PARAMOUNT

Building For Tomorrow

ANNUAL REPORT 2019

IN THIS REPORT

50th

ANNUAL GENERAL MEETING

Full virtual AGM and online remote voting via https://tiih.online.

Thursday

25 June 2020, 10 a.m.

COVER RATIONALE

Building For Tomorrow

At Paramount, we constantly strive to raise standards and push boundaries to consistently deliver high value, customised innovation and unparalleled quality to our customers and stakeholders.

SCAN THE QR CODE FOR A SOFTCOPY OF THE ANNUAL REPORT

THE COMPANY

THE STORY

HOW WE ARE GOVERNED

THE FINANCIALS

OTHER INFORMATION

THE COMPANY

HOW WE CREATE VALUE

OUR VISION

CHANGING LIVES AND ENRICHING COMMUNITIES FOR A BETTER WORLD.

OUR MISSION

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

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

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

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

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

CORE VALUES

TRUST

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

RESPECT

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

INTEGRITY

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

BRAVERY

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

ENERGY

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

T.R.I.B.E

GROUP CORPORATE STRUCTURE

As at 8 May 2020

SUBSIDIARIES

100% Aneka Sepakat Sdn Bhd

100% Berkeley Sdn Bhd

100% Berkeley Maju Sdn Bhd

100% Broad Projects Sdn Bhd

100% Carp Legacy Sdn Bhd

100% Janahasil Sdn Bhd

100% Jasarim Bina Sdn Bhd

100% KDU Management Development Centre Sdn Bhd

100% Kelab Bandar Laguna Merbok Sdn Bhd

100% Magna Intelligent Sdn Bhd

100% Paramount Capital Resources Sdn Bhd

100% Paramount Construction Sdn Bhd

100% Paramount Construction (PG) Sdn Bhd

100% Paramount Coworking Sdn Bhd

100% Paramount Engineering & Construction Sdn Bhd

100% Paramount FoodPrint Sdn Bhd

100% Paramount Global Sdn Bhd

100% Paramount Global Investments Pty Ltd

100% Paramount Globalcom Sdn Bhd

100% Paramount Greencity Sdn Bhd

100% Paramount Investments & Properties Pty Ltd

100% Paramount Property (Cityview) Sdn Bhd

100% Paramount Property (Cjaya) Sdn Bhd

100% Paramount Property Construction Sdn Bhd

100% Paramount Property Development Sdn Bhd

100% Paramount Property (Glenmarie) Sdn Bhd

100% Paramount Property Holdings Sdn Bhd

100% Paramount Property (PG) Sdn Bhd

100% Paramount Property (PW) Sdn Bhd

100% Paramount Property (Seaview) Sdn Bhd

100% Paramount Property (Sekitar 26 Enterprise) Sdn Bhd

100% Paramount Property (Sepang) Sdn Bhd

100% Paramount Property (Utara) Sdn Bhd

100% Paramount Utropolis Retail Sdn Bhd

100% Seleksi Megah Sdn Bhd

100% Utropolis Sdn Bhd

99% Paramount Property (Lakeside) Sdn Bhd

70% Gardens of Hope Sdn Bhd

ASSOCIATES

50% VIP Paramount Pty Ltd

49% Navarang Charoennakhon Company Limited

45% Super Ace Resources Sdn Bhd

35% UOW Malaysia KDU University College Sdn Bhd

35% UOW Malaysia KDU University College (PG) Sdn Bhd

30.3% Paramount Education Sdn Bhd

20% Paramount Education (Klang) Sdn Bhd

20% Sri KDU Sdn Bhd

CORPORATE PROFILE

ATWATER

Paramount Corporation Berhad (**Paramount** or **the Company**), is a property company listed on the Main Market of Bursa Malaysia Securities Berhad (**Bursa Securities**). In 2019, it had two core businesses – property development and education services – under the Paramount Property and Paramount Education brands respectively.

Having divested its controlling stakes in its tertiary and pre-tertiary education businesses in September 2019 and February 2020 respectively, Paramount is now fully focused on property development and related businesses.

Incorporated on 15 April 1969 as a public limited company under the name Malaysia Rice Industries Berhad, the Company was then principally involved in the business of rice milling. It was listed on the then Kuala Lumpur Stock Exchange on 15 July 1971.

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

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

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

50 YEARS
PARAMOUNT

PROPERTY BUSINESS

PARAMOUNT PROPERTY
The People's Developer™

Paramount Property continues to grow its reputation as the people's developer by designing and building homes and commercial properties with customers in mind. Its excellent track record of delivering high-quality homes and commercial properties on time has endeared it to many customers.

As the people's developer, Paramount Property also ensures that the customer journey does not end upon the delivery of vacant possesion. Its customer service team ensures that customer concerns and interests are taken care of. Today, Paramount has also embraced property technology to enhance the customer experience.

This customer-centric approach is replicated in all its other product offerings, from school and university college campuses to industrial properties. Thus, all properties and their surroundings are designed and delivered with beauty, practicality, and sustainability in mind.

Paramount ensures that its developments, whether on a small plot or a township, should always contribute towards enriching the communities it is building for, in their wellness and lifestyle needs. Today, Paramount is even going into urban rejuvenation.

To continue creating high-value addresses, Paramount continues to grow its land bank and seek like-minded joint-venture partners who share the same values.

Getting on board the new shared economy, Paramount has also ventured into the coworking space business. This offers the Group recurring income and supports the take-up of space in commercial properties.

FROM TOWNSHIPS TO INTEGRATED DEVELOPMENTS

Paramount Property's first property development project, Taman Patani Jaya in Sungai Petani, Kedah, was launched in 1981 and had established industry benchmarks in township design and planning. This gave Paramount the impetus to forge ahead with subsequent developments like the award-winning Bandar Laguna Merbok township, a luxury riverside residential address with Kedah's first gated-and-guarded community. In 2012, the launch of Bukit Banyan, a hillside development built on 520 acres of land, further cemented Paramount's position as the preferred developer in Sungai Petani.

Chengal House at Sejati Residences

In line with Paramount's strategy to expand into high growth areas, the Company achieved a milestone when it acquired 524.7 acres of freehold land in the Klang Valley in June 2003. Paramount Property's first township in the Klang Valley, Kemuning Utama, is today a mature, self-contained township which is also home to Paramount Property's first high-rise development, KU Suites.

Paramount Property has since expanded its footprint to other parts of the Klang Valley with Sejati Residences in Cyberjaya, a luxury residential development anchored by the iconic Chengal House clubhouse, ATWATER in Section 13, Petaling Jaya which is an integrated high-rise development with multi-generational living facilities, and Greenwoods Salak Perdana in Sepang, a 237-acre township development in the Klang Valley that offers wide spaces, tranquil parks and lush greenery.

Leveraging on its expertise in property development and education businesses, it launched Paramount Utropolis at Glenmarie, Shah Alam, a university metropolis anchored by UOW KDU University College. Similarly, the Utropolis Batu Kawan development is based on the integrated property and education concept.

CORPORATE PROFILE

This strategy is replicated at Paramount Property's new development, Berkeley Uptown Klang, which will be an integrated high-rise development anchored by Sri KDU International School.

The success of Sejati Residences has prompted the launch of Sejati Lakeside, a landed freehold residential development fronting a 45-acre lake at Cyberjaya, dubbed the *Ultimate Lakeside Living*.

Paramount Property has also built commercial and industrial property developments such as Surian Industrial Park in Kota Damansara and more recently, a boutique industrial development with an urban DNA called Sekitar26 in Shah Alam. Paramount Property headquarters is now situated at Sekitar26 Enterprise.

Sejati Lakeside

AN AWARD-WINNING DEVELOPER

2019		
FIABCI Malaysia Property Man of 2019	Dato' Teo Chiang Quan	FIABCI Malaysia Property Awards 2019
The Highest Returns to Shareholders Over Three Years in the Property Sector	Paramount Corporation Berhad	The Edge Centurion Club 2019
All-Star Top Ranked Developers of the Year	Paramount Property	StarProperty.my Awards 2019
The Northern Star Award, Best Northern Malaysia Development - Excellence	Utropolis Batu Kawan	StarProperty.my Awards 2019
The Starter Home Award, Best Affordable Home - Honours	Greenwoods, Salak Perdana	StarProperty.my Awards 2019
High Qlassic Achievement	Sejati Residences Phases 3A + 3B	Qlassic Construction Quality Excellence Awards 2019
Best Education Centric Development	Berkeley Uptown	PropertyInsight Prestigious Developer Awards 2019
GBI Silver, Non Residential New Construction Category	Wisma Paramount @ Bukit Banyan	Green Building Index (GBI)

2018		
Malaysia's Responsible Developer: Building Sustainable Development Award 2018	Paramount Property	EdgeProp Malaysia's Best Managed Property Awards 2018
All-Star Top Ranked Developers of the Year	Paramount Property	StarProperty.my Awards 2018
The Cornerstone Award (Best Landed Development) - Excellence	Sejati Residences	StarProperty.my Awards 2018
The Small is Big Award (Best Small Home Development) - Excellence	Utropolis Batu Kawan	StarProperty.my Awards 2018
The Family Friendly Award (The Best Family Centric Development from RM350K) - Merit	Bukit Banyan	StarProperty.my Awards 2018
Northern Star Award (Best Northern Malaysia Development) - Merit	Bukit Banyan	StarProperty.my Awards 2018
Landscape Development Award Developer Category (Honour Award)	Hill Park @ Bukit Banyan	Malaysia Landscape Architecture Awards 2018 (MLAA)
The Edge Property Top Developers Awards 2018 - Ranked 12	Paramount Property	The Edge Property Excellence Awards 2018
Members' Choice Awards 2018 Winners : Asia	Co-labs Coworking	The Coworker Members' Choice Awards
GreenRE Platinum (Non Residential Category)	Wisma Paramount @ Bukit Banyan	GreenRE
High Qlassic Achievement	Sejati Residences Phase 2A & 2B	Qlassic Construction Quality Excellence Awards 2018
High Qlassic Achievement	Wisma Paramount @ Bukit Banyan	Qlassic Construction Quality Excellence Awards 2018

Dato' Teo Chiang Quan receiving FIABCI Malaysia Property Man of 2019 Award

CORPORATE PROFILE

2017		
Overall Corporate Governance & Performance 2017	Paramount Corporation Berhad	MSWG's Excellence Award 2017
The Earth Conscious Award (Best Sustainable Development) - Excellence	Chengal House @ Sejati Residences	StarProperty.my Awards 2017
Purpose Built Category	Chengal House @ Sejati Residences	FIABCI World Prix d'Excellence Silver Awards 2017
3rd Prize for Public / Commercial Category	Chengal House @ Sejati Residences	Malaysian Wood Awards 2017
The Edge-PEPS Value Creation Excellence Award (Residential Category)	KU Suites @ Kemuning Utama	The Edge Property Excellence Awards 2017
The Edge Property Top Developers Awards 2017 - Ranked 14	Paramount Property	The Edge Property Excellence Awards 2017
The Edge Malaysia Pioneer Development Award 2017	KDU University College	The Edge Property Excellence Awards 2017
BrandLaureate Most Sustainable Brand Award 2016-2017	KDU University College	BrandLaureate Most Sustainable Brand Award 2016-2017

2016		
Best AGM	Paramount Corporation Berhad	MSWG Merit Award
All-Star Top Ranked Developers of the Year	Paramount Property	StarProperty.my Awards 2016
The Just-Walk Award (Best Integrated Development) - Honours	Paramount Utropolis, Glenmarie	StarProperty.my Awards 2016
High Qlassic Achievement	Chengal House @ Sejati Residences	Qlassic Construction Quality Excellence Awards 2016
Purpose Built Category	Chengal House @ Sejati Residences	FIABCI Malaysia Property Awards 2016
The Edge-PEPS Value Creation Excellence Award (Residential Category)	Kemuning Aman	The Edge Property Excellence Awards 2016
GreenRE Gold Award	Chengal House @ Sejati Residences	GreenRE Awards
GBI certified	KDU University College, Glenmarie	Green Building Index
Eco-Schools Green Flag	Sri KDU International School	Green Flag Award

2015		
Top Corporate Governance and Performance 2015	Paramount Corporation Berhad	MSWG Merit Award
Best Self-Sustained Development	Paramount Utropolis, Glenmarie	PropertyInsight Prestigious Developer Awards 2015
Best Boutique Development	Sejati Residences	PropertyInsight Prestigious Developer Awards 2015
Best Project Award, Small Project, Building Development Category	Chengal House @ Sejati Residences	Malaysian Construction Industry Excellence Awards 2015
Special Mention Award, Green Construction Category	Chengal House @ Sejati Residences	Malaysian Construction Industry Excellence Awards 2015
Honour Award, Professional Category of Landscape Design Award for a Malaysian Project	Chengal House @ Sejati Residences	Malaysia Landscape Architecture Awards 2015 (MLAA)

2013		
HR Asia's Best Companies	Paramount Corporation Berhad	HR Asia

2011		
Silver Award for Employer of Choice Category	Paramount Corporation Berhad	Malaysia HR Awards 2011

2006		
Specialised Project	Sekolah Sri KDU	FIABCI World Prix d'Excellence Awards 2006

2005		
Specialised Project	Sekolah Sri KDU	FIABCI Malaysia Property Awards

2004		
Best Residential Development	Bandar Laguna Merbok	FIABCI Malaysia Property Awards

CORPORATE PROFILE

Our Projects - Central

BERKELEY UPTOWN, Klang

- Berkeley Uptown is an integrated development in the centre of Klang town, designed with urban rejuvenation in mind.
- This freehold development spans across 33 acres of freehold land and will be anchored by the 5.3-acre Sri KDU International School (primary and secondary) where enrolment is targeted to begin in November 2020.
- Aside from the school, Berkeley Uptown will comprise serviced apartments, a commercial zone for retail, offices and a public park.
- Phase 1 of Uptown Residences comprises a range from smaller units for first-time home buyers (from 551 sq ft to 1,093 sq ft) to larger garden villa units (1,572 sq ft to 1,588 sq ft) for those with bigger families. These options offer the younger generation opportunities to live near their families in a matured neighbourhood.
- The development is strategically located close to well-established schools, commercial businesses, shopping malls, medical centres and other amenities.
- It also is well-connected to major hubs in the Klang Valley via major highways and Keretapi Tanah Melayu (KTM) trains, while the Light Railway Transit (LRT) 3 line, targeted for completion in 2020, will further improve accessibility.
- Launched in 2019; expected completion in 2028.

