-interest bearing and are normally settled on an average term of two months (2017: average term of two months).

12. Term loan

	2018 RM	2017 RM
Non-current:		
Secured term loan with - Floating rate	30,866,590	-

On 19 April 2018, the Company obtained term loan facility of up to RM100,000,000. During the year, the Company has drawn down RM31,548,751 of the total term loan approved.

The term loan bears interest at the bank's cost of fund plus 1.15% per annum. The effective interest rate is 5.27% (2017: Nil) per annum.

The term loan of the Company is secured by the following:

(a) First legal charge over freehold land as disclosed in Note 7;

(b) A debenture incorporating a fixed and floating charge on the assets of the Company both present and future;

(c) A legal charge and assignment of the Revenue Account and FSRA as disclosed in Note 10;

(d) Corporate guarantee by the holding company;

(e) A legal assignment of all relevant insurance policies taken up by the Company in respect of the capital work-in-progress and the endorsement of the lender as loss payee.

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12. Term loan (cont'd.)

The remaining maturities of the term loan as at 31 December 2018 are as follows:

	2018 RM
More than 2 years and not later than 5 years	5,266,100
More than 5 years	25,600,490
	30,866,590

13. Share capital

	Number of ordinary shares 2018	Number of ordinary shares 2017	Amount 2018 RM	Amount 2017 RM
Authorised				
At 1 January	-	1,000,000	-	1,000,000
Abolishment under Companies Act 2016 *	-	(1,000,000)	-	(1,000,000)
At 31 December	-	-	-	-
Issued and fully paid				
At 1 January / 31 December	1,000,000	1,000,000	1,000,000	1,000,000

* 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 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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14. Capital commitments

Capital expenditure as at reporting date is as follows:

	2018 RM	2017 RM
Approved and contracted for:		
Property, plant and equipment	77,256,972	11,250,692
Approved and not contracted for:		
Property, plant and equipment	10,353,130	130,756,626

15. Classification of financial instruments

The table below provides an analysis of financial statements categorised as follows:

	Note	2018 RM	2017 RM
Financial assets:			
Other receivables	8	30,000	30,000
Amount due from holding company	9	2	-
Amount from a related company	9	166,155	-
Cash and bank balances	10	573,746	4,568
Total financial assets at amortised cost		769,903	34,568
Financial liabilities:			
Other payables	11	713,222	30,447
Amount due to holding company	9	-	1,321,520
Amounts due to related companies	9	25,069,941	-
Term loan	12	30,866,590	-
Total financial liabilities at amortised cost		56,649,753	1,351,967

16. Fair values of financial instruments

The carrying amounts of the Company's financial instruments are reasonable approximation of fair values, either due to their short-term nature or in the case of the term loan, due to it being a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

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17. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following transaction 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	11,691	40,442
Construction costs charged by a related company, Paramount Property Construction Sdn. Bhd.	3,351,691	-

(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.

There is no remuneration paid or payable to key management personnel during the financial year as they are borne by the holding company.

18. Financial risk management

The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders while minimising the potential adverse effects on the performance of the Company.

The key financial risks of the Company are interest rate risk and liquidity risk.

(a) 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's exposure to interest rate risks arises primarily from its floating rate term loan.

In considering its financial structure, the Company has assessed and considered the floating rate term loan to be an appropriate structure.

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18. Financial risk management (cont'd.)

(a) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rate had been 50 basis points lower/higher with all other variables held constant, the Company's capital work-in-progress would have been RM45,381 (2017: RM Nil) lower/higher arising mainly as a result of lower/higher interest expense on floating rate term loans capitalised in capital work-in-progress. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations due to shortfall of funds. The Company's liquidity risk mainly arising from its other payables, amounts due to related companies and term loan.

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 when 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	713,222	-	-	713,222
Amounts due to related companies	26,192,341	-	-	26,192,341
Term loan	1,662,619	11,970,418	28,708,328	42,341,365
Total undiscounted financial liabilities	28,568,182	11,970,418	28,708,328	69,246,928

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18. Financial risk management (cont'd.)

(b) Liquidity risk (cont'd.)

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

	2017 On demand or within one year RM
Financial liabilities:	
Other payables	30,447
Amount due to holding company	1,383,631
Total undiscounted financial liabilities	1,414,078

19. 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 to provide financial support to meet its liabilities as and when they fall due.

20. Significant event during the financial year

On 16 July 2018, the Company entered into a Sale and Purchase Agreement ("SPA") with a related company, Berkeley Sdn. Bhd. for the acquisition of a piece of freehold commercial land measuring approximately 21,154 square metres in total area held under H.S.(D) 157107 PT4194 situated in Seksyen 21, Bandar Klang, Daerah Klang, Negeri Selangor for a total consideration of RM43,057,750. On 29 August 2018, the Company has completed the acquisition.

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Directors' Report and Audited Financial Statements
31 December 2018

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Sri KDU Sdn. Bhd.
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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 the operating of a private school.

Results

	RM
Profit net of tax	22,408,047

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

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

Dividend

The amount of dividend paid by the Company since 31 December 2017 was as follows:

	RM
In respect of the financial year ended 31 December 2018:	
Single tier dividend of 160% on 20,000,000 ordinary shares, declared on 24 September 2018 and paid on 26 September 2018	32,000,000
Single tier dividend of 160% on 360 Non-cumulative Redeemable Convertible Preference Shares, declared on 24 September 2018 and paid on 26 September 2018	576
	32,000,576

The directors do not propose any payment of final dividend in respect of the current financial year.

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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
Ong Guan Siew
Faizah binti Khairuddin (Appointed on 16 July 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 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 or the fixed salary of a full-time employee of the Company as shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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.

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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 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
Ong Guan Siew	500,000	-	34,200	(100,000)	434,200
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

	<-----Number of ordinary shares under the LTIP----->				
	At 1 January 2018	**Granted**	**Vested**	**Not vested****	**At 31 December 2018**
Holding company Paramount Corporation Berhad					
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400
Benjamin Teo Jong Hian	-	146,000	-	-	146,000
Ong Guan Siew	51,800	-	(34,200)	-	17,600

* 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.

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Directors' interests (cont'd.)

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

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

Holding company

The 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 values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the 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.

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Other statutory information (cont'd.)

(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 obligation 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.

Auditors

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

Auditors' remuneration are 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

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Sri KDU 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 Sri KDU Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 49 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 Sri KDU Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 49 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

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
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Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Level 23A Menara Milenium
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Independent auditors' report to the member of Sri KDU Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sri KDU 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 49.

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 Sri KDU 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 Sri KDU 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 Sri KDU 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 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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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2018

	Note	2018 RM	2017 RM (Restated)
Revenue	4	87,839,198	88,490,978
Other income		5,060,957	61,011,472
Employee benefits expense	5	(35,359,694)	(36,010,377)
Depreciation	9	(938,162)	(2,601,522)
Other expenses		(27,201,278)	(18,858,171)
Finance costs	6	(50,413)	(1,765)
Profit before tax	7	29,350,608	92,030,615
Income tax expense	8	(6,942,561)	(11,539,390)
Profit net of tax, representing total comprehensive income for the year		22,408,047	80,491,225

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

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current assets			
Property, plant and equipment	9	1,474,767	1,945,435
Other investment		88,100	88,100
Deferred tax assets	10	9,455,642	8,852,683
		11,018,509	10,886,218
Current assets			
Trade receivables	11	63,743	50,659
Other receivables	12	1,179,658	4,372,164
Amount due from holding company	13	-	76,241,596
Amount due from a related company	13	69,541,038	-
Tax recoverable		5,361,875	4,025,940
Cash and cash equivalents	14	2,344,008	1,590,799
		78,490,322	86,281,158
Total assets		89,508,831	97,167,376
Current liabilities			
Other payables	15	27,538,983	27,933,266
Amount due to holding company	13	732,388	-
Contract liability	16	31,609,425	30,013,546
		59,880,796	57,946,812
Net current assets		18,609,526	28,334,346
Total liabilities		59,880,796	57,946,812
Equity			
Ordinary shares	17	20,008,600	20,008,600
Non-cumulative redeemable convertible preference shares	18	1,800,000	1,800,000
Equity contribution from holding company	19	582,388	582,388
Retained earnings	20	7,237,047	16,829,576
Total equity		29,628,035	39,220,564
Total equity and liabilities		89,508,831	97,167,376

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

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2018

	Ordinary shares RM	Non-cumulative redeemable convertible preference shares RM	Non-distributable Equity contribution from holding company RM	Distributable Retained earnings RM	Total equity RM
At 1 January 2018	20,008,600	1,800,000	582,388	16,829,576	39,220,564
Total comprehensive income for the financial year	-	-	-	22,408,047	22,408,047
Transaction with owner					
Dividends on ordinary shares (Note 21)	-	-	-	(32,000,000)	(32,000,000)
Dividends on NCRCPS (Note 21)	-	-	-	(576)	(576)
Total transactions with owners	-	-	-	(32,000,576)	(32,000,576)
At 31 December 2018	20,008,600	1,800,000	582,388	7,237,047	29,628,035

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2018

	Ordinary shares RM	Non-cumulative redeemable convertible preference shares RM	<------Non-distributable------> Share premium RM	Equity contribution from holding company RM	Capital redemption reserves RM	Distributable Retained earnings RM	Total equity RM
At 1 January 2017	20,000,000	360	1,799,640	582,388	8,600	101,341,321	123,732,309
Total comprehensive income for the financial year	-	-	-	-	-	80,491,225	80,491,225
Transaction with owner							
Dividends on ordinary shares (Note 21)	-	-	-	-	-	(165,000,000)	(165,000,000)
Dividends on NCRCPS (Note 21)	-	-	-	-	-	(2,970)	(2,970)
Total transactions with owners	-	-	-	-	-	(165,002,970)	(165,002,970)
	20,000,000	360	1,799,640	582,388	8,600	16,829,576	39,220,564
Transfers pursuant to Section 618(2) of CA 2016 *	8,600	1,799,640	(1,799,640)	-	(8,600)	-	-
At 31 December 2017	20,008,600	1,800,000	-	582,388	-	16,829,576	39,220,564

* 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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Sri KDU 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	29,350,608	92,030,615
Adjustments for:		
Depreciation	938,162	2,601,522
Interest expense	50,413	1,765
Interest income	(3,444,532)	(3,782,620)
Gain on disposal of property, plant and equipment	(159)	(56,322,508)
Reversal of allowance for impairment of trade receivables	(45,783)	(40,949)
Allowance for impairment of trade receivables	55,953	70,747
Property, plant and equipment written off	2	1
Bad debt written off (Note 7)	87,335	58,022
Short-term accumulating compensated absences (Note 5)	(18,862)	2,836
Share-based payment	737,407	864,578
Operating profit before working capital changes	27,710,544	35,484,009
Decrease/(increase) in receivables	3,081,917	(3,246,976)
Increase in payables	1,220,458	295,555
Changes in related company balances	6,695,539	(11,514,808)
Cash flows generated from operations	38,708,458	21,017,780
Interest paid	(50,413)	(1,765)
Income taxes paid	(8,881,455)	(24,766,266)
Net cash flows generated from/(used in) operating activities	29,776,590	(3,750,251)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	160	165,001,105
Purchase of property, plant and equipment	(467,497)	(562,340)
Interest received	3,444,532	3,782,620
Dividend paid	(32,000,576)	(165,002,970)
Net cash flows (used in)/generated from investing activities	(29,023,381)	3,218,415
Net increase/(decrease) in cash and cash equivalents	753,209	(531,836)
Cash and cash equivalents at 1 January	1,590,799	2,122,635
Cash and cash equivalents at 31 December (Note 14)	2,344,008	1,590,799

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

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2018

1. Corporate information

Sri KDU 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 No. 3, 5 & 7, Jalan Teknologi 2/1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

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 the operating of a private school.