GREENWOODS SALAK PERDANA, Sepang

- Paramount Property's second township development in the Klang Valley is planned around the concept of *My Home*, *My Community*.
- A mixed township development on 237 acres of freehold land, with double-storey terrace houses and double-storey shop lots.
- Located at Salak Tinggi, Sepang, 6.2 km north of Bandar Salak Tinggi, and easily accessible via major highways as well as the Express Rail Line (ERL).
- Close to Xiamen University Malaysia, Nilai University, Mitsui Outlet Park, Horizon Village Outlets and Aeon Nilai.
- Phase 1, 96 Residences with 96 units of double-storey terrace houses (20' x 70'), was launched in November 2015.
- Greenwoods Belian, with 47 units of double-storey shop offices was launched in February 2017.
- In April 2018, Greenwoods Keranji was launched with 204 units of double-storey terrace houses (20' x 65'). This phase has garnered The Starter Home Award 2019 (Best Affordable Home) by The StarProperty.my.
- Greenwoods Keranji 2, double-storey terrace houses (20' x 70') was launched in September 2018.
- Launched in 2015; expected completion in 2027.

KEMUNING IDAMAN, Kemuning Utama, Shah Alam

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

KEMUNING IDAMAN

ATWATER SERVICED APARTMENTS AND CORPORATE OFFICE TOWERS, Petaling Jaya

- ATWATER is designed for young and old alike to *live life in free flow*.
- This is an integrated development on 5.09 acres of leasehold land; the commercial components will span across 2.96 acres while the balance of 2.13 acres will be occupied by serviced apartments.
- The development consists of 493 units of serviced apartments, 72 units of executive and premier office suites as well as 27 units of retail spaces. Paramount is applying for GreenRE and Multimedia Super Corridor status for the commercial towers.
- The development enjoys a North-South orientation that allows the smart use of natural light at maximum comfort.
- Complementing the functional spaces are water features, lush gardens and pocket parks, all designed to inspire peace, rest and relaxation amongst today's urban dwellers.
- Located in the mature neighborhood of Section 13, Petaling Jaya, ATWATER has an excellent network of highways and roads that connect to Kuala Lumpur and other suburbs. The availability of public transport such as buses, MRT and LRT will ease daily commutes to surrounding areas and beyond.
- The serviced residences units were launched in March 2018, and 99 units of office suites and retail spaces were launched in 2019; expected completion in 2022.

ATWATER

Our Projects - Central

SEJATI LAKESIDE CYBERJAYA

SEJATI LAKESIDE, Cyberjaya

- Sejati Lakeside is an all-landed residential development on 41.4 acres of prime freehold land, set against a panoramic 45 acres lake with 5 acres of landscaped vistas. Three separate landscaped parks form the nucleus of the development providing residents with ample space for recreational and sporting activities.
- A low-density development that comprises 3 phases of 418 units of landed homes: 2-storey terrace and superlink homes as well as 3-storey lakefront semi-detached homes.
- Non-strata with strata features (security, landscaping, etc) providing more flexibility to homeowners for home renovation.
- Homes are thoughtfully designed with practical layouts that invite natural lighting and cross ventilation. Sejati Lakeside homes offer sustainable features as well as vibrant ecosystem of flora & fauna which includes 1,000 trees of more than 20 species. The north-south orientation of homes also prevents excessive exposure to sunlight.
- Close by world class education hubs, shopping malls, sports and recreational centres, banks, hospitals, restaurants and commercial hubs.
- 1st phase was launched in the 4th quarter of 2019, which consists of 130 units 2-storey terrace homes. With a built-up area of 2,546 sq ft on a 22' x 70' land, each home comes with 4 spacious bedrooms with en-suite bathrooms; expected completion from 2021 to 2023.

Sejati RESIDENCES CYBERJAYA

SEJATI RESIDENCES, Cyberjaya

- Paramount's first high-end residential development with the concept of *inviting the outdoors in*.
- Anchored by Chengal House, an iconic clubhouse built using 200-year old upcycled chengal wood.
- 249 units of bungalows, semi-detached houses, courtyard villas and superlink properties on 40 acres of land.
- Located in Cyber 9, Cyberjaya, the development is just a 5-minute (2.2 km) drive from D'Pulze mall, 4 minutes (1.5 km) from the Multimedia University and less than a minute (100 m) from Tamarind Square.
- **An award winning development:**
  - 8th Malaysia Landscape Architecture Honour Awards 2015.
  - QLASSIC Achievement Award 2016 by Malaysia's Construction Industry Development Board.
  - 2016 FIABCI Award in the Purpose-Built category for Chengal House.
  - 2017 FIABCI World Prix D'Excellence Award in the Purpose-Built category for Chengal House.
  - Top award for being Earth Conscious at The StarProperty.my Awards 2017.
  - The Starproperty.my Awards 2018, Cornerstone Award (Best Landed Development) Category.
- Launched in 2013; expected completion in 2025.

SEKITAR 26 enterprise

SEKITAR 26 business

SEKITAR26, Shah Alam

- A 30-acre freehold development envisioned to be a thriving place of business and a vibrant destination for leisure.
- An integrated address with an urban DNA, contemporary designs and a lush landscape.
- Located along Persiaran Kuala Selangor, Shah Alam and adjacent to Hicom Glenmarie Industrial Park, the development is surrounded by the mature neighbourhoods of Section 26, Shah Alam, as well as USJ, Puchong and Kota Kemuning.
- The two phases launched are Sekitar26 Business and Sekitar26 Enterprise:
  - Sekitar26 Business is a boutique industrial development sitting on 13.2 acres of land. It comprises 38 units of 3-storey semi-detached industrial units and a unit of 3-storey detached industrial unit.
    - Launched in 2013 and completed in 2016.
  - Sekitar26 Enterprise is a commercial development sitting on 5.17 acres of land with interlinked walkways connecting all 7 blocks of 2-storey shop offices and pedestrian walkway to a block of 2-storey shop offices, all designed with dual frontage for maximum visibility and functional designs to suit a mixture of commercial uses.
    - Launched in 2017 and completed in 2019.
- Remaining development expected to be completed by 2026.

UTROPOLIS

UTROPOLIS GLENMARIE, Shah Alam

- The first time Paramount brought its two core businesses of property and education into one location, thus bringing to life its strength-through-synergy strategy.
- An integrated master planned university metropolis with a strong urban vibe sitting on 11.7 acres of freehold land.
- Anchored by the 10-acre UOW Malaysia KDU University College flagship campus.
- Located in Glenmarie, Shah Alam, the development is easily accessible via major highways and the Keretapi Tanah Melayu (KTM) and Light Rail Transit (LRT) railway systems.
- 1,484 units of serviced apartments, SOHOs and dual key residential apartments launched together with the 120,000-sq ft Utropolis Marketplace retail mall and a 4-star international business hotel under the Mercure brand.
- Winner of The StarProperty.my Just-Walk Award in 2016.
- Launched in 2013; expected completion in 2020.

CORPORATE PROFILE

Our Projects - Northern

BUKIT BANYAN, Sungai Petani

- Sungai Petani's first hillside, gated-and-guarded township development.
- 520 acres of freehold land, with 25 acres set aside for a hill park.
- Mixed township development with bungalows, semi-detached, double and single storey terrace properties, as well as commercial shophouses.
- Located in Sungai Petani, Kedah, 9 km from Sungai Petani town and easily accessible via major highways.
- Received recognition in the StarProperty.my Award 2018 for Best Family-Centric Development from RM350,000, Best Northern Malaysia Development in the Northern Star category and received an Honour Award in the Malaysia Landscape Architecture Awards (MLAA) 2017 for Bukit Banyan Hill Park.
- Currently home to Wisma Paramount, Paramount Property's Northern Regional office. Obtained Platinum GreenRE Certification for Non-Residential category in 2018, and Silver Green Building Index (GBI) for non-residential new construction (NRNC) category in 2019.
- Launched in 2012, with the remaining development expected to be completed in 2027.

BANDAR LAGUNA MERBOK, Sungai Petani

- Paramount's first township development and Kedah's first gated-and-guarded community.
- Riverside mixed township development next to Sungai Merbok, with Gunung Jerai as its backdrop.
- Set on 500 acres of freehold land with bungalows, semi-detached and double storey terrace homes as well as commercial shophouses.
- Located in Sungai Petani, Kedah, the development is directly accessible via the Western Bypass and is conveniently connected to the Sungai Petani-Alor Setar Federal Route and the North-South Highway.
- Recipient of the 2004 FIABCI-Malaysia Best Residential Development, the first for a Malaysian property outside the Klang Valley.
- Launched in 1996; completed in 2018.

UTROPOLIS BATU KAWAN, Penang

- Marks Paramount's entry into the Penang property market.
- An integrated university metropolis, similar to Paramount's successful Utropolis Glenmarie, comprising 25.3 acres of freehold land and 8.5 acres of leasehold land.
- Residential apartments with commercial and retail lots; complemented by UOW Malaysia KDU Penang University College's campus spanning 10.5-acres.
- Centrally located in the heart of Batu Kawan, the third satellite city of Penang, and the next Central Business District, and industrial and lifestyle hubs for the Northern region.
- Easily accessible via the North-South Highway, and a mere 10-minute drive from the Second Penang Bridge.
- Utropolis Batu Kawan is within walking distance to the UOW Malaysia KDU Penang University College, Penang Design Village Outlet Mall and IKEA.
- Launched in 2016; expected completion in 2027.

COWORKING BUSINESS

CO-LABS COWORKING, Kuala Lumpur & Selangor

Co-labs Coworking is a vibrant workspace uniquely designed for budding entrepreneurs, freelancers, start-ups, and corporates.

The space provides businesses a collaborative ecosystem and holistic working environment. Members enjoy opportunities to enhance their career, develop personal growth and improve workplace wellness.

- Co-labs Coworking is at 5 locations across the Klang Valley, namely:
- Co-labs Coworking Naza Tower | Platinum Park
  - Opened June 2019
- Co-labs Coworking The Starling Plus | Uptown 7
  - Opened October 2019
- Co-labs Coworking Shah Alam | Sekitar26 Enterprise
  - Opened June 2019
- Co-labs Coworking The Starling | Damansara Uptown
  - Opened July 2018
- Co-labs Coworking Glenmarie | Utropolis Marketplace
  - Opened April 2017

CORPORATE PROFILE

EDUCATION BUSINESS
(Held as associate companies post divestment)

PARAMOUNT EDUCATION

Paramount has provided quality education to thousands of Malaysian students through its pre-schools, schools and university colleges. It was one of the pioneers in private tertiary education in Malaysia when it set up KDU in 1983. It was also the largest K-12 (pre-tertiary) education provider in Malaysia until the divestment of its majority stake to a strategic partner.

Paramount completed the divestment of its controlling stakes in its tertiary and pre-tertiary education businesses in September 2019 and February 2020 respectively. It retains strategic stakes of 35% in the tertiary education business and 20% in the pre-tertiary education business. These businesses are now accounted as associate companies of the Company.

SEKOLAH SRI KDU

- Established in 2003, offering the Malaysian national primary and secondary school curriculum.
- Testament to the school's sound pedagogy, Sekolah Sri KDU secured the top position amongst Malaysian schools in the Programme for International Student Assessment (PISA) 2012, placing it amongst the top-ranked schools in the world in mathematics, science and reading.
- Awarded the Quality Standards Award with a 5-star rating by the Ministry of Education, Malaysia.

SRI KDU INTERNATIONAL SCHOOL

- Launched in 2011 and follows the national curriculum of England from Year 1 to Year 9, IGCSE (Years 10 and 11) and the International Baccalaureate Diploma Programme (Years 12 and 13) to meet the growing demand for international curricula.
- First school in Malaysia to achieve the Education Development Trust (formerly CfBT) ISQM (International School Quality Mark) at Gold level in 2017.

SRI KDU INTERNATIONAL SCHOOL *(cont'd.)*

- A member of the Federation of British International Schools in Asia (FOBISIA) that gives SKIS access to a plethora of competitive learning and networking events.
- Awarded the Eco-Schools Green Flag in December 2016. The Green Flag Award is a prestigious, internationally recognised and respected eco-label of high performance for schools with the best environmental education.
- Shortlisted for the Community Initiative Award at the International School Awards 2020 hosted by the ISC Research with the support of International School Leader Magazine. The International School Awards celebrate learning, teaching, community, pastoral care, leadership and strategic initiatives at international schools worldwide. They provide the opportunity for international schools to share best practice, creative endeavours, community participation, and innovation.

R.E.A.L KIDS

- Established in 1986, its first preschool was previously known as Child Enrichment Centre (CEC).
- Emphasis on enhancing children's unique abilities through Multiple Intelligences in order to realise their full potential.
- Largest owner-operated kindergarten chain in Malaysia with 37 centres nationwide.

R.E.A.L SCHOOLS

- Established in 1985, offering both national and international school curriculums.
- Located in Cheras, Shah Alam and Johor Bahru; each campus houses a R.E.A.L private school and an international school.
- Offering a unique curriculum that delivers both academic excellence and real-world skills, including the Apple iPad Programme that promotes digital mindedness.

CAMBRIDGE ENGLISH FOR LIFE

- Established in 2001, offering accredited ready-to-launch English language courses for children and adults.

CORPORATE PROFILE

UOW MALAYSIA KDU UNIVERSITY COLLEGE

- Established in Damansara Jaya in 1983 as KDU College.
- Upgraded to University College in 2010 and moved to its new purpose-built, 10-acre campus at Utropolis, Glenmarie in January 2015.
- Today, KDU University College is known as UOW Malaysia KDU University College reflecting Paramount's partnership with University Of Wollongong, an Australian public research university.

UOW MALAYSIA KDU COLLEGE (PJ)

- Established in 1983 at Damansara Jaya offering pre-university, foundation, certification and professional accountancy programmes as well as franchise programmes with foreign universities.
- Malaysia's first purpose-built private college campus to provide opportunities for young Malaysians to pursue high-quality foreign tertiary education locally.
- The first private college in Malaysia to offer the American Degree Transfer Programme.
- Today, KDU College is known as UOW Malaysia KDU College.

UOW MALAYSIA KDU PENANG UNIVERSITY COLLEGE

- A university college in Penang, offering reputable programmes and strong industry linkages.
- Established as KDU College, Penang in 1991 at Penang's old Town Hall building. Moved to its campus at Jalan Anson in October 1997.
- First private college in Penang (and the northern region) to be awarded 6-star in MyQUEST rating in 2014/2015 in the large category.
- Upgraded to University College status in 2015.
- Today, KDU Penang University College is known as UOW Malaysia KDU Penang University College.
- Its newly opened second campus is at Paramount's Utropolis Batu Kawan mixed development.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' TEO CHIANG QUAN
DPTJ
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
SMW, DSNS
Senior Independent Non-Executive Director
Mobile : 011-5626 8578
Email : myam@pcb.my

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

SECRETARY

NG WAI PENG
MAICSA 7014112
SSM Practicing Certificate No. 202008003726

REGISTERED OFFICE

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

INVESTOR RELATIONS

Investor Relations Department
Telephone : 03-7712 3337
Facsimile : 03-7712 3322
Email : ir@pcb.my

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone : 03-2783 9299
Facsimile : 03-2783 9222
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

AUDITORS

Ernst & Young, Chartered Accountants

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

OTHER INFORMATION

REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

AUDIT AND NON-AUDIT SERVICES RENDERED

For financial year ended 31 December 2019, Ernst & Young provided the following audit and non-audit services to the Group at the respective fees:

	Company RM'000	Group RM'000
Fees paid/payable to Ernst & Young		
• Audit	120	645
• Audit-related		
o Accounting and other review work	238	238
o Completion audit in relation to disposal of subsidiaries	35	35
o Review of the Statement on Risk Management and Internal Control	5	5
o Review of the Group's compliance with the Housing Development (Control and Licensing) Act, 1966	0	40
	398	963
• Non-Audit		
o Due diligence services for corporate proposals	600	600
Total	998	1,563

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

As at 24 April 2020, the status of utilisation of the proceeds raised from the following corporate proposals of the Group are set out below:

a) Sale of three tertiary education campus properties to the special purpose vehicle, Dynamic Gates Sdn Bhd

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
o Refinancing of borrowings/financing	241,500	241,500	0
o Partial redemption of private debt securities	50,000	50,000	0
o Expenses in relation to the proposal	2,500	2,500	0
Total	294,000	294,000	0

b) Disposal of controlling equity interests in KDU University College Sdn Bhd*, KDU University College (PG) Sdn Bhd* and KDU College (PJ) Sdn Bhd to UOWM Sdn Bhd

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
o Cut back on Group leverage	30,000	30,000	0
o Working capital of the Group	8,000	8,000	0
o Expenses in relation to the proposal	500	450	50
Total	38,500	38,450	50

** Please refer to page 3 of this annual report for the current name of this company.*

c) **Disposal of controlling equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd to Prestigion Education Sdn Bhd**

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
o Distribution to shareholders	177,000	177,000	0
o Acquisition of land bank	150,000	17,378	132,622
o Repayment of borrowings	133,649	133,649	0
o Working capital of the Group	57,851	57,851	0
o Expenses in relation to the proposal	22,000	2,391	19,609
Total	540,500	388,269	152,231

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

EMPLOYEE SHARE SCHEME

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

Details of the LTIP are set out in Note 36 to the Audited Financial Statements on pages 217 to 219 of this annual report, and the number of LTIP Shares granted, vested and outstanding since the commencement of the LTIP up to the end of the financial year ended 31 December 2019 are set out below:

1. LTIP Shares granted

Type of Grant	Total Granted	Group Chief Executive Officer/ Executive Director (GCEO/ED)	Key Senior Management (KSM)[#]	Other Selected Employees (OSE)
2015 Restricted Shares (**RS**)	2,200,100	444,800	423,200	1,332,100
2015 Performance-based Shares (**PS**)	Up to 3,244,200	Up to 996,400	Up to 947,800	Up to 1,300,000
2016 RS	2,362,600	501,700	456,700	1,404,200
2016 PS	Up to 3,700,600	Up to 1,260,400	Up to 1,147,200	Up to 1,293,000
2017 RS	2,440,400	576,600	535,700	1,328,100
2017 PS	Up to 5,016,200	Up to 1,382,000	Up to 1,284,200	Up to 2,350,000
2018 RS	2,138,900	406,000	423,300	1,309,600
2018 PS	Up to 4,108,800	Up to 1,031,600	Up to 1,075,800	Up to 2,001,400
2019 RS	2,091,500	326,600	291,600	1,473,300
2019 PS	Up to 3,308,400	Up to 787,400	Up to 702,600	Up to 1,818,400

OTHER INFORMATION

2. LTIP Shares vested

Type of Grant	Total Vested	GCEO/ED	KSM#	OSE
2015 RS	1,895,000	444,800	423,200	1,027,000
2015 PS	1,801,500	685,000	579,600	536,900
2016 RS	2,236,600	501,700	418,400	1,316,500
2016 PS	2,841,300	1,052,400	817,500	971,400
2017 RS	1,615,700	384,400	327,900	903,400
2017 PS	0	0	0	0
2018 RS	690,300	135,300	131,500	423,500
2018 PS	0	0	0	0
2019 RS	0	0	0	0
2019 PS	0	0	0	0

3. Outstanding LTIP Shares (adjusted arising from the issue of bonus shares on 25 July 2019)

Type of Grant	Total Outstanding	GCEO/ED	KSM#	OSE
2015 RS	0	0	0	0
2015 PS	0	0	0	0
2016 RS	0	0	0	0
2016 PS	0	0	0	0
2017 RS	1,107,000	269,000	229,700	608,300
2017 PS	Up to 6,785,400	Up to 1,934,800	Up to 1,651,400	Up to 3,199,200
2018 RS	1,917,100	378,900	368,800	1,169,400
2018 PS	Up to 5,563,600	Up to 1,444,200	Up to 1,405,200	Up to 2,714,200
2019 RS	2,895,300	457,200	408,000	2,030,100
2019 PS	Up to 4,629,200	Up to 1,102,200	Up to 983,400	Up to 2,543,600

KSM at the time of granting and vesting of the respective RS and PS

With regard to the LTIP Shares granted to the GCEO/ED and KSM as at 31 December 2019:

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

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

(3) the actual percentage of LTIP Shares granted to these two categories of Eligible Employees as at 31 December 2019 was 47.3% of the total number of LTIP Shares granted.

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

THE STORY

MESSAGE FROM THE CHAIRMAN

DATO' TEO CHIANG QUAN
Chairman & Executive Director

Dear friends,

We are keenly aware that Malaysia will not be spared from a global growth contraction caused by the COVID-19 pandemic. How quickly Malaysia recovers will depend on how quickly the pandemic is resolved in Malaysia and globally.

That said, Bank Negara Malaysia has expressed confidence that it has the instruments to ensure monetary and financial stability. The key catalysts that will support economic growth will be the government's economic stimulus packages with monetary and fiscal policy adjustments together with higher public sector expenditure.

As a 50-year-old company, we have gone through different economic cycles, and have emerged stronger from each experience. As we come to the final month of our 50th anniversary, I would like to say how proud we are of our team and its achievements.

While not as dramatic as 2020, 2019 was itself a challenging year. Yet we managed to end the year with better financial performance achieving a net profit for the year of RM119 million, an increase of 9% from RM109.5 million in FY2018.

I am also pleased to report that Paramount completed the implementation of our five-year Strategic Plan (2015-2019) last year with all key strategies implemented. We achieved significant milestones towards consolidating our businesses and meeting targets that will benefit both our customers and shareholders over the long run.

This includes the completion of our strategic divestment in the tertiary education business to UOWM Sdn Bhd, cementing our strategic partnership with the University of Wollongong (UOW), a public research university from Australia. Paramount has also entered into an agreement to divest our controlling equity interests in the pre-tertiary education businesses, comprising Sri KDU Schools and the R.E.A.L Education Group, to Prestigion Education Sdn Bhd (formerly known as Two Horses Capital Sdn Bhd) in June last year. This transaction was completed on 20 February 2020. We look forward to seeing both these businesses growing to greater heights in the coming years and enjoy investment income from our minority stakes.

In conjunction with Paramount's 50th Anniversary in 2019, and to reward our shareholders, Paramount issued two bonus shares for every five shares held. We also issued free warrants on the basis of two for five.

I am grateful that many of our efforts have been acknowledged by the industry bodies. I was honoured to receive the award for the FIABCI Malaysia Property Man of 2019. For Paramount, I am also proud that we have risen to 13th place in 2019 for The Edge Property Excellence Awards rankings, up from 25th place in 2014. To top it off, our fine dining restaurant Dewakan also became the first-ever Malaysian restaurant to make it into the prestigious Asia's 50 Best Restaurant list.

In recognition of our continuous efforts to create long term shareholder value, we are honoured to receive the 'Highest Returns to Shareholders Over 3 Years' accolade for the Property Sector at The Edge Malaysia Centurion Club Corporate Awards in 2019, outperforming our peers that are listed on Bursa Malaysia Securities Berhad. This was achieved against the backdrop of soft property market and uncertainties on the macroeconomic front at home and abroad.

In conjunction with Paramount's 50th Anniversary and to reward our loyal shareholders, Paramount issued 173,337,846 new shares in the third quarter of 2019 on the basis of two bonus shares for every five existing shares held. At the same time, Paramount also issued 173,337,846 free warrants on the same basis of two for five.

On the back of the Group's commendable financial performance, the Board declared and paid an interim dividend of 2.0 sen per share in September 2019 and is proposing a final dividend of 4.5 sen per share subject to shareholders' approval at the upcoming 50th Annual General Meeting (AGM). The total dividend declared to date for FY2019 is 6.5 sen per share. In addition, a special interim dividend of 29.0 sen per share for FY2020 was declared and was paid on 23 April 2020 from the proceeds of our pre-tertiary education business divestment.

Grew by **12%** to RM706 million — **REVENUE**

Grew by **9%** to RM119 million — **NET PROFIT**

Grew by **6.5%** to RM1.14 billion — **SHAREHOLDERS' EQUITY**

MESSAGE FROM THE CHAIRMAN

INNOVATING FOR A CHANGING WORLD

We are living in a time where the speed and magnitude of change is at an unprecedented pace. Hence, it is of utmost importance that Paramount is agile enough to adapt and evolve to succeed in this landscape.

Capitalising on the growing demand for flexible office spaces, Co-labs Coworking took the opportunity to expand to five locations across the Klang Valley and we are poised to grow further.

In 2019, Paramount Property made a bold move by relocating to Co-labs Coworking Shah Alam at Sekitar26 Enterprise in order to take advantage of the benefits offered by coworking spaces. These include improved cost effectiveness, productivity, flexibility and convenience to employees as well as opportunities to connect with the larger coworking community.