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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Sri KDU 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 year ended 31 December 2017

	As previously reported RM	Reclassification RM	As Restated RM
Revenue	86,527,630	1,963,348	88,490,978
Other income	62,974,820	(1,963,348)	61,011,472

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

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.

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

2.4 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.

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Sri KDU Sdn. Bhd.
(Incorporated in Malaysia)

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

2.4 Property, plant and equipment and depreciation (cont'd.)

Depreciation of the remaining 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:

Computers, equipment, books, furniture, fixtures and fittings	3 to 5 years
Motor vehicles	4 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 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 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. In assessing the fair value less costs to sell, fair value is obtained from valuation reports performed by independant third party valuers based on best information available.

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

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

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.

(i) Financial assets

<u>Initial recognition and measurement</u>

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, cash and bank balances, amount due from holding company and a related company.

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.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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.

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.

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

2.6 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

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 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 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.

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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.)

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

For trade receivables, 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.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, measured either at 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 payables, net of directly attributable transaction costs.

The Company's financial liabilities include other payables and amounts due to holding company.

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

2.6 Financial instruments (cont'd.)

(ii) Financial liabilities (cont'd.)

Subsequent measurement

After initial recognition, payables and amount due to holding company 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 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 and at banks.

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

2.8 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.

2.9 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.

(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 2.12(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.

2.10 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.

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

2.10 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.

(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 backcharged 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 as at the beginning and end of that period.

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.

(a) Current tax

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.

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

2.11 Taxes (cont'd.)

(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.

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.

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

2.11 Taxes (cont'd.)

(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.

2.12 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) Tuition fees

Tuition fees are recognised over the period of instruction. Non-refundable registration and enrolment fees are recognised when chargeable.

(b) Rental income

Rental income is recognised on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease terms on a straight-line basis.

(c) Interest income

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

2.13 Functional and presentation currency

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

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

2.14 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.

2.15 Current and non-current classification

The Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:
(i) expected to be realised or intended to sold or consumed in normal operating cycle
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.
All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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

2.16 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.

3.2 Key source 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

	2018 RM	2017 RM
Type of goods and service		
Educational fees	87,839,198	88,490,978
Timing of revenue recognition		
Services transferred at a point in time	2,072,122	1,963,348
Services transferred over time	85,767,076	86,527,630
	87,839,198	88,490,978

5. Employee benefits expense

	2018 RM	2017 RM
Wages and salaries	25,501,628	26,611,741
Contributions to defined contribution plans	2,842,551	2,917,009
Share-based payment	737,407	864,578
Short-term accumulating compensated absences	(18,862)	2,836
Other benefits	6,296,970	5,614,213
	35,359,694	36,010,377

Included in the employee benefits expense of the Company are executive directors' remuneration amounting to RM1,684,088 (2017: RM2,546,732) as follows:

	2018 RM	2017 RM
Salaries and other emoluments	1,593,860	2,321,168
Defined contribution plan	90,228	225,564
Total directors' remuneration	1,684,088	2,546,732

6. Finance costs

Finance costs during the year pertained to interest expense on overdraft facilities which has been repaid as at reporting date.

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7. Profit before tax

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

	2018 RM	2017 RM
Auditors' remuneration	30,000	30,000
Depreciation of property, plant and equipment (Note 9)	938,162	2,601,522
Operating leases:		
- Minimum lease payments for premises	12,080,109	3,149,045
- Minimum lease payments for equipment	727,428	886,732
Reversal of allowance for impairment of trade receivables (Note 11)	(45,783)	(40,949)
Allowance for impairment of trade receivables (Note 11)	55,953	70,747
Property, plant and equipment written off	2	1
Bad debts written off	87,335	58,022
Interest income from:		
- licensed banks	(56,911)	(228,875)
- amount due from holding company	(2,621,620)	(3,553,745)
- amount due from a related company	(766,001)	-
Management fees paid to the holding company	1,856,392	2,536,717
Rental income	(780,433)	(700,820)
Gain on disposal of property, plant and equipment	(159)	(56,322,508)

8. Income tax expense

	2018 RM	2017 RM
Current income tax:		
Malaysian income tax	7,902,610	19,817,601
(Over)/Under provision in prior years	(357,090)	11,780
	7,545,520	19,829,381
Deferred tax (Note 10):		
Relating to origination and reversal of temporary differences	(533,994)	(8,272,089)
Overprovision of deferred tax liabilities in prior years	(68,965)	(17,902)
	(602,959)	(8,289,991)
Income tax expense	6,942,561	11,539,390

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8. Income tax expense (cont'd.)

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

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

	2018 RM	2017 RM
Profit before tax	29,350,608	92,030,615
Taxation at Malaysian statutory tax rate of 24%	7,044,146	22,087,348
Effect of tax reduction on incremental business income	-	(71,291)
Income not subject to tax	-	(11,181,165)
Expenses not deductible for tax purposes	324,470	710,620
Overprovision of deferred tax liabilities in prior years	(68,965)	(17,902)
(Over)/under provision of current income tax in prior years	(357,090)	11,780
Income tax expense for the year	6,942,561	11,539,390

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9. Property, plant and equipment

	Leasehold land and buildings RM	Renovation RM	Computers, equipment, books, furniture, fixtures and fittings RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2017	117,339,473	1,740,174	25,218,912	423,280	144,721,839
Additions	-	66,373	495,967	-	562,340
Write off	-	-	(36,910)	-	(36,910)
Disposal	(117,339,473)	(1,806,547)	(3,005,719)	-	(122,151,739)
As 31 December 2017	-	-	22,672,250	423,280	23,095,530
Additions	-	-	467,497	-	467,497
Write off	-	-	(11,600)	-	(11,600)
Disposal	-	-	(2,390)	-	(2,390)
As 31 December 2018	-	-	23,125,757	423,280	23,549,037

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

	Leasehold land and buildings RM	Renovation RM	Computers, equipment, books, furniture, fixtures and fittings RM	Motor vehicles RM	Total RM
Accumulated depreciation					
At 1 January 2017	8,189,997	1,411,878	22,145,089	311,660	32,058,624
Depreciation charge for the year (Note 7)	936,560	119,722	1,484,725	60,515	2,601,522
Write off	-	-	(36,909)	-	(36,909)
Disposal	(9,126,557)	(1,531,600)	(2,814,985)	-	(13,473,142)
As 31 December 2017	-	-	20,777,920	372,175	21,150,095
Depreciation charge for the year (Note 7)	-	-	903,896	34,266	938,162
Write off	-	-	(11,598)	-	(11,598)
Disposal	-	-	(2,389)	-	(2,389)
As 31 December 2018	-	-	21,667,829	406,441	22,074,270
Net carrying amount					
As 31 December 2018	-	-	1,457,928	16,839	1,474,767
As 31 December 2017	-	-	1,894,330	51,105	1,945,435

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

Included in plant and equipment of the Company are fully depreciated assets amounted to RM19,742,279 (2017: RM18,373,675).

In prior financial year, the Company disposed its leasehold land and buildings ("the property") to Alpha Real Estate Investment Trust ("Alpha REIT") for a total consideration of RM165,000,000 via a sale and leaseback agreement. The disposal was deemed completed on 29 September 2017, and the leaseback commenced on 30 September 2017.

10. Deferred tax assets

	2018 RM	2017 RM
At 1 January	(8,852,683)	(562,692)
Recognised in income statement (Note 8)	(602,959)	(8,289,991)
At 31 December	(9,455,642)	(8,852,683)

	At 1 January 2018 RM	Recognised in income statement (Note 8) RM	At 31 December 2018 RM
Deferred tax assets:			
Plant and equipment	(267,456)	(18,594)	(286,050)
Other payables	(32,419)	4,527	(27,892)
Fee in advance	(8,552,808)	(588,892)	(9,141,700)
	(8,852,683)	(602,959)	(9,455,642)

	At 1 January 2017 RM	Recognised in income statement (Note 8) RM	At 31 December 2017 RM
Deferred tax assets:			
Plant and equipment	8,342,432	(8,609,888)	(267,456)
Other payables	(31,739)	(680)	(32,419)
Fee in advance	(8,873,385)	320,577	(8,552,808)
	(562,692)	(8,289,991)	(8,852,683)

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11. Trade receivables

	2018 RM	2017 RM
Trade receivables	121,813	113,364
Less: Allowance for impairment	(58,070)	(62,705)
Trade receivables, net	63,743	50,659

The Company's normal trade credit terms is 14 days (2017: 14 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables 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
Neither past due nor impaired	-	-
1 to 30 days past due not impaired	700	7,800
31 to 60 days past due not impaired	2,793	3,200
61 to 90 days past due not impaired	12,676	-
More than 91 days past due not impaired	47,574	39,659
	63,743	50,659
Impaired	58,070	62,705
	121,813	113,364

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records.

Receivables that are past due but not impaired

The 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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11. Trade receivables (cont'd.)

Receivables that are individually impaired

The Company's trade receivables that are impaired at the reporting date and the movement in the allowance account used to record impairment are as follows:

	2018 RM	2017 RM
Trade receivables	58,070	62,705
Less: Allowance for impairment	(58,070)	(62,705)
	-	-

Movement in allowance account:

	2018 RM	2017 RM
At 1 January	62,705	33,862
Allowance for impairment losses (Note 7)	55,953	70,747
Reversal during the year (Note 7)	(45,783)	(40,949)
Written off during the year	(14,805)	(955)
At 31 December	58,070	62,705

Trade receivables that are individually determined to be impaired at the reporting date relate to students that have defaulted on payments and inactive students. These receivables are not secured by any collateral.

12. Other receivables

	2018 RM	2017 RM
Sundry receivables	560,997	912,319
Refundable deposits	205,970	202,930
Prepayments	412,691	3,256,915
	1,179,658	4,372,164

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13. Amounts due from/(to) related companies

	2018 RM	2017 RM
Amounts due from:		
Holding company	-	76,241,596
A related company	69,541,038	-
	69,541,038	76,241,596
Amount due to holding company	(732,388)	-

The amounts due from holding company and a related company are non-trade in nature, unsecured, repayable on demand and bear interest of 4.7% (2017: 4.7%) per annum.

The amount due to holding company is non-trade in nature, unsecured, interest free and repayment on demand.

14. Cash and cash equivalents

	2018 RM	2017 RM
Cash on hand and at banks	2,344,008	1,590,799

Included in cash on hand and at banks are interest bearing bank balances amounting to RM1,951,426 (2017: RM1,266,332) which bear interest ranging from 0% to 2.8% (2017: 0% to 2.8%) per annum.