FOCUSING ON SUSTAINABLE GROWTH

Paramount's growth story in the first 50 years has centred around our transformation from a modest family-owned business to a respectable public listed company that is supported by a talented workforce, sound financial fundamentals as well as a robust risk management and corporate governance structure.

We remain guided by our vision of 'Changing lives and enriching communities for a better world' and believe that every project we launch should not just be profitable but also create a positive impact on our stakeholders, across a diverse economic, environmental and social spectrum.

We will also continue to implement a robust succession plan towards our aim of building a dynamic team of game changers, with the inclusion of millennials, to take the Group to the next level of growth.

Co-labs Coworking Shah Alam

Ultimately, the Group's relevance and achievements are anchored on value creation and our ability to deliver consistent and positive outcomes for stakeholders. These reflect the Board's and Management's commitment towards continuous business evolution to achieve sustainability and to safeguard our long-term business prospects.

BOARD CHANGES

On behalf of the Board, I would like to take this opportunity to thank our Independent Non-Executive Director YBhg Dato' Rohana Tan Sri Mahmood for her service to Paramount over the last 22 years. Her vast knowledge in business and experience in public service has contributed in no small measure to the growth of Paramount Group, particularly in the education segment. We wish her the best in her future endeavours.

I would also like to welcome Mr Benjamin Teo and Ms Foong Pik Yee, who joined the Board on 22 August 2019.

Benjamin, who is my son, started his career at Paramount as a management trainee in 2012 and is also currently CEO of Paramount Property Development Sdn Bhd (**PPD**), a position he has held since 1 March 2018. He is responsible for scaling up our current eco-system of services to appeal to new segments of audiences and growing our revenue stream through business diversification.

Ms Foong has a 38-year career in the financial sector with overseas experience. Her insights and strong grasp of financials will be very valuable as we continue to strengthen the Group's internal control processes.

ACKNOWLEDGEMENT

Looking back, I am also grateful for the commitment, determination and passion of those who have paved the way over the years and laid out a strong foundation for this Company. On behalf of the Board, I wish to thank all our employees whose professionalism, drive and hard work, have been instrumental to Paramount's continued growth and success.

I would like to commend our management team for the consistent execution of Paramount's five-year Strategic Plan (2015-2019) that has propelled Paramount to its current level of achievements and well-deserved recognitions. We look forward to implementing our next five-year (2020-2024) plan and build a firm footing for business growth and value creation.

Paramount Property Central office is now operating in a coworking space

I would also like to thank my fellow Board members for their ideas, direction and leadership, as well as our many business partners, customers and financiers who have supported us by placing their trust in the Paramount brand. I would like to take the opportunity to thank our strategic partners as well for collaborating with us on various fronts, in both the property and education businesses.

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

We will continue to take steps to future-proof our business, stay future focused, and ensure that Paramount continues to challenge convention, explore new directions, spot opportunities and take calculated risks for the business.

Moving forward, I am confident that the best is yet to come. There will be a new normal and we will flourish there.

Here's to the next 50 years!

Dato' Teo Chiang Quan
Chairman & Executive Director

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

In 2019, Paramount Corporation Berhad (**Paramount** or **the Company**) celebrated our 50th Anniversary in what has been a milestone year for **the Group** (Paramount and its subsidiaries) as we also completed our five-year (2015 – 2019) strategic plan.

We are pleased to report that the 2015-2019 strategic plan held us in good stead for the financial year ended 31 December 2019 (**FY2019**) as it had done over the last four years. Despite strong headwinds in the property market, Paramount showed a solid Group net profit of RM119 million for FY2019, an improvement of 9% year-on-year (FY2018: RM109.5 million). The FY2019 net profit is also 1.86 times the net profit of five years ago (FY2014: RM64.1 million).

OBJECTIVES AND STRATEGIES

In 2019, the Group focused on six key strategies from the strategic plan:

- **Building landed residential townships**
  Paramount has been building townships since 1981. It pioneered the gated-and-guarded concept in Kedah with Bandar Laguna Merbok, which won the 12th FIABCI Award 2004 for 'Best Residential Development' – the first development to be given this award outside of the Klang Valley.

ATWATER in the mature neighbourhood of Section 13 Petaling Jaya offers water features, lush gardens and pocket parks

In FY2019, Paramount Property launched Sejati Lakeside, a 41.4-acre gated-and-guarded, non-strata, freehold landed residential development in Cyberjaya. Set against a panoramic 45-acre lake view and surrounded by five acres of landscaped parks and recreational facilities, this project is modelled after our award-winning Sejati Residences development, also in Cyberjaya. In Sungai Petani, we added new phases of landed properties at the award-winning Bukit Banyan with the project achieving record sales.

More details of our property launches are set out in the Corporate Profile section of this annual report and the Review of Operating Activities - Paramount Property section of this Management Discussion and Analysis (**MD&A**).

- **Expanding into integrated mixed development**
  Paramount recognises the appeal of integrated developments as they bring together amenities, retail spaces, dining and lifestyle elements, and residential components to meet the needs of the community. Integrated developments do not require as much land as landed developments and are possible on pockets of land in mature townships given the scarcity of large tracts in urban areas.

In August 2019, Paramount launched Berkeley Uptown, its fourth integrated mixed development, after Utropolis Glenmarie, Utropolis Batu Kawan and ATWATER. The 33-acre project will host the second Sri KDU International School campus. Once completed, the development will comprise serviced apartments and their recreational facilities, a school, retail outlets, offices and a public park. A lifestyle shoplex at Berkeley Uptown is scheduled to open in 2021. It will be the first in Klang and is expected to attract young people and families with its restaurants and retail outlets, turning the place into a social and commercial hub.

"... Group net profit of RM119 million for FY2019, an improvement of 9% year-on-year."

Bukit Banyan in Sungai Petani is an ongoing award-winning hillside development

- **Focusing on people's needs**
  As the people's developer, Paramount Property offers different products at different price points to home buyers, starting from RM90,000 for low-medium cost apartments at Bukit Banyan, Sungai Petani, to over RM1 million for premium detached homes at Sejati Residences in Cyberjaya. By and large, Paramount's offerings are priced around RM500,000, which is within the purchasing ability of urban middle-income earners aged between 25 and 60 years old.

  Most of the units launched at Berkeley Uptown and Bukit Banyan in FY2019 were targeted at first-time homeowners or upgraders seeking larger homes, and are priced between RM380,000 and RM600,000, except for Berkeley Uptown's premium villa units which are priced above RM700,000.

  Paramount also launched the Kemuning Idaman apartments at Kemuning Utama, Shah Alam in July 2019. Priced at RM100,000 – RM192,000 per unit, this project falls under the *Rumah Selangorku* initiative which aims to bridge the affordability gap and help the lower-income group own a home.

- **Leverage on strength through synergy**
  Paramount's 'strength through synergy' strategy of combining education and property development in one location has resulted in the launching of Utropolis Batu Kawan and Utropolis Glenmarie. In FY2019, Paramount Property launched Berkeley Uptown, the third of such a development. Each development is anchored by a purpose-built education institution campus, leveraging on Paramount's vast experience as an award-winning property developer and a respected education service provider.

  The strategy also applies to our coworking spaces which operate under the Co-labs Coworking brand. Drawing on Paramount's property development experience, we have designed and built several aesthetically-pleasing and functional coworking spaces in a timely and cost-effective manner. Co-labs Coworking is also able to customise spaces for its clients, giving it an edge over its competitors. In FY2019, Co-labs Coworking added three new locations in Kuala Lumpur, Petaling Jaya, and Shah Alam to its portfolio, making it a total of five locations with a lettable space of more than 100,000 sq ft as at end 2019.

MANAGEMENT DISCUSSION & ANALYSIS

- **Elevating the Paramount Property Brand**
  Brand strength is important in any market but more so in a soft property market where buyers have plenty of choices. Hence, Paramount Property keeps in mind customers' practical needs and lifestyle preferences when it designs and builds properties. The result is Paramount Property is known for its functional and practical designs, quality finishing, timely delivery as well as excellent customer service.

  It was an honour for Paramount Property to be named as one of the All-Star Top Developers of the Year 2019. In addition, four projects (Utropolis Batu Kawan, Greenwoods Salak Perdana, Berkeley Uptown and Sejati Residences) won awards for excellence in FY2019. Paramount also rose to 13th place in FY2019 in The Edge Property Excellence Awards rankings, up from 25th place in 2014. We were also in the Top 10 list under the Qualitative Segment of The Edge Malaysia Top Property Developers' Awards 2019. The full list of awards is on page 6.

  At the corporate level, Paramount won 'The Edge Centurion Award for Highest Returns to Shareholders over Three Years for the Property Sector'. We are also proud that our Chairman Dato' Teo Chiang Quan won the most coveted award in the property industry, FIABCI Malaysia Property Man of 2019. This is an affirmation of his leadership strength in Paramount as well as the property development industry.

Berkeley Uptown is set to be a game-changer in Klang Town with its modern vertical community, international school and retail outlets

  Paramount Property continued to raise its brand stature through digital marketing and by participating in community activities that enhance brand recognition, including the inaugural Penang International Bridge-to-Bridge Ride on 30 June 2019. Utropolis Batu Kawan was the designated pit stop for cyclists, who had used the assembly point for rest and refreshments.

- **Monetisation Strategy**
  In FY2019, the Group underwent the final stages of the divestment of its education businesses. This divestment unlocked the value of Paramount's investments while leveraging on the experience and regional networks of strategic partners to bring the businesses to the next level of growth.

  In the tertiary education business segment, the divestment of the Group's controlling stakes to UOWM Sdn Bhd was completed in September 2019 for a cash consideration of RM38.5 million. This transaction involved institutions now known as UOW Malaysia KDU University College Sdn Bhd (UOW-KDUUC) (formerly known as KDU University College Sdn Bhd), UOW Malaysia KDU Penang University College Sdn Bhd (UOW-KDUPG) (formerly known as KDU University College (PG) Sdn Bhd) and UOW Malaysia KDU College Sdn Bhd (formerly known as KDU College (PJ) Sdn Bhd).

We look forward to these institutions leveraging on the brand and academic strength of University of Wollongong, an Australian public research university, to compete more effectively in a borderless market.

In the pre-tertiary education business segment, an agreement was signed on 19 June 2019 to sell our controlling stake in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd to Prestigion Education Sdn Bhd (formerly known as Two Horses Capital Sdn Bhd) for an indicative cash consideration of RM540.5 million. The pre-tertiary institutions involved in this transaction were Sri KDU Schools, R.E.A.L Schools, R.E.A.L Kids pre-schools, and Cambridge English For Life enrichment centres.

The transaction valued the companies at an enterprise value (EV) of RM861 million and was completed on 20 February 2020. The EV/EBITDA (i.e. earnings before interest, tax, depreciation and amortisation of FY2018) multiple of 16 times was comparable to that of regional education service providers operating in developed markets.

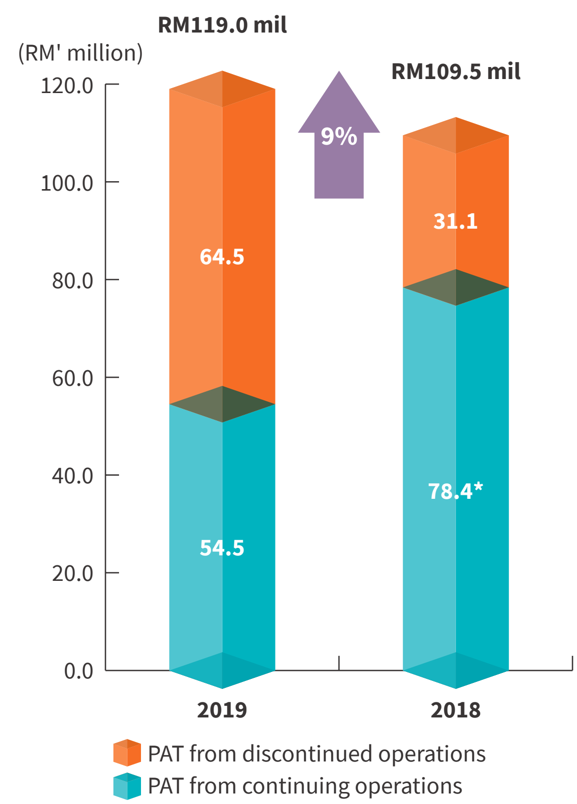
The cash proceeds of RM569.2 million from this divestment was utilised for the distribution of a special cash dividend to the Company's shareholders, the acquisition of new land bank, to pare down borrowings and for working capital purposes. The special cash dividend, amounting to 29.0 sen per share, was subsequently declared on 28 February 2020 and paid on 23 April 2020.

REVIEW OF FINANCIAL RESULTS

With the divestment of the tertiary and pre-tertiary education businesses completed as set out in the Objectives and Strategies section of this MD&A, our education businesses are now presented as **'discontinued operations'** in the FY2019 income statements. This is in line with the requirements of the Malaysian Financial Reporting Standards (MFRS) 5 while our other existing businesses (including property development) are presented as **'continuing operations'**. The comparative financial results of FY2018 have also been presented in the same manner.

Despite challenging market conditions, the Group turned in a solid financial performance for FY2019 with a 9% growth in net profit for the year to RM119 million (FY2018: RM109.5 million). The Group's net profit for the year comprises the profit after taxation (**PAT**) from continuing operations of RM54.5 million (FY2018: RM78.4 million) and the PAT from discontinued operations of RM64.5 million (FY2018: RM31.1 million). The growth in the Group's net profit for the year was mainly attributable to a higher PAT from the discontinued operations, namely the education division, by RM33.4 million but was mitigated by the lower PAT from the continuing operations by RM23.9 million. Excluding the gain on disposal of the leasehold industrial land in Kota Damansara, Selangor (**Kota Damansara land**) that was completed in the second quarter of 2018 (**2Q2018**), the 2019 PAT from the continuing operations would be higher than that of FY2018 by 20%.

PROFIT FOR THE YEAR



Note:
** Included PAT of RM32.8 million from the disposal of the Kota Damansara Land*

Sejati Lakeside with its luxury of space, green and a vast lake, is one of Paramount's latest offerings

The Group's total asset position remains on the uptrend, rising by RM0.4 billion to RM3.1 billion as at 31 December 2019 from RM2.7 billion a year ago. Group liabilities stood at RM1.6 billion, an increase of RM0.3 billion compared to RM1.3 billion in the previous year.

For FY2019, an interim dividend of 2.0 sen per share was paid on 25 September 2019 and together with the proposed final dividend of 4.5 sen per share, which is subject to shareholders' approval at the forthcoming annual general meeting, the total dividend pay-out for FY2019 would be 6.5 sen per share (FY2018: 8.5 sen). If approved by the shareholders, the FY2019 total dividend pay-out would be higher than that for FY2018 given that it is based on the enlarged issued share capital of Paramount following the completion of the two for five bonus issue in July 2019.

Capital Structure & Capital Resources

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group monitors its capital using debt to equity ratio (namely total debt divided by total equity), which stood at 0.62 times as at 31 December 2019 (31 December 2018: 0.67 times).

In FY2019, the Group continued to maintain a healthy cashflow from its business operations while borrowings increased marginally by 1% to RM911.9 million as at 31 December 2019 compared to the previous year's RM900.7 million.

Aside from generating healthy profits, Paramount has undertaken several initiatives to boost the equity base of the Company. During the year, the Company shored up its equity base by RM50 million with the issuances of RM150 million in nominal value of perpetual securities mainly to redeem RM100 million of private debt securities. The perpetual securities were issued pursuant to a perpetual securities programme of up to RM500 million established in 2019 to refinance the Group's existing financing/ debt obligations, finance investments and working capital purposes.

On 25 July 2019, 173,337,846 new shares were issued pursuant to a two for five bonus issue undertaken by the Company to reward shareholders for their loyalty and continuing support in conjunction with Paramount's 50th anniversary celebration. Although the bonus issue has no impact on the capital base of the Company, the number of shares in issue has increased by about 40%. The bonus issue was undertaken to encourage the trading liquidity of Paramount shares on Bursa Malaysia Securities Berhad. Post completion of the bonus issue, the trading volume of Paramount shares on Bursa Malaysia Securities Berhad had increased by about 80% to a monthly average of 8.3 million shares (five months post completion of the bonus issue from August 2019 to December 2019) compared to a monthly average of 4.7 million shares over the past 12 months ended 31 December 2018.

In addition, Paramount issued 173,337,846 free warrants on 29 July 2019, on the same basis as the bonus issue, that is two for five, to entitled shareholders to reward them for their support. Upon the exercise of these warrants, the share base of the Company would be strengthened, and the proceeds would also provide additional working capital for the Group.

REVIEW OF OPERATING ACTIVITIES – PARAMOUNT PROPERTY (CONTINUING OPERATIONS)

Despite the soft property market, Paramount Property achieved a revenue of RM700.3 million for FY2019, 11% higher than RM631.0 million achieved the previous year. The higher revenue was mainly contributed by the Utropolis Glenmarie, Utropolis Batu Kawan, and Greenwoods Salak Perdana developments. Excluding the gain on the disposal for the Kota Damansara land that was completed in 2Q2018, the FY2018 revenue and profit before taxation (PBT) of the property division would be RM538.9 million and RM87.2 million, respectively. As such, when compared to FY2018, the FY2019 revenue of RM700.3 million would be 30% higher while the PBT of RM117.5 million would be 35% higher.

In FY2019, 1,399 units (FY2018: 1,553 units) of properties worth RM692 million (FY2018: RM1 billion) were sold. This constitutes a 30% decrease mainly due to the soft commercial property market and a shorter sales period arising from the deferment of several project launches to the second half of the year. Berkeley Uptown, for instance, was launched only in August 2019 while Sejati Lakeside was launched in November 2019. Nevertheless, the average take-up rate of Paramount Property's eight on-going projects (excluding the commercial component of ATWATER) was a respectable 73% as at the end of December 2019.

As at 31 December 2019, our inventory of completed properties stood at RM105 million, of which RM91 million (87%) was commercial and RM14 million (13%) was residential. Of the 157 unsold units, 136 were commercial units including our ATWATER Sales Gallery and the units leased to Co-labs Coworking at Sekitar26 which are currently being used by the Group.

Paramount Property - Central Region led the way in sales for FY2019 registering RM457 million while Paramount Property - Northern Region registered sales of RM235 million. Unbilled sales dropped marginally to RM894 million, 6.9% lower than the record RM960 million achieved in FY2018.

Paramount Property handed over vacant possession of 1,161 units of properties to buyers in FY2019. In Penang, there was a handover of 808 units, comprising 612 residential units and 196 commercial units at Utropolis Batu Kawan. In Kedah, over 134 units of residential units were handed over at Bukit Banyan, Sungai Petani. Meanwhile, in the Klang Valley, 219 units of properties were handed over, comprising 111 commercial units (23 units at Greenwoods Salak Perdana and 88 units at Sekitar26, Shah Alam) and 108 units of houses at Sejati Residences. As an integrated developer, Paramount Property is working with trusted property agents to help buyers who wish to lease out their properties.

PARAMOUNT PROPERTY HANDED OVER VACANT POSSESSION IN 2019

1,161 units

Penang - **808** units

Klang Valley - **219** units

Kedah - **134** units

Moving forward, Paramount Property will be looking to provide other support services for customers.

New Property Launches

In FY2019, Paramount Property launched RM861 million worth of properties in three new projects namely, Berkeley Uptown, Sejati Lakeside and Kemuning Idaman, and new phases of existing projects. The ratio of residential and commercial properties was 64:36 including the commercial component of ATWATER at a Gross Development Value (**GDV**) of RM313 million, which is targeted for en bloc sale.

As the people's developer, Paramount Property continues to offer a variety of products at different price points and different locations to meet the choices as well as budget needs of property buyers.

In August 2019, Paramount Property launched the first phase of Berkeley Uptown in Klang which comprises 269 units of serviced apartments, with sizes ranging from 551 sq ft to 1,588 sq ft, with a GDV of RM138 million. Response was encouraging as 46% was sold by end-2019. To ease the migration of home buyers from landed homes to condominium living, Paramount designed the villa units such that every unit has three parking spaces directly across from its property entrance, akin to that of a landed home. This worked very well as two blocks of 14 units each were sold out within two months and 50% of the third block was sold within a month.

The first phase of Sejati Lakeside comprising 130 units of double-storey terrace homes with a GDV of RM131 million also received encouraging response with nearly half (48%) sold within a month of its launch in November 2019. Sejati Lakeside is designed for multi-generational living, designed with the comfort and convenience of homeowners foremost in mind. Its first phase of double-storey terrace homes feature a spacious bedroom on the ground floor, with wheelchair-friendly toilet access, and a seated bath area for the elderly.

Given that the government has made many efforts to ensure that all segments of society have access to housing, Paramount launched Kemuning Idaman affordable homes in July 2019. Located in Shah Alam within the established Kemuning Utama development, Kemuning Idaman comprises 650 units of apartments on seven acres of land, with a GDV of RM114 million. The freehold apartments are comfortable for small families (between 750 sq ft and 900 sq ft, with car parks) and 60% were sold by end FY2019.

MANAGEMENT DISCUSSION & ANALYSIS

Paramount Property also launched four new phases of the award-winning Bukit Banyan development in Sungai Petani, Kedah with a total GDV of RM165 million. The launches were carefully scheduled for every quarter of 2019 and included 83 units of Salvia 2 double-storey terrace houses, 100 units of Senni 2 extra-wide (24' x 75') double-storey terrace houses with smart home features and 68 units of Sierra 2 semi-detached homes. In the affordable segment, Bukit Banyan offered 185 units of Citra Elite, single-storey terrace homes priced at RM200,000, of which 48% were sold by the end of 2019.

Land bank and development ventures

As at 31 December 2019, we had 509.1 acres of undeveloped land with a GDV potential of RM6.9 billion for development until 2028. We did not acquire any new land in FY2019, as none considered met the criteria. Land holding cost was also a consideration. Hence, we strive to keep just an optimum amount of land bank for a comfortable pipeline of projects for the next seven years.

In December 2017, an agreement was signed with Kumpulan Hartanah Selangor Bhd (KHSB), the real estate arm of the Selangor State Government to develop a 9.6-acre leasehold land located in Section 14, Petaling Jaya. The completion date of the agreement has been extended to facilitate approvals from the relevant authorities. This transit-oriented development project is expected to have an estimated GDV of RM1 billion.

In January 2020, Paramount acquired a 49% equity stake in a Thai property development company, Navarang Charoennakhon Company Limited (**Navarang**). Navarang has just launched Na Reva, a premium high-rise condominium project in Bangkok, with a potential GDV equivalent to RM172 million.

Beyond this, we will continue to explore other opportunities including joint ventures with suitable landowners as well as pursue land development consistent with the Group's asset light strategy.

Completed /Ongoing Projects		Remaining Gross Undeveloped Land (acres)	Remaining GDV* (RM' mil)	Development Period	
				Start	End
Northern Kedah, Penang 3 projects	Bandar Laguna Merbok, Sungai Petani	0.0	6	1996	2018
	Bukit Banyan, Sungai Petani	178.0	536	2012	2027
	Batu Kawan, Penang	25.4	2,066	2016	2027
Central Selangor 8 projects	Kemuning Utama, Shah Alam	26.7	532	2004	2026
	Sejati Residences, Cyberjaya	10.3	445	2013	2025
	Sekitar26, Shah Alam	11.6	603	2013	2026
	Utropolis Glenmarie, Shah Alam	0.0	5	2013	2020
	Greenwoods Salak Perdana, Sepang	141.0	871	2015	2027
	ATWATER, Section 13, Petaling Jaya	0.0	290	2018	2022
	Berkeley Uptown, Klang	15.4	691	2019	2028
	Sejati Lakeside, Cyberjaya	31.5	460	2019	2023
	Total	**439.9**	**6,505**		
Future projects					
Northern	Machang Bubuk, Bukit Mertajam, Penang	69.2	420	2020	2025
	GRAND TOTAL	**509.1**	**6,925**		

* *Comprising potential GDV from undeveloped land and GDV from properties launched but remained unsold as at 31 December 2019*

REVIEW OF OPERATING ACTIVITIES – PARAMOUNT EDUCATION (DISCONTINUED OPERATIONS)

The Group recognised a PAT from the Education segment in FY2019 of RM64.5 million, 107% higher than in FY2018 of RM31.1 million. This represented the financial results of the tertiary education business for the eight months prior to the completion of our divestment on 3 September 2019 and the gain of RM25.4 million arising therefrom as well as the 12 months financial results of the pre-tertiary education business. For further details, please refer to Note 17 of the audited financial statements of the Group for the FY2019 on page 185 of this annual report.

The Education segment achieved a revenue of RM249.9 million in FY2019 (FY2018: RM275.2 million). This was 9% lower than the previous year mainly due to the lower contribution from the tertiary education business following the completion of the divestment of our tertiary education business. However, as Paramount retains 35% of equity interest in UOW-KDUUC and UOW-KDUPG, the financial results for the last four months of FY2019 of these tertiary education institutions had been equity accounted as part of the Group's PAT from continuing operations under the 'Investment and Others' segment.

The PBT of the Education segment for FY2019 was RM74.6 million, 82% higher than in FY2018, mainly attributable to the gain of RM25.4 million recognised for the tertiary education business divestment. Furthermore, the assets of the pre-tertiary education segment were not subject to any depreciation during the period from the signing of the share sale and purchase agreement between the Company and Prestigion Education Sdn Bhd to the completion of the said agreement, in line with the accounting treatment for 'assets held for sale' under MFRS 5. This had also contributed to the improved PBT of the Education segment.

Sri KDU Sdn Bhd continued to deliver a stable and sustainable performance, operating at near full capacity at its campus in Kota Damansara. The new Sri KDU International School (Klang) campus which is being constructed on a piece of 5.3 acre land located adjacent to Berkeley Uptown, is an expansion of the Sri KDU brand and will also address future capacity issues. The new school building is expected to be completed in 2020. The school which targets to open in late 2020 will be the first school in South East Asia to be classified as a Microsoft Flagship School and will embark on a platform of creating Digital Leaders for the future.