15. Other payables

	2018 RM	2017 RM
Sundry payables	6,565,809	7,342,249
Accruals	1,836,279	847,722
Refundable deposits	19,136,895	19,743,295
	27,538,983	27,933,266

Sundry payables are non-interest bearing and are normally settled on average term of one month (2017: average term of one month). Sundry payables include provision for short-term accumulated compensated absences amounting to RM116,218 (2017: RM135,080).

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16. Contract liability

	2018 RM	2017 RM
Fees in advance	31,609,425	30,013,546

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	30,013,546	30,525,275

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2018 is RM31,609,425 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.

17. Ordinary shares

	Number of ordinary shares		Amount	
	2018	2017	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	20,000,000	20,000,000	20,008,600	20,000,000
Transfer pursuant to Section 618(2) of the Companies Act 2016	-	-	-	8,600
At 31 December	20,000,000	20,000,000	20,008,600	20,008,600

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Sri KDU Sdn. Bhd.
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17. Ordinary shares (cont'd.)

Under Companies Act 2016 in Malaysia, which came into effect on 31 January 2017, the concept of authorised share capital is no longer applicable.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's share no longer have a par or nominal value with effect from 31 January 2017.

Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's capital redemption reserve account of RM8,600 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 holder 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.

18. 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	-	-	-	-
Issued and fully paid				
At 1 January	360	360	1,800,000	360
Transfer pursuant to Section 618(2) of the Companies Act 2016	-	-	-	1,799,640
At 31 December	360	360	1,800,000	1,800,000

	2018 RM	2017 RM
Share premium		
At 1 January	-	1,799,640
Transfer pursuant to Section 618(2) of the Companies Act 2016	-	(1,799,640)
At 31 December	-	-

18. Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS") (cont'd.)

Under Companies Act 2016 in Malaysia, which came into effect on 31 January 2017, the concept of authorised share capital is no longer applicable.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's share no longer have a par or nominal value with effect from 31 January 2017.

Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's share premium account became part of the Company's NCRCPS. 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 features of the NCRCPS issued by the Company are as follows:

(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.

19. 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.

During the financial year, the LTIP costs have been backcharged by the holding company, PCB and the amounts have been offset against the amount due from holding company.

20. 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.

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21. Dividends

	Amount		Net dividends paid per shares	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**sen**	**sen**
For the financial year ended 31 December 2018:				
Single tier dividend of 160% on 20,000,000 ordinary shares	32,000,000	-	160	-
Single tier dividend of 160% on 360 NCRCPS	576	-	160	-
For the financial year ended 31 December 2017:				
Second interim single tier dividend of 500% on 20,000,000 ordinary shares	-	100,000,000	-	500
Second interim single tier dividend of 500% on 360 NCRCPS	-	1,800	-	500
For the financial year ended 31 December 2017:				
First interim single tier dividend of 325% on 20,000,000 ordinary shares	-	65,000,000	-	325
First interim single tier dividend of 325% on 360 NCRCPS	-	1,170	-	325
	32,000,576	165,002,970	320	1,650

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22. Operating lease arrangements

The Company as lessee

The Company entered into non-cancellable operating lease agreements for the use of equipments and premises. The leases were for periods ranging from 2 to 10 years with renewal or purchase option included in the contracts. There are no restrictions placed upon the Company by entering into the leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

	2018 RM	2017 RM
Future minimum rentals payments:		
Not later than 1 year	12,285,186	12,858,383
Later than 1 year and not later than 5 years	47,594,323	50,791,116
Later than 5 years	44,005,788	58,553,076
	103,885,297	122,202,575

The lease payments recognised in income statement during the financial year are disclosed in Note 7.

23. Related party transactions

In addition to the significant 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 the holding company	1,856,392	2,536,717
Long term incentive plan paid to the holding company	737,407	864,578
Interest income on amount due from holding company	(2,621,620)	(3,553,745)
Interest income on amount due from a related company	(766,001)	-

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23. Related party transactions (cont'd.)

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 paid or payable to key management personnel during the financial year is disclosed in Note 5.

24. Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The Company measures the financial assets and liabilities at amortised cost. The accounting policies in Note 2.5 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Note	2018 RM	2017 RM
Trade receivables	11	63,743	50,659
Other receivables	*	766,967	1,115,249
Amount due from holding company	13	-	76,241,596
Amount due from a related company	13	69,541,038	-
Cash and cash equivalents	14	2,344,008	1,590,799
Total finance assets carried at amortised cost		72,715,756	78,998,303
Other payables	*	27,422,765	27,798,186
Amount due to holding company	13	732,388	-
Total financial liabilities carried at amortised cost		28,155,153	27,798,186

* These balances exclude non-financial instruments balances which are not within the scope of MFRS 9, *Financial Instruments.*

25. Fair values of financial instruments

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

The carrying amounts of the Company's financial instruments are reasonable approximation of fair values due to the relatively short term maturity of these financial instruments.

26. 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 and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Board Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the 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 receivables, other receivables and amount due from holding company. 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.

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

(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.

The Company manages liquidity risk by maintaining sufficient cash to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due. At the reporting date, all financial liabilities of the Company are either repayable on demand or due within one year.

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 contracted undiscounted repayment obligations.

	On demand or within one year RM
As at 31 December 2018	
Financial liabilities:	
Other payables	27,538,983
Amount due to a related company	732,388
Total undiscounted financial liabilities	28,271,371
As at 31 December 2017	
Financial liabilities:	
Other payables	27,933,266

(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 any significant interest rate exposure.

27. 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.

R.E.A.L. Education Group Sdn. Bhd.

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Directors' Report and
Audited Financial Statements
31 December 2018

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R.E.A.L. Education Group Sdn. Bhd.
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the Company is engaged in the operations of kindergartens and schools. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	13,895,359	11,497,834
Profit attributable to:		
Owner of the Company	13,587,561	11,497,834
Non-controlling interest	307,798	-
	13,895,359	11,497,834

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

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

Dividends

The amount of dividends paid by the Company since 31 December 2017 was as follows:

	RM
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Final tax exempt (single-tier) dividend of RM1.10 on 10,813,000 ordinary shares, approved by Members on 2 June 2017 and paid on 13 August 2018.	11,894,300

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R.E.A.L. Education Group Sdn. Bhd.
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Directors of the Company

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

Ee Ching Wah *	
Dato' Teo Chiang Quan *	
Datin Teh Geok Lian *	
Chew Sun Teong *	
Kee Keok Kuay *	(appointed on 16 April 2018)
Sim Quan Seng *	(resigned on 16 April 2018)
Tay Lee Kong	(resigned on 31 October 2018)

* These directors are also directors of subsidiaries of the Company.

Directors of the Subsidiaries

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

Chin Mei Kheng
Aziz Bin Bahaman

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 or its subsidiaries 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 or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 26 to the financial statements.

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 commited in their capacity as directors and officers while holding office for the Company. The directors and officers shall not be indemnified by such incurance for any deliberate negligence, intentional breach of law or breach of trust proven against them.

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Directors' interests

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

	Number of ordinary shares			
The Company	**At 1 January 2018**	**Bought**	**Sold**	**At 31 December 2018**
Indirect Interests:				
Ee Ching Wah	10,813,000	-	-	10,813,000

	Number of ordinary shares				
Holding company Paramount Corporation Berhad	**At 1 January 2018**	**Bought**	**LTIP Shares Vested***	**Sold**	**At 31 December 2018**
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
Deemed interest					
Dato' Teo Chiang Quan	113,444,000	-	-	-	113,444,000

	Number of ordinary shares under the LTIP				
Holding company Paramount Corporation Berhad	**At 1 January 2018**	**Granted**	**Vested***	**Expired**	**At 31 December 2018**
Chew Sun Teong	4,698,100	1,437,600	(1,192,600)	(311,400)	4,631,700
Datin Teh Geok Lian	1,535,100	408,600	(402,200)	(107,100)	1,434,400

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

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

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R.E.A.L. Education Group Sdn. Bhd.
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Directors' interests (Cont'd.)

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

(i) Third vesting of 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

Holding company

The immediate and ultimate holding companies of the Company are Paramount Education Sdn. Bhd. and Paramount Corporation Berhad respectively, both of which are incorporated in Malaysia.

Other statutory information

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

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

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

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

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

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

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

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R.E.A.L. Education Group Sdn. Bhd.
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Other statutory information (cont'd.)

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

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

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

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

(f) In the opinion of the directors:

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

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

(g) As at 31 December 2018, the Group's and the Company's current liability exceeded its current assets by RM25,166,954 and RM29,817,643 respectively. The Group and the Company rely on its ultimate holding company for continuing financial support to enable them to meet their obligations and liabilities when they fall due.

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R.E.A.L. Education Group Sdn. Bhd.
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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 2019 to the date of this report.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2019

Chew Sun Teong

Ee Ching Wah

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R.E.A.L. Education Group Sdn. Bhd.
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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Chew Sun Teong and Ee Ching Wah, being two of the directors of R.E.A.L. Education Group Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 12 to 78 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 positions of the Group and of the Company as at 31 December 2018 and of their financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2019

Chew Sun Teong

Ee Ching Wah

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ee Ching Wah, being the director primarily responsible for the financial management of R.E.A.L. Education Group Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 78 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 Ee Ching Wah
at Petaling Jaya, Selangor
on 29 March 2019

Ee Ching Wah

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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Independent auditors' report to the members of R.E.A.L. Education Group Sdn. Bhd. (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of R.E.A.L. Education Group Sdn. Bhd., which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 78.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report

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 Group and of the Company and our auditors' report thereon.

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

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Independent auditors' report to the members of R.E.A.L. Education Group Sdn. Bhd. (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 Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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Independent auditors' report to the members of
R.E.A.L. Education Group Sdn. Bhd.
(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 Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Independent auditors' report to the members of R.E.A.L. Education Group Sdn. Bhd. (Incorporated in Malaysia)

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
29 March 2019

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2018

	Note	2018 RM	2017 RM
Revenue	4	104,757,964	105,370,906
Cost of sales	5	(43,501,371)	(43,226,898)
Gross profit		61,256,593	62,144,008
Other operating income		6,315,677	5,345,646
Distribution expenses		(798,472)	(882,851)
Administrative expenses		(39,472,565)	(38,472,649)
Other operating expenses		(7,250,622)	(6,996,909)
Profit from operations	6	20,050,611	21,137,245
Finance costs	8	(3,508,414)	(2,708,559)
Profit before tax		16,542,197	18,428,686
Income tax expense	9	(2,646,838)	(2,416,665)
Profit net of tax, representing total comprehensive income for the year		13,895,359	16,012,021
Profit/total comprehensive income for the year attributable to:			
Owner of the Company		13,587,561	15,800,134
Non-controlling interest		307,798	211,887
		13,895,359	16,012,021

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

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Company Statement of Comprehensive Income
For the Financial Year Ended 31 December 2018

	Note	2018 RM	2017 RM
Revenue	4	90,070,847	92,386,486
Cost of sales	5	(39,341,689)	(39,415,398)
Gross profit		50,729,158	52,971,088
Other operating income		6,236,721	4,296,923
Distribution expenses		(798,374)	(875,839)
Administrative expenses		(32,177,924)	(30,829,204)
Other operating expenses		(7,241,188)	(6,957,089)
Profit from operations	6	16,748,393	18,605,879
Finance costs	8	(3,486,727)	(2,642,009)
Profit before tax		13,261,666	15,963,870
Income tax expense	9	(1,763,832)	(2,000,000)
Profit net of tax, representing total comprehensive income for the year		11,497,834	13,963,870
Profit/total comprehensive income for the year attributable to:			
Owner of the Company		11,497,834	13,963,870
Non-controlling interest		-	-
		11,497,834	13,963,870