R.E.A.L Education Group Sdn Bhd has transformed its schools into Apple-technology enabled schools. 2019 marked the start of the school's journey where all students started using the iPad, accelerating its students learning to be real-world ready. Parents were invited to participate in this initiative to help them understand what is in store for their children. Teachers had been given new resources with a R.E.A.L Teaching website, launched in November 2019. A variety of programmes introduced in 2019 include digital programming, entrepreneurship projects, self-defence training, outdoor survival camps, financial literacy training and psychology programmes.

In 2019, R.E.A.L Kids opened its 34th childhood education centre. Four new Cambridge English for Life (**CEFL**) enrichment centres were opened in 2019 bringing the number of centres to 65 as at the end of 2019. CEFL has focused on building its exclusive partnership with National Geographic to deliver specialist English programmes to primary school age students.

MANAGEMENT DISCUSSION & ANALYSIS

TRENDS AND RISKS

We acknowledge that our business, like all businesses, are exposed to risks that could have material adverse impact on the Group's performance and financial outcomes. Hence, Paramount has a formal and robust enterprise risk management process that is explained in the Statement on Risk Management and Internal Control on page 97.

It is against a backdrop of a COVID-19 pandemic, that we are reviewing the primary factors and known trends that are expected to affect our business operations and financial conditions. They include, but are not limited to, the following:

- **Performance of the property development sector**
  The core contributors to Paramount's earnings are property development activities in Malaysia. Factors that affect the Malaysian property sector such as the GDP and monetary policies on interest rates are beyond our control; they affect our financial performance and prospects. However, at this stage, it is the new normal of how life and businesses would be conducted in the next 12 months that would critically affect market demand.

  Cash flow, income stability and a wait-and-see approach may cause potential buyers to hold back on making an investment. However, Paramount's approach as the people's developer means that we would walk with our customers in any prevailing environment to ease that decision-making.

  Our products are targeted at the middle income population. Design and functionality are key elements whatever the size of the property. To keep unit prices manageable, we keep our unit sizes optimal especially in urban areas where land cost is higher. As many households are now smaller compared to a generation ago, smaller units meet the basic needs of buyers.

  We will continue to review our development and marketing strategies to respond to market conditions and trends, and deploy development concepts that meet the needs of our target markets.

  As part of our diversification strategy, we have ventured into the international property development market in January 2020 by acquiring 49% equity interest in Navarang, a Bangkok-based property development company.

  We recognise the growing appeal of integrated developments and transit-oriented developments over standalone residential or commercial developments as they fulfil the growing preference for convenience via a self-sustaining vertical community.

  However, the rapid development of e-commerce has adversely affected market demand for commercial properties. Due care is taken in our development planning to mitigate our exposure to the commercial property segment.

  We have strengthened our in-house leasing team to assist in the leasing of both sold and unsold commercial properties. Another option available to mitigate a slowdown in the commercial property segment is to set up coworking spaces at our commercial properties.

  This is where Paramount's Co-labs Coworking comes in. Beyond providing workspaces, Co-labs Coworking redefines the office experience with its emphasis on collaborative communities that empower its members to work, play and live well. Co-labs Coworking has a mentorship programme for start-ups, organises professional and soft-skills development programmes as well as social activities including health and wellness programmes. In addition, it has thoughtfully-designed event spaces which can be used to host meetings and events.

  Leveraging on this, Paramount Property made the bold move to relocate its headquarters to Co-labs Coworking at Sekitar26 Enterprise in Shah Alam in June 2019. Taking the opportunity to introduce a new and more flexible way of working, an open work concept was adopted to encourage more interaction and collaboration amongst employees as well as to optimise space. This resulted in a 27% reduction in space utilisation while energy consumption was also reduced by 26%.

The reception area of Co-labs Coworking Shah Alam

Residents at Utropolis Batu Kawan enjoy recreational facilities within their compound and retail facilities outside

- **Volatility in prices of property development cost**
  Profitability may be affected by rising land acquisition costs, fluctuations in construction costs as well as changes in development costs. While we have an in-house construction team, the construction work of larger projects are contracted to external contractors who bear the risk of price fluctuations of construction materials.

  Nevertheless, a persistent uptrend in costs will likely affect our profit margins. Hence, we seek to limit this risk through continuous close monitoring of costs, undertaking value engineering while making all reasonable efforts to maintain the quality of our products. We have implemented product standardisation and partially adopted industrial building systems in our product offerings. These efforts are aimed at reducing design and construction time as well as to reduce over reliance on labour. In addition, we have also commenced our digital transformation journey to improve our efficiency and productivity.

- **External factors that affect the launch and completion of projects**
  Property development activities are governed by various regulations, approvals, permits as well as conditions imposed by various authorities. Any delay in obtaining approvals, permits or compliance with conditions imposed, may delay the launch of new projects or the handover of vacant possession. In order to maintain our good track record for timely delivery of properties, we will continue to endeavour to meet regulatory requirements to minimise disruptions to our operations and ensure the smooth completion of our projects.

  To ensure that inventories are manageable, new launches could be rescheduled if there were slower than expected take-up of launched phases. We take measures to mitigate such risks on a case-by-case basis. We are looking at innovative promotional packages to assist our buyers given the challenges some will face due to the COVID-19 pandemic.

OUTLOOK AND PROSPECTS

Malaysia's GDP for 2019 has moderated to 4.3% (2018: 4.7%). The Group foresees macro-economic uncertainty and challenges due to disruptions to the global supply chains and reduced demand of commodities as well as reduced consumer activities due to social distancing as a result of the COVID-19 pandemic. This potentially can escalate to credit and liquidity constraints of businesses and households.

While the Economic Stimulus Package announced by the Malaysian Government could help to lessen the impact of this crisis, the scale and duration of the economic effects arising remain uncertain and could significantly affect the demand of the Group's products and services as well as its construction progress and hence, the Group's earnings and cashflow going forward. As such the Group's immediate focus is to build business and financial resilience while charting out plans to bring the business back to scale quickly. We will innovate and capture new opportunities that arise from the new normal. The divestment of our pre-tertiary education businesses that was completed in February 2020 provides a strong cash injection that hold us in a good position.

Paramount Property

For 2020, the Group foresees the property sector to remain soft. Nevertheless, the lower lending rate following the reduction in the Overnight Policy Rate by Bank Negara Malaysia in January 2020 and March 2020 coupled with the implementation of the 2020 Economic Stimulus Package are expected to improve consumer sentiments for property purchase after Malaysia overcomes the most critical stage of the COVID-19 pandemic.

Paramount Property looks forward to launching four projects (including new phases of existing projects) in 2020 with an estimated GDV of RM647 million, comprising entirely of residential products. In the Central region, Paramount Property will launch its fourth high-rise residential project in Kemuning Utama, adjacent to its award winning Kemuning Aman. Kemuning Utama was Paramount's first township development in the Klang Valley spanning over 525 acres in Shah Alam. We will also be launching new phases of landed residences at Greenwoods, Salak Perdana in Sepang and Sejati Lakeside in Cyberjaya.

As for the Northern region, Paramount Property will be launching more landed residential properties at Bukit Banyan. The Group's total unbilled sales of RM894 million as at 31 December 2019 is expected to contribute positively to the Group's financial performance in the near future. In addition, several parcels of development land have been identified for sale.

In February 2020, Navarang launched Na Reva, a premium condominium project offering a good view of the Chao Phraya river in Bangkok with ICONSIAM and Asiatique as landmarks in the vicinity. We see this venture as a stepping-stone into the Bangkok property development market.

With the completion of the divestment of the pre-tertiary education businesses, we will pursue land banking activities focusing on parcels of land suitable for landed or integrated development in the next five years, and where there is synergy and greater efficiency, the Group will participate in joint ventures with land owners. In addition, the Group will explore new business opportunities in property-related businesses to future proof its business and for sustainability of its earnings over the long run.

Co-labs Coworking

Co-labs Coworking will be opening a new coworking space in the Klang Valley in 2020. The demand for coworking space is expected to be on the rise in Malaysia, in line with global trends in the

coworking industry that offer flexible, hassle-free and cost-efficient alternatives to a conventional office space. Co-labs Coworking will also be introducing several initiatives that provide opportunities in this rapidly growing sector, including the provision of enterprise solutions (ES) to corporates. The ES offers a complete design and build service for corporates seeking customised solutions for flexible workspaces and agile offices. Additionally, Co-labs Coworking is also rolling out a corporate innovation programme, designed to propel businesses within their spaces to greater operational efficiencies and meet their productivity goals.

Paramount Education

The divestment of the pre-tertiary education businesses was completed on 20 February 2020 and the gain arising therefrom will be recognised in 1Q2020.

"Paramount has drawn up a new five-year (2020 – 2024) strategic road map to focus on its core property development businesses and will continue to concentrate on landed developments and integrated developments."

Investment and Others

Post completion of the tertiary and pre-tertiary education business divestments, Paramount will recognise its share of financial results from the remaining equity interests it holds in these businesses which is 35% and 20%, respectively.

Given the gain from divestment of its pre-tertiary education businesses and barring any unforeseen circumstances, the Group's financial performance for the financial year ending 31 December 2020 will be better than the previous year.

2020 and Beyond

Paramount has drawn up a new five-year (2020 – 2024) strategic road map to focus on its core property development businesses and will continue to concentrate on landed developments and integrated developments. Land bank would be sourced either through acquisition or via joint ventures, in line with the Group's asset light strategy. In addition, we will adopt active management of our land bank whereby certain parcels of land within a larger tract may be sold to accelerate the overall development of the area. Selected land may also be monetised to maximise value creation for the Company.

As part of a diversification strategy, Paramount is seeking suitable partners to venture into property development in countries with high GDP growth and high population but relatively low urbanisation rate. We take a cautious approach to investing overseas and expect the investment in this area to increase gradually over time as we familiarise ourselves with the local property market. In the next five years, overseas development projects are expected to contribute approximately 10% of the Group's revenue.

We foresee Paramount becoming an integrated property player with multiple income streams in the property development lifecycle. This will allow the Group to protect our profit margins which will otherwise be eroded over time unless there is a significant decline in land prices and interest rates. In addition, Paramount Property will also incorporate senior living, childcare, wellness or education elements into its developments, in partnership with suitable partners as a unique selling proposition. To manage cost, Paramount Property will work towards product standardisation and digitalisation of its processes to improve efficiency and productivity.

Aside from our core business of property development, Paramount will also enjoy recurring income from leases of our real estate as well as the share of results from minority interests held in the education businesses. We are also looking at expanding the number of coworking spaces. This is part of Paramount's innovative diversification into business and technology which emphasises connectivity, collaboration and community. It is also a defensive strategy against a slowdown in demand for commercial office space.

In addition, Paramount's fine-dining restaurant, Dewakan continues to make significant strides in the food and beverage industry. Dewakan shot to international fame when it was selected as the only Malaysian restaurant in the prestigious Asia's 50 Best Restaurants 2019 list. It is distinguished for its meticulous take on modern Malaysian cuisine through an exploration of local indigenous ingredients. Dewakan relocated to Naza Tower at Platinum Park Kuala Lumpur in 2019 where it is well-positioned to deliver an exciting gastronomic experience to discerning gourmands in Malaysia and beyond.

The Group will continue to explore opportunities to unlock the value of its real estate assets and its remaining equity stakes held in the tertiary and pre-tertiary education businesses to enhance the returns on capital employed and create long-term shareholder value.

We are confident our new five-year (2020 – 2024) strategies will hold us in good stead and propel us to the next level of growth.