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

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current assets			
Property, plant and equipment	11	165,715,663	163,844,314
Goodwill	12	478,445	478,445
Course development	13	306,715	319,775
Investment in an associate	15	1	1
Deferred tax asset	16	118,725	182,121
		166,619,549	164,824,656
Current assets			
Inventories	17	2,559,807	3,069,297
Trade and other receivables	18	13,182,144	8,802,771
Tax recoverable		276	652,187
Cash and bank balances	19	19,651,742	27,018,802
		35,393,969	39,543,057
Total assets		202,013,518	204,367,713
Current liabilities			
Trade and other payables	20	23,707,543	29,121,122
Contract liability	21	30,131,684	32,111,889
Loans and borrowings	22	6,302,862	6,210,945
Tax provision		418,834	-
		60,560,923	67,443,956
Net current liabilities		(25,166,954)	(27,900,899)
Non-current liabilities			
Loans and borrowings	22	64,604,752	60,459,777
Deferred tax liabilities	16	4,356,289	5,973,485
		68,961,041	66,433,262
Total liabilities		129,521,964	133,877,218
Net assets		72,491,554	70,490,495

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	2018 RM	2017 RM
Equity attributable to owner of the Company			
Share capital	24	11,869,267	11,869,267
Retained profits	25	59,344,816	57,651,555
		71,214,083	69,520,822
Non-controlling interest		1,277,471	969,673
Total equity		72,491,554	70,490,495
Total equity and liabilities		202,013,518	204,367,713

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

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Company Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Non-current assets			
Property, plant and equipment	11	155,574,901	156,320,638
Course development	13	271,499	271,499
Investment in subsidiaries	14	4,193,287	4,193,287
		160,039,687	160,785,424
Current assets			
Inventories	17	1,843,989	2,271,538
Trade and other receivables	18	11,915,166	8,656,875
Tax recoverable		-	642,380
Cash and bank balances	19	16,751,655	24,643,565
		30,510,810	36,214,358
Total assets		190,550,497	196,999,782
Current liabilities			
Trade and other payables	20	25,402,601	29,767,698
Contract liability	21	28,462,392	30,514,873
Loans and borrowings	22	6,253,703	6,016,578
Tax provision		109,196	-
		60,227,892	66,299,149
Net current assets		(29,717,082)	(30,084,791)
Non-current liabilities			
Loans and borrowings	22	61,223,112	59,728,130
Deferred tax liabilities	16	4,293,008	5,769,552
		65,516,120	65,497,682
Total liabilities		125,744,012	131,796,831
Net assets		64,806,485	65,202,951

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Company Statement of financial position
As at 31 December 2018

	Note	2018 RM	2017 RM
Equity attributable to owner of the Company			
Share capital	24	11,869,267	11,869,267
Retained profits	25	52,937,218	53,333,684
		64,806,485	65,202,951
Non-controlling interest		-	-
Total equity		64,806,485	65,202,951
Total equity and liabilities		190,550,497	196,999,782

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

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Statements of changes in equity
For the Financial Year Ended 31 December 2018

Group	Share capital RM (Note 24)	Share premium RM	Distributable retained profits RM (Note 25)	Subtotal RM	Non-controlling interest RM	Total equity RM
At 1 January 2017	10,813,000	1,056,267	50,826,211	62,695,478	757,786	63,453,264
Transfer pursuant to S618(2) of CA 2016~	1,056,267	(1,056,267)	-	-	-	-
Profit for the year, representing total comprehensive income for the year	-	-	15,800,134	15,800,134	211,887	16,012,021
Transaction with Owners						
Dividends paid, representing total transaction with equity holders (Note 10)	-	-	(8,974,790)	(8,974,790)	-	(8,974,790)
At 31 December 2017	11,869,267	-	57,651,555	69,520,822	969,673	70,490,495
Profit for the year, representing total comprehensive income for the year	-	-	13,587,561	13,587,561	307,798	13,895,359
Transaction with Owners						
Dividends paid, representing total transaction with equity holder (Note 10)	-	-	(11,894,300)	(11,894,300)	-	(11,894,300)
At 31 December 2018	11,869,267	-	59,344,816	71,214,083	1,277,471	72,491,554

~ 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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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Statements of changes in equity (cont'd.)
For the Financial Year Ended 31 December 2018

Company	<------ Non-distributable ------->		Distributable	
	Share capital RM (Note 24)	Share premium RM	Retained profits RM (Note 25)	Total equity RM
At 1 January 2017	10,813,000	1,056,267	48,344,604	60,213,871
Transfer pursuant to S618(2) of CA 2016~		(1,056,267)	-	(1,056,267)
Profit for the year, representing total comprehensive income for the year	-	-	13,963,870	13,963,870
Transaction with Owners				
Dividends paid, representing total transaction with equity holders (Note 10)	-	-	(8,974,790)	(8,974,790)
At 31 December 2017	10,813,000	-	53,333,684	64,146,684
Profit for the year, representing total comprehensive income for the year	-	-	11,497,834	11,497,834
Transaction with Owners				
Dividends paid, representing total transaction with equity holder (Note 10)	-	-	(11,894,300)	(11,894,300)
At 31 December 2018	10,813,000	-	52,937,218	63,750,218

~ 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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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Statements of cash flows
For the Financial Year Ended 31 December 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before tax	16,542,197	18,428,686	13,261,666	15,963,870
Adjustments for:				
Amortisation of course development	13,060	6,624	-	-
Allowance for doubtful debts	300,140	127,134	300,140	100,544
Reversal of allowance for doubtful debts	(197,462)	-	(184,712)	-
Bad debts written off	355	-	-	-
Depreciation of property, plant and equipment	7,550,155	7,293,340	7,043,396	6,846,045
Loss on disposal of property, plant and equipment (net)	65,051	-	75,428	-
Property, plant and equipment written off	46,837	79,034	46,189	-
Interest income	(767,908)	-	(708,510)	-
Interest expense	3,508,414	2,708,559	3,486,727	2,642,009
Operating profit before changes in working capital	27,060,839	28,643,377	23,320,324	25,552,468
Decrease/(increase) in inventories	509,490	(968,612)	427,549	(925,972)
Decrease/(increase) in trade and other receivables	2,292,730	(4,146,913)	3,425,961	(4,743,881)
(Decrease)/increase in trade and other payables	(7,224,957)	90,631	(7,575,988)	490,771
Changes in related company balance	(7,209,604)	-	(7,209,604)	-
Changes in subsidiaries balance	-	-	1,336,301	656,336
Changes in ultimate holding company balance	232,033	-	232,033	-
Changes in an associate company balance	33,608	-	-	-
Cash generated from operations	15,694,139	23,618,483	13,956,576	21,029,722
Income taxes paid	(3,129,893)	(7,691,369)	(2,488,800)	(7,026,289)
Interest received	767,908	-	708,510	-
Interest paid	(3,508,414)	(2,708,559)	(3,486,727)	(2,642,009)
Net cash generated from operating activities	9,823,740	13,218,555	8,689,559	11,361,424

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R.E.A.L. Education Group Sdn. Bhd.
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Statements of cash flows (cont'd.)
For the Financial Year Ended 31 December 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from investing activities				
Addition in course development	-	(114,487)	-	(73,187)
Purchase of property, plant and equipment	(9,547,540)	(26,763,095)	(6,423,043)	(24,926,935)
Proceeds from disposal of property, plant and equipment	14,148	175,358	3,767	-
Placement of deposits with licensed banks	5,171,268	8,692,322	6,119,617	7,869,536
Net cash used in investing activities	(4,362,124)	(18,009,902)	(299,659)	(17,130,586)
Cash flows from financing activities				
Drawdown of term loans	19,470,711	13,318,564	16,123,285	13,318,564
Repayment of term loans	(15,301,404)	(5,140,413)	(14,375,390)	(4,924,513)
Additional/(repayment) of hire purchase and lease financing	67,585	(31,363)	(15,788)	(31,363)
Dividends paid to equity holders of the Company	(11,894,300)	(8,974,790)	(11,894,300)	(8,974,790)
Net cash used in financing activities	(7,657,408)	(828,002)	(10,162,193)	(612,102)
Net decrease in cash and cash equivalents	(2,195,792)	(5,619,349)	(1,772,293)	(6,381,264)
Cash and cash equivalents at beginning of year	15,643,287	21,262,636	13,319,701	19,700,965
Cash and cash equivalents at end of year (Note 19)	13,447,495	15,643,287	11,547,408	13,319,701

Note:

(a) Reconciliation of liabilities arising from financing activities:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Borrowings				
At 1 January 2018	66,670,722	58,523,934	65,744,708	57,382,020
Drawdown of borrowings	19,538,296	13,318,564	16,123,285	13,318,564
Repayment of borrowings	(15,301,404)	(5,171,776)	(14,391,178)	(4,955,876)
At 31 December 2018	70,907,614	66,670,722	67,476,815	65,744,708

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

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the Financial Statements
For the Financial Year Ended 31 December 2018

1. Corporate information

R.E.A.L. Education Group 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 Level 6, KDU University College, Jalan Kontraktor U1/14, Seksyen U1, 40150 Shah Alam, Selangot Darul Ehsan.

The ultimate holding company of the Company is Paramount Corporation Berhad, a public limited liability company incorporated and domiciled in Malaysia and is listed on the main market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is engaged in operations of kindergartens and schools. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

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

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (RM).

As at 31 December 2018, the Group's and the Company's current liability exceeded its current assets by RM25,166,954 (2017:RM27,900,899) and RM29,817,643 (2017: RM30,084,791) respectively. The Group and the Company rely on its ultimate holding company for continuing financial support to enable them to meet their obligations and liabilities when they fall due.

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

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

2.2 Changes in accounting policies

On 1 January 2018, the Group and 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

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 adoption of MFRS 15 did not result in significant changes to the financial statements.

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R.E.A.L. Education Group Sdn. Bhd.
(Incorporated in Malaysia)

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

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following published standards that are applicable to the Group and the Company beginning on or after 1 January 2019.

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

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R.E.A.L. Education Group Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

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

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

MFRS 16 Leases

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

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

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

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

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

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

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R.E.A.L. Education Group Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation

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

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

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

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

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

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

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

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

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R.E.A.L. Education Group Sdn. Bhd.
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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Investment in subsidiaries

A subsidiary is an entity over which the Company controls and the Company has the following:

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

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

2.6 Investment in associate

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

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

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

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

2.6 Investment in associate (cont'd.)

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

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

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

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

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

2.7 Goodwill and other intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

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

2.7 Goodwill and other intangible assets (cont'd.)

(a) Goodwill (cont'd.)

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

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

(b) Course development

All research costs and development costs are recognised as an expense when incurred, except for development cost that is part of the cost of a recognised asset, in which case, the cost is capitalised in that recognised asset.

Following intial recognition, the development costs are carried at cost less accumulated amortisation and any accumulated impairment losses. Development costs considered to have finite lives are amortised on a straight-line basis over their economic lives of 5 to 10 years, and assessed for impairment whenever there is an indication that the development costs may be impaired.

2.8 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, buildings-in-progress and capital work-in-progress are not depreciated but are subject to impairment test if there is any indication of impairment. Long term leasehold land are depreciated over the period of the respective leases which range from 90 to 99 years.

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

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

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:

Buildings	50 years
Renovation	10 years
Furniture and fittings	10 years
Equipment and IT assets	3 to 10 years
School/kindergarten assets	10 years
Motor vehicles	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 policy for the recognition and measurement of impairment losses is in accordance with Note 2.9.

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

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

2.9 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

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

2.10 Inventories

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

Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition and the cost is determined by using weighted average cost method.

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

2.11 Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group perform services under the contract. Contract liabilities include advanced fee received from customer where the Group has billed and collected the payment before the services are provided to the customers.

2.12 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.

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

2.12 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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

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

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

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

Subsequent measurement

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

2.12 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Derecognition

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

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

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

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

Impairment of financial assets

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

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

2.12 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

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

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortised costs, as appropriate.

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

The Group's financial liabilities include trade payables, other payables, borrowings and amounts due to ultimate holding company, subsidiaries, related company and associate company.

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

2.12 Financial instruments (cont'd.)

(ii) Financial liabilities (cont'd.)

After initial recognition, trade payables, other payables, borrowings and amounts due to ultimate holding company, subsidiaries, related company and associate company 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 expired. 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 consolidated statement of the financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Cash and cash equivalents

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

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

2.14 Borrowing costs

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

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

2.15 Share capital and share issuance expenses

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

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

2.16 Provisions

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

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

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

2.17 Leases

(a) As lessee

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

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

The Group and the Company participate in the national pension schemes as defined by the Malaysian laws. The Group and the Company make 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. Summary of significant accounting policies (cont'd.)

2.19 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.

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.

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

2.19 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

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

(c) Goods and service tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

2.20 Revenue

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) Rendering of services

School fees, day-care fees, educational fees and examination fees are recognised upon the rendering of services.

(b) Sale of goods

Sales are recognised upon delivery of goods, net of returns and trade discount. These includes sale of educational aids, books and other materials.

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

2.21 Foreign currency translation

Functional and presentation currency

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

2.22 Current and non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:
(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.
All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

3. Significant accounting estimates and judgements

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

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

3.1 Critical judgements made in applying accounting policies

No major judgements have been made by management in applying the Group's and Company's accounting policies as at reporting date that have a significant risk of causing a material adjustment.

3.2 Key sources of estimation uncertainty

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

(a) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 9.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances, unabsorbed investment tax allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances, investment tax allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised and unrecognised deferred tax assets of the Group and of the Company is disclosed in Note 16.

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4. Revenue

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Rendering of services	79,312,787	80,586,271	68,600,246	70,989,170
Sale of goods	25,445,177	24,784,635	21,470,601	21,397,316
Total revenue	104,757,964	105,370,906	90,070,847	92,386,486
Timing of revenue recognition				
Services transferred at a point in time	12,863,930	12,265,905	5,461,261	5,499,154
Services transferred over time	91,894,034	93,105,001	84,609,586	86,887,332
	104,757,964	105,370,906	90,070,847	92,386,486

Revenue represents school fees, day-care fees, educational fees, sale of educational aids, books and other materials.

5. Cost of sales

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries and related expenses	36,768,740	36,906,932	34,964,917	35,399,079
Other direct cost	6,732,631	6,319,966	4,376,772	4,016,319
	43,501,371	43,226,898	39,341,689	39,415,398
Included in other direct cost are the following:				
Examination fees	371,480	434,154	-	-
Cost of goods sold	3,576,462	3,026,397	1,758,710	1,338,534
Student's direct expenses	1,613,181	1,775,818	1,561,076	1,734,526
Other costs	1,171,508	1,083,597	1,056,986	943,259
	6,732,631	6,319,966	4,376,772	4,016,319

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6. Profit from operations

Profit from operations before tax has been arrived at after charging/(crediting):

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Employee benefits expenses (Note 7)	56,779,343	56,997,230	51,390,752	51,548,296
Depreciation (Note 11)	7,550,155	7,293,340	7,043,396	6,846,045
Amortisation of course development (Note 13)	13,060	6,624	-	-
Allowance for doubtful debts (Note 18)	300,140	127,134	300,140	100,544
Reversal of allowance for doubtful debts (Note 18)	(197,462)	-	(184,712)	-
Auditors' remuneration				
- current year	175,000	175,000	115,000	115,000
- Underprovision in prior year	30,000	42,000	30,000	30,000
Bad debts written off	355	-	-	-
Loss on disposal of property, plant and equipment (net)	65,051	-	75,428	-
Property, plant and equipment written off (Note 11)	46,837	79,034	46,189	-
Rental of equipment	43,445	38,362	-	-
Rental of premises	2,775,034	2,825,392	1,984,546	2,121,429
Management fee from subsidiaries	-	-	(327,953)	(207,953)
Management fee to ultimate holding company	848,109	-	848,109	-
Interest income	(767,908)	-	(708,510)	-

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7. Employee benefits expenses

The employee benefits expenses of the Group and Company comprise:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries and wages	50,292,841	50,664,516	45,419,818	45,774,181
Contributions to defined contribution plan	5,827,220	5,696,396	5,376,945	5,207,878
Social security contributions	638,607	613,274	585,389	562,137
Other staff related expenses	20,675	23,044	8,600	4,100
Total employee benefits expenses (Note 6)	56,779,343	56,997,230	51,390,752	51,548,296

Included in employee benefits expenses of the Group and of the Company are directors' remuneration as follow:

		Group		Company	
		2018	**2017**	**2018**	**2017**
		RM	**RM**	**RM**	**RM**
(i)	Directors of the Company				
	Salaries and wages	480,000	480,000	480,000	480,000
	Bonus	240,000	-	240,000	-
	Contributions to defined contribution plan	67,200	-	67,200	-
	Benefit in kind	2,565	-	2,565	-
		789,765	480,000	789,765	480,000
(ii)	Director of a subsidiary				
	Salaries and wages	240,000	216,000	-	-
	Contributions to defined contribution plan	28,800	28,080	-	-
	Social security contributions	-	829	-	-
		268,800	244,909	-	-
	Total directors' remuneration	1,058,565	724,909	789,765	480,000

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8. Finance costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on:				
Bank overdrafts	61,787	82,334	57,287	82,334
Hire purchase and lease financing	1,974	2,255	-	2,255
Term loans	3,444,653	2,623,970	3,429,440	2,557,420
Total finance costs recognised as an expense	3,508,414	2,708,559	3,486,727	2,642,009

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Statement of comprehensive income:				
Current income tax:				
- Malaysian income tax	4,175,624	1,282,677	3,303,733	803,036
- Overprovision in respect of previous years	(221,848)	(3,668)	(209,658)	-
	3,953,776	1,279,009	3,094,075	803,036
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	841,190	1,109,976	780,176	1,148,160
- (Over)/underprovision in respect of previous years	(2,248,689)	27,680	(2,110,419)	48,804
	(1,407,499)	1,137,656	(1,330,243)	1,196,964
	2,546,277	2,416,665	1,763,832	2,000,000

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9. Income tax expense (cont'd.)

Reconciliation between tax expense and accounting profit

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:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	16,542,197	18,428,686	13,261,666	15,963,870
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	3,970,127	4,422,885	3,182,800	3,831,329
Adjustments:				
Non-deductible expenses	1,147,248	1,218,956	901,109	1,034,113
Income not subject to tax	-	(3,251,264)	-	(2,914,246)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	2,096	-	-
Overprovision of income tax in prior years	(221,848)	(3,688)	(209,658)	-
(Over)/under provision of deferred tax in prior years	(2,248,689)	27,680	(2,110,419)	48,804
Income tax expense recognised in profit or loss	2,646,838	2,416,665	1,763,832	2,000,000

10. Dividends

	Company	
	2018 RM	2017 RM
Recognised during the financial year:		
In respect of the financial year ended 31 December 2016:		
Final tax exempt (single-tier) dividend of 83 sen on 10,813,000 ordinary shares approved by Members on 2 June 2017 and paid on 21 August 2017	-	8,974,790
In respect of the financial year ended 31 December 2017:		
Final tax exempt (single-tier) dividend of RM1.10 on 10,813,000 ordinary shares approved by Members on and paid on 13 August 2018.	11,894,300	-

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11. Property, plant and equipment

Group	*Land and buildings RM	Renovation RM	Furniture and fittings RM	Equipment and IT assets RM	School/ kindergarten assets RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost								
At 1 January 2017	135,243,036	33,843,959	7,726,148	12,154,269	4,284,464	350,368	216,630	193,818,874
Additions	24,788,531	1,138,051	208,196	445,420	182,897	-	-	26,763,095
Disposals	-	-	(33,047)	(40,711)	(6,268)	-	(136,630)	(216,656)
Written off (Note 6)	-	(133,898)	(9,774)	(47,746)	(32,011)	-	-	(223,429)
Reclassification	-	-	-	80,000	-	-	(80,000)	-
At 31 December 2017 and 1 January 2018	160,031,567	34,848,112	7,891,523	12,591,232	4,429,082	350,368	-	220,141,884
Additions	3,968,802	2,982,078	449,408	1,787,148	243,393	116,711	-	9,547,540
Disposals	-	(281,138)	-	(3,672)	(3,450)	(53,000)	-	(341,260)
Written off (Note 6)	-	(127,780)	(2,775)	(17,686)	-	-	-	(148,241)
Reclassification	-	(3,935)	(8,333)	7,063	5,205	-	-	-
At 31 December 2018	164,000,369	37,417,337	8,329,823	14,364,085	4,674,230	414,079	-	229,199,923

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

Group	*Land and buildings RM	Renovation RM	Furniture and fittings RM	Equipment and IT assets RM	School/ kindergarten assets RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Accumulated depreciation								
At 1 January 2017	15,486,125	16,536,786	5,126,611	8,837,111	2,907,531	295,759	-	49,189,923
Charge for the year (Note 6)	2,103,057	3,310,222	501,509	1,048,517	290,423	39,612	-	7,293,340
Disposals	-	-	(13,105)	(25,985)	(2,208)	-	-	(41,298)
Written off (Note 6)	-	(79,751)	(6,875)	(37,487)	(20,282)	-	-	(144,395)
At 31 December 2017 and 1 January 2018	17,589,182	19,767,257	5,608,140	9,822,156	3,175,464	335,371	-	56,297,570
Charge for the year (Note 6)	2,123,255	3,506,605	521,225	1,063,996	304,740	30,334	-	7,550,155
Disposals	-	(205,288)	-	(327)	(3,447)	(52,999)	-	(262,061)
Written off (Note 6)	-	(81,591)	(2,136)	(17,677)	-	-	-	(101,404)
Reclassification	-	(2,354)	(2,390)	91,838	(87,094)	-	-	-
At 31 December 2018	19,712,437	22,984,629	6,124,839	10,959,986	3,389,663	312,706	-	63,484,260
Net book value								
At 31 December 2018	144,287,932	14,432,708	2,204,984	3,404,099	1,284,567	101,373	-	165,715,663
At 31 December 2017	142,442,385	15,080,855	2,283,383	2,769,076	1,253,618	14,997	-	163,844,314