Dewakan was rated one of the top restaurants in Asia in 2019

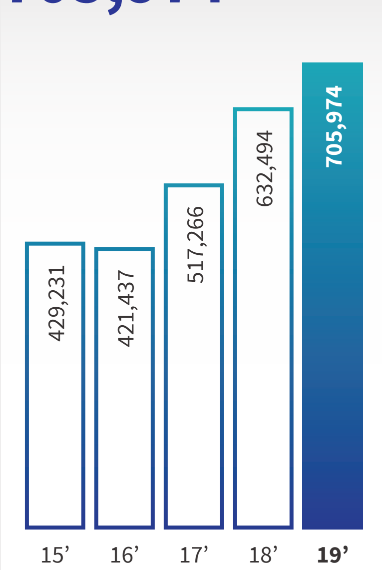
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	Year 31 Dec 2019 RM'000	Year 31 Dec 2018 RM'000	Year 31 Dec 2017 RM'000	Year 31 Dec 2016 RM'000	Year 31 Dec 2015 RM'000
Continuing					
Revenue	**705,974**	632,494	517,266	421,437	429,231
Profit before tax	**88,838**	110,182	64,273	73,836	77,055
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**121,309**	125,425	76,793	78,377	76,187
Profit after tax	**54,510**	78,379	44,850	54,026	55,553
Discontinued					
Profit after tax	**64,480**	31,112	105,668	34,647	18,628
Profit for the year	**118,990**	109,491	150,518	88,673	74,181
Profit attributable to equity holders of the Company	**104,049**	91,814	133,648	75,016	67,681
Total assets	**3,073,553**	2,675,630	2,542,964	2,018,711	1,930,223
Total liabilities	**1,609,404**	1,329,345	1,226,073	884,288	839,600
Total borrowings	**911,945**	900,661	823,832	636,554	549,617
Shareholders' equity	**1,140,980**	1,071,291	1,042,109	934,636	890,836
Total equity	**1,464,149**	1,346,285	1,316,891	1,134,423	1,090,623
FINANCIAL INDICATORS					
Interest cover (times)	**5**	10	7	30	113
Earnings per share (sen)	**17.17**	15.34	22.51	12.67	11.45
Net assets per share (RM)	**1.88**	2.50	2.46	2.21	2.11
Gross dividend per share (sen)	**6.50**	8.50	16.00	8.50	8.25
Dividend yield (%)	**5.3%**	4.2%	9.0%	6.1%	4.9%
Return on equity (%)	**10%**	9%	14%	8%	8%
Return on total assets (%)	**3%**	3%	5%	4%	4%
Gross Gearing ratio (%)	**62%**	67%	63%	56%	50%

CONTINUING OPERATIONS REVENUE (RM'000)

2019

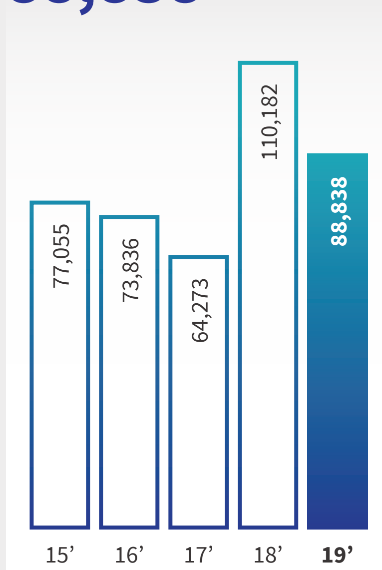
705,974



CONTINUING OPERATIONS PROFIT BEFORE TAX (RM'000)

2019

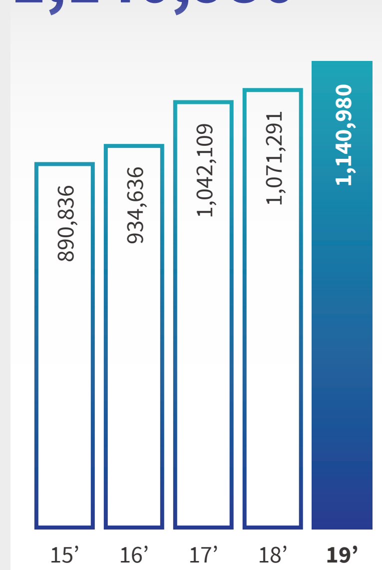
88,838



SHAREHOLDERS' EQUITY (RM'000)

2019

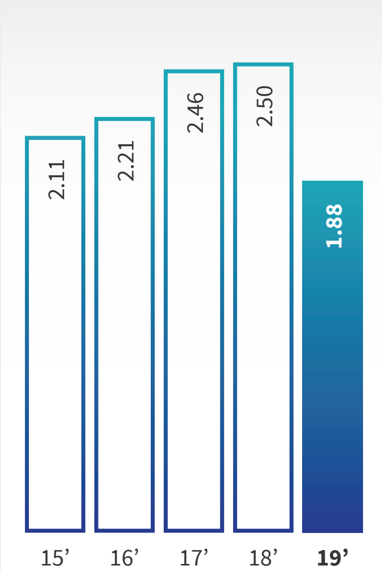
1,140,980



NET ASSETS PER SHARE (RM)

2019

1.88



EARNINGS PER SHARE (SEN)

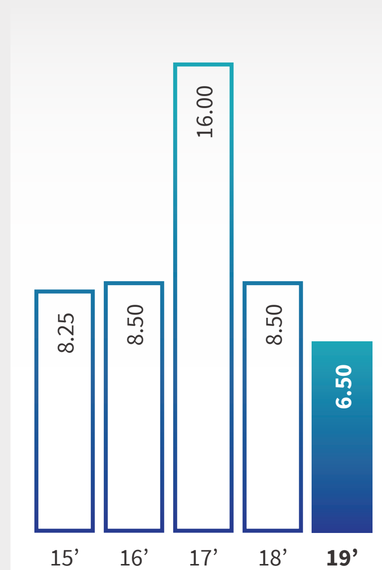
2019

17.17

GROSS DIVIDEND PER SHARE (SEN)

2019

6.50



SUSTAINABILITY STATEMENT

Building a Legacy for tomorrow

In 2019, we were driven by our aspiration to build a legacy for tomorrow. A theme coined in conjunction with our 50th Anniversary celebrations, the expression aptly describes Paramount's journey towards future-proofing the business across all key aspects within the organisation to ensure a sustainable future for all.

Reporting Period:
This report covers our sustainability activities from 1 January 2019 to 31 December 2019. Historical information from the previous years are included to provide context for our decision-making, sustainability progress and impact as well as potential opportunities for growth.

Reporting Cycle:
Annually coinciding with our Annual Report

Reporting Guide:
Bursa Securities' Sustainability Reporting Guide 2nd Edition

Principal Guidelines:
Bursa Securities' Main Market Listing Requirements Practice Note 9 Article 6

Feedback:
comms@pcb.my

For the financial year 2019 (**FY2019**), Paramount Corporation Berhad (**Paramount or the Company**) and its subsidiaries (**the Group**) continued to embrace sustainability and remained committed to operating in a manner that positively impacts our stakeholders.

Anchored by our corporate vision of 'Changing lives and enriching communities for a better world' and guided by our mission and T.R.I.B.E core values as operating principles, we strove to consistently deliver economic growth, conserve the environment and contribute to society, while mitigating sustainability risks.

Guided by the ethos that continuous improvement is key towards business longevity, the Board of Directors (**the Board**) and senior management are actively involved in the discussion of material issues, providing leadership and encouraging business units to take ownership and to be proactive in addressing sustainability in their respective areas.

In this aspect, business units with the support of their sustainability working groups take on efforts, which are then monitored and reported back to the senior management and Board. This included the implementation of an integrated ISO management system.

We recognise that there are still many areas for improvement. Hence, the Group aims to continue advancing our monitoring, data collection and impact measurement efforts.

We realise that beyond the processes and frameworks, true sustainability can only happen when it is embraced and practised by the people within in such a way that it becomes embedded as part of their DNA. As such, the Group must continue to look for opportunities to cultivate an intrinsic culture and mindset of sustainability across our organisation.

Together, we can make a positive difference.

Scope and Boundary:
This sustainability report covers the entire operations of Paramount Corporation Berhad including the subsidiaries over which the Group has direct control and holds a majority stake. It does not include the Group's value chain comprising third party contractors, suppliers and vendors.

During the year under review, Paramount completed a major corporate exercise by divesting the majority stake of our tertiary education business to UOWM Sdn Bhd, hence establishing our partnership with the University of Wollongong (UOW). Given that we have already transferred management control of UOW Malaysia KDU, this year's report will not cover the tertiary education segment.

While we seek to present a consistent boundary for reporting across all our sustainable development metrics, the primary focus of this report will be on the property division, which carries out our core business.

As with our previous FY2018 report, this Statement only encompasses the most pertinent projects, initiatives and activities of the Group. Progressively, we shall endeavour to provide more comprehensive disclosures.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

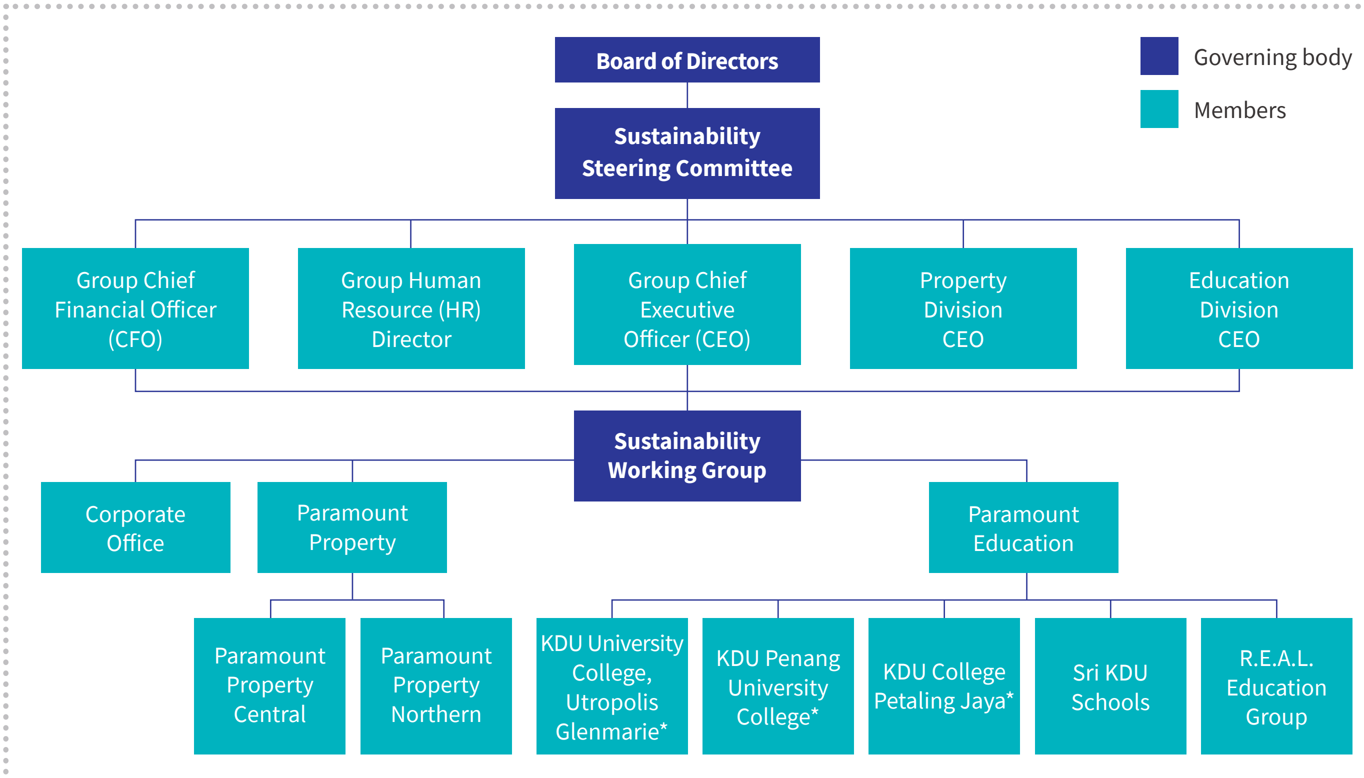
The 17 United Nations Sustainability Development Goals were established in 2015 to achieve specific sustainability targets by 2030. They seek to end poverty, protect the planet and ensure prosperity. Businesses play an important role in achieving these goals and delivering on the promise of sustainable and inclusive development.

These are the eight SDGs identified as being the most relevant to Paramount and where we can make the most impact.

SDG	Details	Contribution to SDGs
3 GOOD HEALTH AND WELL-BEING	**Ensuring healthy living and well-being**	We care for the safety and health of our employees while contributing to the well-being of the communities around us.
4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	We believe in continuously providing education opportunities to communities where we operate and improve access to private education for students with strong academic potential.
5 GENDER EQUALITY	**Encouraging gender equality and empowerment**	We provide a conducive environment for employees, regardless of gender, to progress in their careers. We provide opportunities for women at the workplace, and our corporate culture discourages any discrimination based on gender.
8 DECENT WORK AND ECONOMIC GROWTH	**Promote inclusive and sustainable economic growth**	We bring sustainable domestic economic growth to local communities by giving priority to local procurement, investing in community infrastructure and creating more job opportunities. We also build affordable homes in line with the government's initiative to help the lower income group.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Build resilient infrastructure, promote sustainable industrialisation and foster innovation**	A variety of environmentally friendly and innovative concepts have been designed and built into exteriors, fixtures and fittings of our buildings. We continue to challenge the status quo and embrace new ideas and concepts that ultimately lead to improved products, services and businesses.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable**	Whether it is homes, offices, schools, shops or green spaces, we recognise that the built environment contributes to improving the community's quality of life.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns**	We practise the 3R principles: 'Reduce, Reuse and Recycle'. The aim is to achieve positive changes in our operations and cut down waste. We also embed green designs and green features into our projects to reduce the impact of the built environment on the natural environment.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Promote peaceful and inclusive societies sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**	We have policies and procedures in place to mitigate corruption and bribery, and to encourage effective, accountable and transparent business transactions. We also ensure responsive, inclusive, participatory and representative decision making at all levels.

SUSTAINABILITY GOVERNANCE

A two-tiered sustainability governance structure drives sustainability within the Group. The first tier consists of the Sustainability Steering Committee (SSC) followed by the Sustainability Working Group (SWG). The SWG reports to the SSC and in turn, the SSC is accountable to the Board.