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

* **Land and buildings**

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Buildings-in-progress RM	Total RM
Cost					
At 1 January 2017	21,973,651	26,088,494	86,670,517	510,374	135,243,036
Additions	22,648,003	-	50,612	2,089,916	24,788,531
At 31 December 2017 and 1 January 2018	44,621,654	26,088,494	86,721,129	2,600,290	160,031,567
Additions	-	-	695,317	3,273,485	3,968,802
At 31 December 2018	44,621,654	26,088,494	87,416,446	5,873,775	164,000,369
Accumulated depreciation					
At 1 January 2017	-	1,171,074	14,315,051	-	15,486,125
Charge for the year		336,418	1,766,639	-	2,103,057
At 31 December 2017 and 1 January 2018	-	1,507,492	16,081,690	-	17,589,182
Charge for the year	-	337,382	1,785,873	-	2,123,255
At 31 December 2018	-	1,844,874	17,867,563	-	19,712,437
Net book value					
At 31 December 2018	44,621,654	24,243,620	69,548,883	5,873,775	144,287,932
At 31 December 2017	44,621,654	24,581,002	70,639,439	2,600,290	142,442,385

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

Company	*Land and buildings RM	Renovation RM	Furniture and fittings RM	Equipment and IT assets RM	School/ kindergarten assets RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost								
At 1 January 2017	129,353,983	32,140,721	7,212,348	11,259,409	3,672,656	297,368	80,000	184,016,485
Additions	23,422,021	936,149	137,746	328,881	102,138	-	-	24,926,935
Reclassification	-	-	-	80,000	-	-	(80,000)	-
At 31 December 2017 and 1 January 2018	152,776,004	33,076,870	7,350,094	11,668,290	3,774,794	297,368	-	208,943,420
Additions	1,220,765	2,934,678	444,278	1,637,774	185,548	-	-	6,423,043
Disposal	-	(281,138)	-	(3,666)	-	-	-	(284,806)
Written off (Note 6)	-	(127,780)	-	-	-	-	-	(127,780)
At 31 December 2018	153,996,769	35,602,630	7,794,372	13,302,398	3,960,342	297,368	-	214,953,877

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

Company	*Land and buildings RM	Renovation RM	Furniture and fittings RM	Equipment and IT assets RM	School/ kindergarten assets RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Accumulated depreciation								
At 1 January 2017	14,209,013	15,629,936	4,856,663	8,360,948	2,477,417	242,760	-	45,776,737
Charge for the year (Note 6)	2,020,475	3,160,652	475,958	901,493	247,855	39,612	-	6,846,045
At 31 December 2017 and 1 January 2018	16,229,488	18,790,588	5,332,621	9,262,441	2,725,272	282,372	-	52,622,782
Charge for the year (Note 6)	2,040,673	3,347,960	479,700	907,399	252,671	14,993	-	7,043,396
Disposal	-	(205,288)	-	(323)	-	-	-	(205,611)
Written off (Note 6)	-	(81,591)	-	-	-	-	-	(81,591)
At 31 December 2018	18,270,161	21,851,669	5,812,321	10,169,517	2,977,943	297,365	-	59,378,976
Net book value								
At 31 December 2018	135,726,608	13,750,961	1,982,051	3,132,881	982,399	3	-	155,574,901
At 31 December 2017	136,546,516	14,286,282	2,017,473	2,405,849	1,049,522	14,996	-	156,320,638

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

* **Land and buildings**

Company	Freehold land RM	Long term leasehold land RM	Buildings RM	Buildings-in-progress RM	Total RM
Cost					
At 1 January 2017	20,678,697	25,158,494	83,006,418	510,374	129,353,983
Additions	22,648,003	-	50,612	723,406	23,422,021
At 31 December 2017 and 1 January 2018	43,326,700	25,158,494	83,057,030	1,233,780	152,776,004
Additions		-	695,317	525,448	1,220,765
At 31 December 2018	43,326,700	25,158,494	83,752,347	1,759,228	153,996,769
Accumulated depreciation					
At 1 January 2017	-	975,335	13,233,678	-	14,209,013
Charge for the year	-	327,118	1,693,357	-	2,020,475
At 31 December 2017 and 1 January 2018	-	1,302,453	14,927,035	-	16,229,488
Charge for the year	-	328,082	1,712,591	-	2,040,673
At 31 December 2018	-	1,630,535	16,639,626	-	18,270,161
Net book value					
At 31 December 2018	43,326,700	23,527,959	67,112,721	1,759,228	135,726,608
At 31 December 2017	43,326,700	23,856,041	68,129,995	1,233,780	136,546,516

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

(a) Certain assets of the Company with net book value amounting to RM122,733,526 (2017: RM129,018,878) are pledged to financial institutions for banking facilities granted to the Company as disclosed in Note 22.

(b) As at 31 December 2018, certain property, plant and equipment of a subsidiary with net book value of approximately RM3,326,323 (2017: RM3,400,306) are pledged to financial institutions for banking facilities granted to the subsidiary as disclosed in Note 22.

(c) Net book value of motor vehicles of the Group which are held under finance lease arrangements as at reporting date amounted to RM101,370 (2017: RM14,933).

12. Goodwill

	Group	
	2018 RM	2017 RM
At 1 January		
Gross carrying amount:		
- As previously stated	478,445	310,993
- Effects of adopting MFRS	-	167,452
	478,445	478,445
Accumulated amortisation:		
- As previously stated	-	167,452
- Effects of adopting MFRS	-	(167,452)
	-	-
At 31 December	478,445	478,445
At 31 December:		
Gross carrying amount	574,702	574,702
Accumulated impairment loss	(96,257)	(96,257)
Net carrying amount	478,445	478,445

The goodwill is attributed primarily to expected synergies arising from combining operations of the acquired subsidiaries with those of the Group.

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13. Course development

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
At 1 January 2018:				
- Gross carrying amount	474,872	360,385	271,499	198,312
- Accumulated amortisation	(155,097)	(148,473)	-	-
- Net carrying amount	319,775	211,912	271,499	198,312
Additions	-	114,487	-	73,187
Amortisation included in administrative expenses (Note 6)	(13,060)	(6,624)	-	-
At 31 December 2018:				
- Gross carrying amount	474,872	474,872	271,499	271,499
- Accumulated amortisation	(168,157)	(155,097)	-	-
- Net carrying amount	306,715	319,775	271,499	271,499

The course development consists of costs relating to the development of specific English and Mandarin language programmes for use in the Company's and a subsidiary's operations.

The course development is amortised over 5 to 10 years commencing from the year in which the programmes have been fully developed, used and applied in the Company's and a subsidiary's operations.

14. Investment in subsidiaries

	Company	
	2018	**2017**
	RM	**RM**
Unquoted shares in Malaysia, at cost:		
At 1 January and 31 December	4,193,287	4,193,287

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14 Investment in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of company	Principal place of business	Parent's effective ownership 2018 %	Parent's effective ownership 2017 %	Principal activities
Direct subsidiaries:				
R.E.A.L. Kids (Ampang) Sdn. Bhd.	Malaysia	100	100	Operating and provision of management services for kindergarten cum day-care centre
R.E.A.L. Education Corporation Sdn. Bhd.	Malaysia	100	100	Operating and provision of management services for kindergarten cum day-care centre
Cambridge Education For Life Sdn. Bhd.	Malaysia	80	80	Investment holding
R.E.A.L. Education International Sdn. Bhd.	Malaysia	100	100	Dormant
Cambridge Children's House Sdn. Bhd.	Malaysia	100	100	Dormant
Indirect subsidiary:				
Cambridge English For Life Sdn. Bhd. - held by Cambridge Education For Life Sdn. Bhd.	Malaysia	100	100	Provision of English language education

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14 Investment in subsidiaries (cont'd.)

Financial information of a subsidiary that has material non-controlling interests are provided below:

(i) Summarised statement of financial position:

	Cambridge Education For Life Sdn. Bhd.	
	2018	**2017**
	RM	**RM**
Non current assets	5,460,673	2,837,639
Current assets	7,046,030	4,295,480
Total assets	12,506,703	7,133,119
Non current liability	3,381,640	-
Current liabilities	2,737,708	2,284,754
	6,119,348	2,284,754
Net assets	6,387,355	4,848,365
Equity attributable to owners of the Company	5,109,884	3,878,692
Non controlling interest	1,277,471	969,673
	6,387,355	4,848,365

(ii) Summarised statement of profit or loss:

	Cambridge Education For Life Sdn. Bhd.	
	2018	**2017**
	RM	**RM**
Revenue	11,314,933	11,046,525
Profit for the year	1,538,991	1,059,435
Profit attributable to owners of the Company	1,231,193	847,548
Profit attributable to non-controlling interests	307,798	211,887
Total comprehensive profit	1,538,991	1,059,435

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14 Investment in subsidiaries (cont'd.)

(iii) Summarised statement of cash flows:

	Cambridge Education For Life Sdn. Bhd.	
	2018	**2017**
	RM	**RM**
Net cash generated from operating activities	117,988	1,709,193
Net cash used in investing activities	(3,929,479)	(1,022,594)
Net cash generated from financing activities	3,430,799	-
Net (decrease)/increase in cash and cash equivalent	(380,692)	686,599
Cash and cash equivalents at the beginning of the year	2,233,892	1,547,293
Cash and cash equivalents at the end of the year	1,853,200	2,233,892

15. Investment in an associate

	Group	
	2018	**2017**
	RM	**RM**
Unquoted shares in Malaysia, at cost:		
At 1 January and 31 December	1	1

Details of the associate are as follows:

Name of associate	Principal place of business	Ownership interest 2018 %	Ownership interest 2017 %	Principal activitity
Pusat Bahasa Cambridge English For Life Sdn. Bhd.	Malaysia	30	30	Providing educational services

The Group has not recognised losses relating to the associate where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date was RM2,702 (2017: RM16,148) of which RM13,446 was the share of the current year's profits.

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15. Investment in an associate (cont'd.)

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

	2018 RM	2017 RM
Assets and liabilities		
Current assets, representing total assets	42,473	5,001
Current liabilities, representing total liabilities	14,934	22,283
Net assets/(liabilities)	27,539	(17,282)
Results		
Revenue	68,000	-
Profit/(loss) for the year	44,820	(4,742)

16. Deferred tax (asset)/liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At 1 January	5,791,364	4,653,708	5,769,552	4,572,588
Recognised in income statement (Note 9)	(1,553,800)	1,137,656	(1,476,544)	1,196,964
At 31 December	4,237,564	5,791,364	4,293,008	5,769,552
Presented after appropriate offsetting as follows:				
Deferred tax asset	(118,725)	(182,121)	-	-
Deferred tax liabilities	4,356,289	5,973,485	4,293,008	5,769,552
	4,237,564	5,791,364	4,293,008	5,769,552

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16. Deferred tax (asset)/liabilities (cont'd.)

The components and movements of deferred tax liabilities and asset during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM
At 1 January 2017	10,681,167
Recognised in income statement	499,108
At 31 December 2017	11,180,275
Recognised in income statement	202,290
At 31 December 2018	11,382,565

Deferred tax assets of the Group:

	Other temporary differences RM
At 1 January 2017	(6,027,459)
Recognised in income statement	638,548
At 31 December 2017	(5,388,911)
Recognised in income statement	(1,756,090)
At 31 December 2018	(7,145,001)

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16. Deferred tax (asset)/liabilities (cont'd.)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM
At 1 January 2017	10,507,729
Recognised in income statement	450,652
At 31 December 2017	10,958,381
Recognised in income statement	85,526
At 31 December 2018	11,043,907

Deferred tax assets of the Company:

	Other temporary differences RM
At 1 January 2017	(5,935,141)
Recognised in income statement	746,312
At 31 December 2017	(5,188,829)
Recognised in income statement	(1,562,070)
At 31 December 2018	(6,750,899)

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16. Deferred tax (asset)/liabilities (cont'd.)

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

	Group	
	2018	2017
	RM	RM
Unutilised tax losses	1,209,082	1,209,082

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

17. Inventories

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At costs:				
Books and materials	1,731,338	1,739,556	1,074,788	1,044,917
Uniforms and sportswears	549,436	762,086	540,773	735,380
Others	279,033	567,655	228,428	491,241
	2,559,807	3,069,297	1,843,989	2,271,538

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM3,576,462 and RM1,758,710 (2017: RM3,026,397 and RM1,338,534) respectively.

18. Trade and other receivables

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Current					
Trade receivables					
Third parties		3,207,027	2,514,792	1,772,189	1,674,495
Less: Allowance for impairment losses		(300,140)	(235,632)	(300,140)	(184,712)
Trade receivables, net	(a)	2,906,887	2,279,160	1,472,049	1,489,783

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18. Trade and other receivables (cont'd.)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current					
Other receivables					
Due from subsidiaries	(b)	-	-	1,153,394	1,139,933
Due from an associate	(b)	-	11,083	-	-
Due from related companies	(b)	7,215,843	-	7,215,843	-
Other receivables, deposits and prepayments		3,059,414	6,512,528	2,073,880	6,027,159
		10,275,257	6,523,611	10,443,117	7,167,092
Total current trade and other receivables		13,182,144	8,802,771	11,915,166	8,656,875

(a) Trade receivables

The Group's normal credit term ranges from 30 to 60 days (2017: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Neither past due nor impaired	726,289	734,780	183,587	182,538
1 to 60 days past due not impaired	751,485	281,336	199,496	140,734
61 to 120 days past due not impaired	1,000,454	1,189,588	790,324	1,097,149
More than 121 days past due not impaired	428,659	73,456	298,642	69,362
Impaired	300,140	235,632	300,140	184,712
	3,207,027	2,514,792	1,772,189	1,674,495

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18. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company has trade receivables amounting to RM2,180,598 and RM1,288,462 (2017: RM1,544,380 and RM1,307,245) that are past due at the reporting date but not impaired. These amounts are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Trade receivables - nominal amounts	300,140	235,632	300,140	184,712
Less: Allowance for impairment losses	(300,140)	(235,632)	(300,140)	(184,712)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 1 January	(235,632)	(108,498)	(184,712)	(84,168)
Charged for the year (Note 6)	(300,140)	(127,134)	(300,140)	(100,544)
Reversal during the year (Note 6)	197,462	-	184,712	-
Written off during the year	38,170	-	-	-
At 31 December	(300,140)	(235,632)	(300,140)	(184,712)

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18. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

(b) Other receivables

The amounts due from subsidiaries, an associate, related companies are unsecured, interest-free and are repayable on demands.

19. Cash and bank balances

The Group's cash management policy is to use cash and bank balances and short-term trade financings to manage cash flows to ensure sufficient liquidity to meet the Group's obligations. The components of cash and cash equivalents consist of:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	6,757,499	12,899,886	5,204,247	11,323,864
Cash and bank balances	12,894,243	14,118,916	11,547,408	13,319,701
Total cash and bank balances	19,651,742	27,018,802	16,751,655	24,643,565
Less: Deposits placed for a period of more than three months	(6,204,247)	(11,375,515)	(5,204,247)	(11,323,864)
Total cash and cash equivalents	13,447,495	15,643,287	11,547,408	13,319,701

The weighted average effective interest rate of deposits with licensed banks at the reporting date of the Group and of the Company were 4.08% (2017: 4.07%) and 4.20% (2017: 4.09%) respectively.

The average maturity of deposits with licensed banks of the Group and of the Company were 265 (2017: 282) and 354 (2017: 285) days respectively.

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20. Trade and other payables

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Current					
Trade payables					
Third parties	(a)	1,721,110	2,477,443	997,803	2,259,962
Other payables					
Acceptance deposits		12,488,438	14,707,796	12,183,857	14,440,966
Other payables and accruals		9,237,198	11,935,883	7,824,463	10,258,326
Due to subsidiaries	(b)	-	-	4,158,206	2,808,444
Due to ultimate holding company	(b)	232,033	-	232,033	-
Due to a related company	(b)	6,239	-	6,239	-
Due to an associate company	(b)	22,525	-	-	-
		21,986,433	26,643,679	24,404,798	27,507,736
Total current trade and other payables		23,707,543	29,121,122	25,402,601	29,767,698

(a) Trade payables

The normal credit terms granted to the Group and the Company ranges from 30 to 90 (2017: 30 to 90) days.

(b) Other payables

The amounts due to ultimate holding company, subsidiaries, a related company and an associate company are unsecured, interest-free and are repayable on demand.

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R.E.A.L. Education Group Sdn. Bhd.
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21. Contract liability

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fees in advance	30,131,684	32,111,889	28,462,392	30,514,873

Set out below is the amount of revenue recognised from:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Amount included in contract liability at the beginning of the year.	32,111,889	34,780,291	30,514,873	33,202,856

The transaction price allocated to the unsatisfied performance obligations of the Group and of the Company as at 31 December 2018 are RM30,131,684 and RM28,462,392 respectively. The remaining performance obligations are 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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22. Loans and borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Non-current				
Secured:				
Term loans	64,557,352	60,458,318	61,223,112	59,726,671
Hire purchase and finance lease payables (Note 23)	47,400	1,459	-	1,459
	64,604,752	60,459,777	61,223,112	59,728,130
Current				
Secured:				
Term loans	6,266,889	6,196,616	6,253,703	6,002,249
Hire purchase and finance lease payables (Note 23)	35,973	14,329	-	14,329
	6,302,862	6,210,945	6,253,703	6,016,578
Total loans and borrowings	70,907,614	66,670,722	67,476,815	65,744,708
Maturity of loans and borrowings (excluding hire purchase and finance lease):				
Within 1 year	6,266,889	6,196,616	6,253,703	6,002,249
More than 1 year and less than 2 years	6,726,175	6,248,883	6,202,718	6,025,466
More than 2 years and less than 5 years	20,031,463	17,844,413	17,220,661	17,336,183
5 years or more	37,799,714	36,365,022	37,799,733	36,365,022
	70,824,241	66,654,934	67,476,815	65,728,920

The weighted average effective interest rates at the reporting date for loans and borrowings (excluding hire purchase and finance lease payables) were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
Term loans (% per annum)	5.11	5.17	5.18	5.10

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R.E.A.L. Education Group Sdn. Bhd.
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22. Loans and borrowings (cont'd.)

The borrowings are secured by way of:

(i) debentures incorporating fixed and floating charges over certain assets of the Company as disclosed in Note 11;

(ii) legal charges over certain land and buildings of the Group as disclosed in Note 11; and

(iii) joint and several guarantees by certain directors of the Group.

23. Hire purchase and finance lease payables

	Group	
	2018	2017
	RM	RM
Minimum lease payments:		
Within one year	39,120	12,145
More than 1 year but not later than 2 years	39,120	113
More than 2 years but not later than 5 years	9,744	-
	87,984	12,258
Less: Future finance charges	(4,611)	3,530
Present value of finance lease liabilities	83,373	15,788
Present value of finance lease liabilities:		
Not later than 1 year	35,973	12,145
More than 1 year but not later than 2 years	37,729	3,643
More than 2 years but not later than 5 years	9,671	-
	83,373	15,788
Analysed as:		
Due within 12 months (Note 22)	35,973	14,329
Due after 12 months (Note 22)	47,400	1,459
	83,373	15,788

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23. Hire purchase and finance lease payables (cont'd.)

	Company 2018 RM	2017 RM
Minimum lease payments:		
Within one year	-	12,145
More than 1 year and not later than 2 years	-	113
	-	12,258
Less: Future finance charges	-	3,530
Present value of finance lease liabilities	-	15,788
Present value of finance lease liabilities:		
Within one year	-	12,145
More than 1 year and not later than 2 years	-	3,643
	-	15,788
Analysed as:		
Due within 12 months (Note 21)	-	14,329
Due after 12 months (Note 21)	-	1,459
	-	15,788

The Group's hire purchase and lease liabilities bore interest at the reporting date at rate of 4.72% (2017: 2.43%) per annum.

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24. Share capital

	Group and Company			
	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Authorised share capital				
Ordinary shares	-	20,000,000	-	20,000,000
Irredeemable cumulative convertible preference shares	-	5,000,000	-	5,000,000
Less: Abolishment under Companies Act 2016	-	(25,000,000)	-	(25,000,000)
At 1 January/31 December	-	-	-	-
Issued and fully paid				
Ordinary shares:				
At 1 January	10,813,000	10,813,000	11,869,267	10,813,000
Transfer pursuant to Section 618(2) of Companies Act 2016	-	-	-	1,056,267
At 31 December	10,813,000	10,813,000	11,869,267	11,869,267

Under Companies Act 2016 in Malaysia, which came into effect on 31 January 2017, the concept of authorised share capital is no longer applicable.

In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's share no longer have a par or nominal value with effect from 31 January 2017.

Pursuant to Section 618(2) of the Companies Act 2016 in Malaysia, the amount standing to the credit of the Company's share premium account became part of the Company's share capital. There is no impact on the number of shares in issue or the relative entitlement of any members of the Company as a result of this transition.

The holder 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.

25. Retained profits

The Company may distribute dividends out of its entire retained profits as at 31 December 2018 under the single tier system.

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26. Related party disclosures

(a) Control relationship

In addition to the significant 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:

Related parties	Relationship
Paramount Corporation Berhad ("PCB")	Ultimate Holding Company
R.E.A.L. Education International Sdn. Bhd. ("REI")	A subsidiary of the Company
R.E.A.L. Kids (Ampang) Sdn. Bhd. ("RKA")	A subsidiary of the Company
R.E.A.L. Education Corporation Sdn. Bhd. ("REC")	A subsidiary of the Company
Cambridge Children's House Sdn. Bhd. ("CCH")	A subsidiary of the Company
Cambridge Education For Life Sdn. Bhd. ("Cam. Edu")	A subsidiary of the Company
Cambridge English For Life Sdn. Bhd. ("CEFL")	A subsidiary of Cam.Edu
Pusat Bahasa Cambridge English For Life Sdn. Bhd.	An associate of Cam.Edu
R.E.A.L. SSS Land Sdn. Bhd. ("RSSL")	A Company in which a director has interest
R.E.A.L. SSS Property Sdn. Bhd. ("RSSP")	A Company in which a director has interest
Character First Sdn. Bhd. ("CF")	A Company in which a director has interest
CNS Corporation Sdn. Bhd. ("CNS")	A Company in which a director has interest
CF Land Sdn. Bhd. ("CFLand")	A Company in which a director has interest

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26. Related party disclosures (cont'd.)

(b) Related party transactions

In addition to the significant 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:

	Group 2018 RM	Group 2017 RM
Management fee from:		
- CF	(3,600)	(3,600)
- RKA	(110,353)	(110,353)
- REC	(94,000)	(94,000)
- CEFL	(120,000)	-
Management fee to:		
- PCB	848,109	-
Rental paid to:		
- CF	-	559,998
- CNS	150,000	180,000
- CFLand	252,000	252,000
Purchase of books and materials from CEFL	-	143,575
Purchase of land from RSSL	-	12,641,787
Purchase of land from RSSP	-	9,358,213

The directors are of the opinion that all the transactions above have been entered into the normal course of business and have been established on terms and conditions that are mutually agreed.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 and 31 December 2017 are disclosed in Note 18 and Note 20.

(c) Key management personnel compensation

The Group's and the Company's directors and other key management compensation as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Short term employee benefits	1,240,820	849,046	1,000,820	632,217
Defined contribution plan	127,326	97,600	98,526	69,520
	1,368,146	946,646	1,099,346	701,737

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company.

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27. Classification of financial instruments

The table below provides an analysis of financial statements categorised as follows:

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade receivables	18	2,906,887	2,279,160	1,472,049	1,489,783
Other receivables (other than prepayment)	18	2,357,149	2,461,036	1,892,902	2,192,251
Due from subsidiaries	18	-	-	1,153,394	1,139,933
Due from associate company	18	-	11,083	-	-
Due from related company	18	7,215,843	-	7,215,843	-
Cash and bank balances	19	19,651,742	27,018,802	16,751,655	24,643,565
Total financial assets carried at amortised cost		32,131,621	31,770,081	28,485,843	29,465,532
Trade payables	20	1,721,110	2,477,443	997,803	2,259,962
Other payables	20	21,725,636	26,643,679	20,008,320	24,699,292
Due to holding company	20	232,033	-	232,033	-
Due to subsidiaries company	20	-	-	4,158,206	2,808,444
Due to an associate company	20	22,525	-	-	-
Due to a related company	20	6,239	-	6,239	-
Loans and borrowings	22	70,907,614	66,670,722	67,476,815	65,744,708
Total financial liabilities carried at amortised cost		94,615,157	95,791,844	92,879,416	95,512,406

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28. Commitments

(a) Capital commitments

Capital commitments relate to the Group's commitments for capital expenditures for the acquisitions and development of plant and equipment. At the end of the year, the Group has made commitments for the following capital expenditures.

	Group	
	2018	**2017**
	RM	**RM**
Approved and contracted for		
Property, plant and equipment	1,380,046	3,515,321

(b) Non-cancellable operating lease commitments - Group and Company as lessee

The Group and the Company have entered into non-cancellable operating lease agreements for the use of premises. These leases have an average lease terms of between one and three years with renewal option included in contracts. There are no restrictions placed upon the Group and the Company by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at reporting date but not recognised as liabilities are as follows:

	Group and Company	
	2018	**2017**
	RM	**RM**
Rentals payable for:		
Buildings	5,584,521	2,156,048
Future minimum rentals payable:		
Not later than 1 year	2,771,547	1,170,024
Later than 1 year and not later than 5 years	2,812,974	986,024
	5,584,521	2,156,048

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29. Fair values of assets and liabilities

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade receivables (current & non current)	18
Other receivables (current)	18
Cash and bank	19
Trade and other payables (current)	20
Borrowings (current & non current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

30. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Board Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, other receivables and amounts due from subsidiary and an associate. For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with reputable licensed banks.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position and the Group and the Company have no significant concentration of credit risk.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from payables, amount due to a fellow subsidiary and borrowings.

The Group and the Company manage liquidity risk by maintaining sufficient cash to ensure that they will always have sufficient liquidity to meet its liabilities as and when they fall due.

Analysis of financial instruments by remaining contractual maturities

	2018 RM			
	On demand or within one year	**One to five years**	**More than five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	23,707,543	-	-	23,707,543
Borrowings	10,040,561	60,781,808	56,932,537	127,754,906
Total undiscounted financial liabilities	33,748,104	60,781,808	56,932,537	151,462,449
Company				
Financial liabilities:				
Trade and other payables	25,402,601	-	-	25,402,601
Borrowings	9,831,812	59,477,898	52,345,259	121,654,969
Total undiscounted financial liabilities	35,234,413	59,477,898	52,345,259	147,057,570

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

(b) Liquidity risk (cont'd.)

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

	2017 RM			
	On demand or within one year	**One to five years**	**More than five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	29,121,122	-	-	29,121,122
Borrowings	10,040,561	36,366,494	52,345,259	98,752,314
Total undiscounted financial liabilities	39,161,683	36,366,494	52,345,259	127,873,436
Company				
Financial liabilities:				
Trade and other payables	29,767,698	-	-	29,767,698
Borrowings	9,831,812	36,366,494	52,345,259	98,543,565
Total undiscounted financial liabilities	39,599,510	36,366,494	52,345,259	128,311,263

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

At the reporting date, the Group and the Company do not have any significant interest rate exposure.

31. Capital management

The primary objective of the Group's and the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group and the Company manage its capital structure and makes adjustments to it, in line with changes in economic condition. To maintain or adjust its capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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31. Capital management (cont'd.)

The Group monitors capital using debt to equity ratio, which is total debts divided by total equity.

	Group	
	2018	**2017**
Total debts	129,521,964	133,877,218
Total equity	72,491,554	70,490,495
Debts to equity ratio	1.79	1.90

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.

All information relating to Prestigion Education, Prestigion Education II, Datuk Ganen, Tunku Ali and the TPG Group were information provided by the directors and/ or management of Prestigion Education. Therefore, the responsibility of the Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTERESTS

RHBIB

RHBIB, being the Principal Adviser for the Proposed Disposal, 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.

RHBIB, 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 RHBIB), had in its ordinary course of business granted credit facilities to Paramount Group of up to RM897.12 million for general investment and working capital purposes ("**Credit Facilities**"). As at 31 July 2019, the Credit Facilities has an outstanding amount of approximately RM637.63 million. RHB Bank's exposure to Paramount Group represents approximately 3.84% of the audited consolidated net assets of RHB Bank of approximately RM23,357.99 million as at 31 December 2018.

Notwithstanding the above, RHBIB 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 Disposal on the basis as set out below:

(a) the Credit Facilities are 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 are granted for general investment and working capital purposes and is not conditional upon the Proposed Disposal;

(c) the appointment of RHBIB as the Principal Adviser to Paramount for the Proposed Disposal is in the ordinary course of business as a licensed investment bank. RHBIB does not have any interests in the Proposed Disposal 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 RHBIB's Corporate Finance Department is strictly regulated by the Securities Commission Malaysia, 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 RHBIB 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 medium-term notes) 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 RHBIB in respect of any credit application process undertaken by other departments within RHB Banking Group.

Rothschild & Co.

Rothschild & Co., being the Sole Financial Adviser in relation to the Proposed Disposal, 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.

Rothschild & Co. has also given its written confirmation that there is no conflict of interests which exists or is likely to exist in relation to its role as the Sole Financial Adviser in relation to the Proposed Disposal.

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	8,344
Property, plant and equipment	
• Authorised and contracted for	62,865
• Authorised and not contracted for	8,602
	71,467
Development rights	
• Authorised and contracted for	113,000
Total	**192,811**

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 involved in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of Paramount and the Board is not aware of any proceeding, pending or threatened, against the Group or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

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;

(ii) audited consolidated financial statements of the Company for the FYE 31 December 2017 and the FYE 31 December 2018 and the latest unaudited quarterly financial report of the Company for the six (6)-month FPE 30 June 2019;

(iii) audited financial statements of the Target Companies for the FYE 31 December 2017 and the FYE 31 December 2018;

(iv) audited consolidated financial statements of REAL Education for the FYE 31 December 2017 and the FYE 31 December 2018;

(v) the letters of consent referred to in Section 2 of this Appendix;

(vi) the SPA;

(vii) the SHA; and

(viii) the material contracts referred to in Sections 7(ii) and 7(iii) of Appendix II of this Circular and Section 7(ii) of Appendix III of this Circular.

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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 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 13 September 2019 at 11.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing the following ordinary resolution with or without modifications:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF CONTROLLING EQUITY INTERESTS IN PARAMOUNT EDUCATION SDN BHD ("PESB"), PARAMOUNT EDUCATION (KLANG) SDN BHD ("PEKSB") AND SRI KDU SDN BHD ("SRI KDU"), BEING WHOLLY-OWNED SUBSIDIARIES OF PARAMOUNT, TO PRESTIGION EDUCATION SDN BHD (FORMERLY KNOWN AS TWO HORSES CAPITAL SDN BHD) ("PRESTIGION EDUCATION" OR "PURCHASER") FOR AN INDICATIVE TOTAL CASH CONSIDERATION OF RM540,500,000, SUBJECT TO ADJUSTMENT ("PROPOSED DISPOSAL")

"**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 conditional share sale and purchase agreement that the Company had entered into with Character First Sdn Bhd and Prestigion Education on 19 June 2019 ("**SPA**") 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 PESB, PEKSB and Sri KDU through the disposal of:

(i) 130,339,000 ordinary shares in PESB, representing 69.7% equity interest in PESB, for an indicative cash consideration of RM134,500,000;

(ii) 800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB, for an indicative cash consideration of RM21,000,000; and

(iii) 1,800,000 ordinary shares in Sri KDU, representing 80.0% equity interest in Sri KDU (after the internal restructuring), for an indicative cash consideration of RM385,000,000;

amounting to an indicative total cash consideration of RM540,500,000, subject to such adjustments as may be made in accordance with the terms of the SPA and described in Section 1.2 of Appendix VI of the circular to shareholders dated 28 August 2019 (the "**Circular**").

THAT 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 power to enter into, deliver and execute all such agreements, arrangements, undertakings, indemnities, guarantees, transfers and/ or assignments or any document with any party or parties, as may be necessary in connection with the Proposed Disposal, to negotiate, approve and/ or 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 to exercise all of the Company's rights under the shareholders agreement dated 19 June 2019 entered into by the Company with Prestigion Education, Prestigion Education II Sdn Bhd (formerly known as Two Peaks Capital Sdn Bhd), PESB, PEKSB and Sri KDU ("**SHA**") and to dispose of the Call Option Shares and Put Option Shares, as set out in the SHA and described in Appendix VI of the Circular.

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, the SHA and all letters, undertakings, confirmation and documents drawn up in connection therewith."

BY ORDER OF THE BOARD

NG WAI PENG (MAICSA 7014112)
Secretary

Petaling Jaya
Selangor Darul Ehsan
28 August 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 in 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 Act. 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 5 September 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 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 13 September 2019 at 11.00 a.m. and at any adjournment thereof.

I/ We direct my/ our proxy to vote (see Note 5) for or against the resolution to be proposed at the meeting as hereunder indicated:

		FOR	AGAINST
Ordinary Resolution	**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 in 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 Act. 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 the 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 5 September 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