* *The tertiary education business ceased to be a subsidiary from 3 September 2019 after Paramount's divestment of its controlling equity stake.*

The Board

The Board oversees material sustainability issues as part of their fiduciary responsibilities. They safeguard and promote stakeholders' interest by enforcing and supervising the Group's sustainability agenda. The Board provides guidance in formulating the direction of our sustainability strategies and performs a thorough assessment of the sustainability issues during the company's annual review.

Sustainability Steering Committee (SSC)

The SSC, which is chaired by the Group CEO, works to review, approve and ensure that sustainability commitments are aligned with the Company's vision and mission. The SSC sets key initiatives and sustainable growth plans, provide advice and operational functions, appraises and evaluates the sustainability performance and reports the outcome to the Board.

Sustainability Working Group (SWG)

Although our sustainability efforts are supported by the entire organisation, specific issues are directly associated with individual areas of management. The SWG consists of managers from our operating companies whose main tasks include developing strategies, implementing plans and tracking the progress of the Group's sustainability projects.

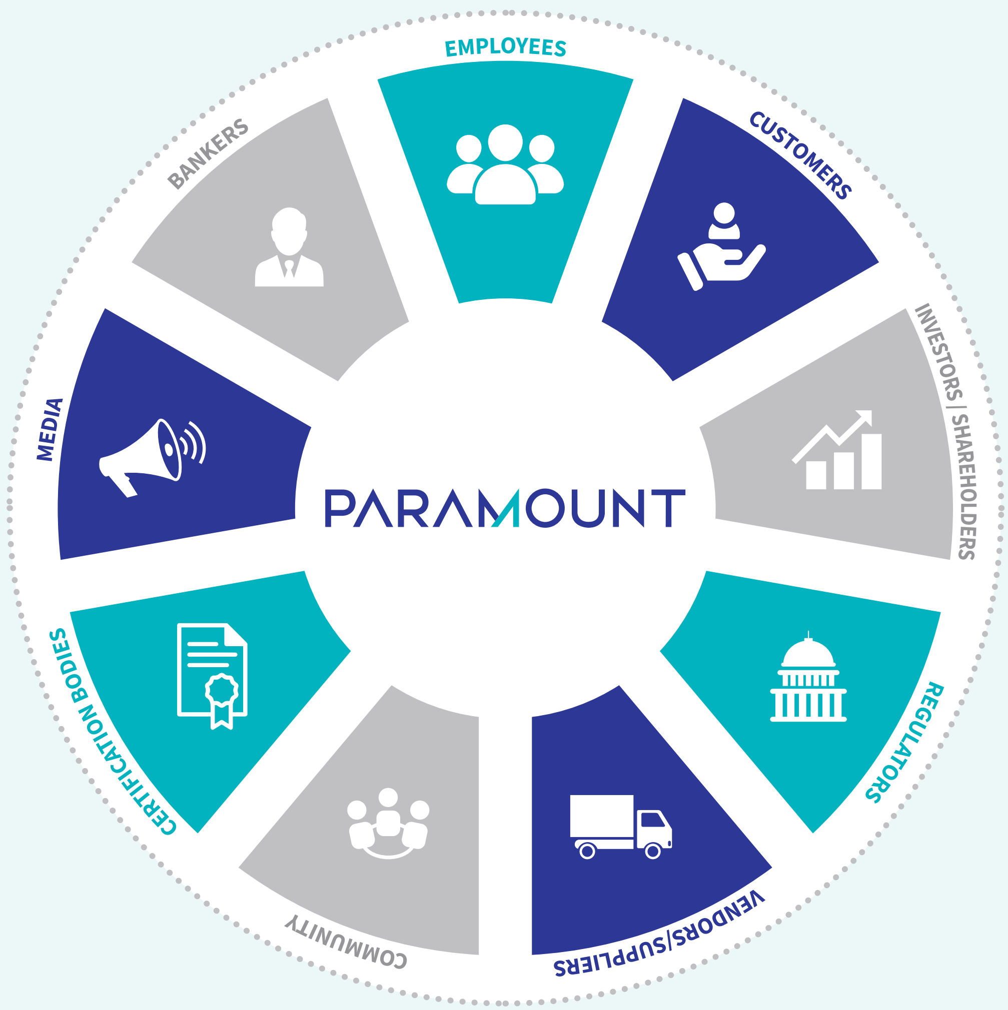
SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

We continue to engage with our stakeholders to ensure we are attuned to their needs. Such engagements are helpful in identifying and assessing materiality matters across the Group. The inclusion of diverse perspectives is also helpful in reviewing the impact of our actions within our operating environment.

The table below presents the list of our stakeholders, their concerns and our corresponding actions on the issues raised.

KEY STAKEHOLDERS OF PARAMOUNT CORPORATION BERHAD



STAKEHOLDERS	ISSUES OF CONCERN	ENGAGEMENT CHANNELS AND ACTIVITIES	OUTCOMES
Employees	• Employee benefits, wellbeing and safety • Employee engagement • Career development	• Periodic review of employee benefits, activities and development programmes • Communication channels with employees (meetings, emails and staff magazines)	• Improvements - policies and benefits - employee development - employee engagement
Customers	• Product quality • Support services • Timely delivery • Product/service pricing and packaging	• Websites / social media • Partnerships with prominent international universities • Periodic reviews of project progress • Face to face meetings with customers/ students, surveys, talks, workshops, exhibitions and events	• Increased customer satisfaction • Increased number of repeat buyers • Awards and recognition
Investors / Shareholders	• Fiduciary duties • Transparency • Dividend payment • Financial performance	• Engagement sessions with analysts and shareholders including at Annual General Meetings and Extraordinary General Meetings • Timely disclosures to Bursa and on the company website • Annual report, quarterly results, announcements, circulars	• Increased investor / shareholder confidence
Regulators	• Regulatory compliance	• Discussions with the authorities as part of due diligence	• Full compliance with regulatory requirements
Vendors / Suppliers	• Fair terms and conditions of contracts	• Vendor meetings, performance evaluations, and supply chain management	• Avoidance of disputes with vendors / suppliers
Community	• Environmental and social impacts • Community engagement • Management of properties	• Collaborative partnerships with local NGOs • Philanthropic activities and outreach programmes • Public consultation and community surveys	• Enhanced brand credibility and reputation
Certification Bodies	• Full compliance with specifications and requirements	• Site visits and meetings	• Fulfilled the criteria for certification and renewal
Media	• Clarity on company's activities and financials	• Engagement sessions with media including financial briefings • Regular press releases and interviews • Timely updates on the company website	• Enhanced company reputation • Greater understanding of the company's products, services and performance
Bankers	• Breach of covenants	• Regular communication to ensure compliance	• Satisfied associated borrowing conditions • Stronger confidence towards the Group from the banking and financial community

SUSTAINABILITY STATEMENT

Property Division

StarProperty.my Awards 2019
All-Star Award
(Top Ranked Developers of The Year)

StarProperty.my Awards 2019
Northern Star Award
(Best Northern Malaysia Development - Utropolis Batu Kawan, Penang)

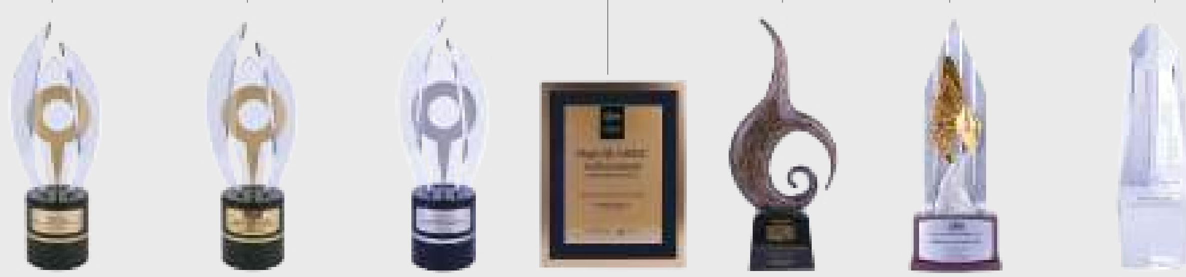
StarProperty.my Awards 2019
The Starter Home Award
(Best Affordable Home - Greenwoods Salak Perdana)

QLASSIC Construction Quality Excellence Awards 2019
High QLASSIC Achievement
(Landed Residential Development - Sejati Residences Phase 2A)

Property Insight Prestigious Developer Awards 2019
Best Education Centric Development
(Berkeley Uptown)

FIABCI Malaysia
Dato' Teo Chiang Quan was named **FIABCI Malaysia Property Man of 2019**

The Edge Malaysia Centurion Club Corporate Awards
Highest Returns to Shareholders over Three Years



Education Division

R.E.A.L Johor Bahru
Four Star SKIPS Rating by Ministry of Education (MOE)

R.E.A.L Shah Alam
Four Star SKIPS Rating by MOE

R.E.A.L Cheras
Five Star SKIPS Rating by MOE

R.E.A.L Kids Putrajaya
Won the NAPEI Education Excellence Awards 2017~2019 in the Category of Early Childhood – Kindergarten

R.E.A.L Kids
Voted as the kindergarten with the "Best Preschool Programme" and "Best Trilingual Curriculum" at the Parents' Choice Awards 2019 by Parenthood Magazine.

Cambridge English for Life
Franchisor of The Year (Malaysia Franchise Awards 2019).

MATERIALITY

In 2018, Paramount conducted a materiality assessment to identify the issues and topics that reflect the economic, environmental and social impacts that are of interest to the Group and our stakeholders. This process identified nine material issues which were validated at the steering committee and Board levels.

Materiality review

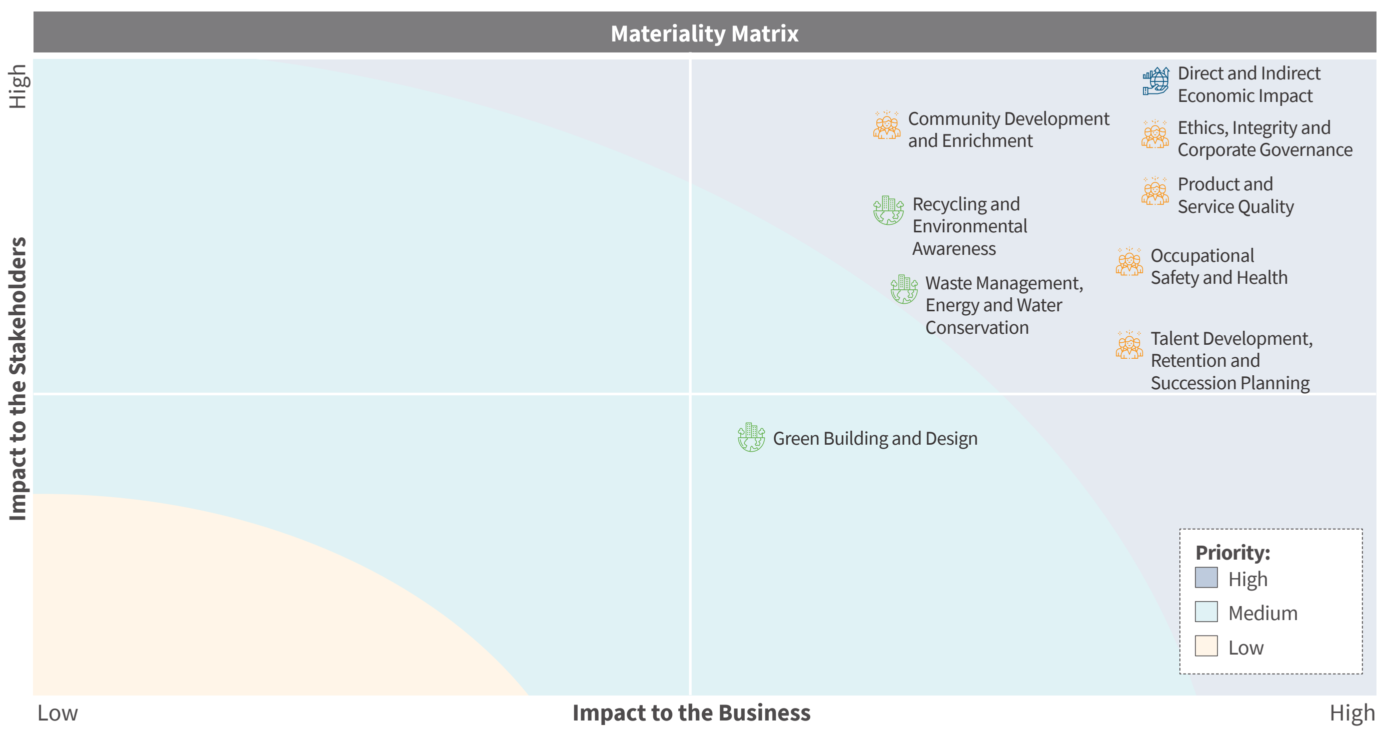
To ensure that our focus remains relevant, we reviewed the materiality issues identified in the previous year across the Group. The assessments concluded that there are no changes to our material aspects in 2019. Hence, the previously identified issues are still applicable to our business and operations.

Materiality matrix

The results of our materiality assessment showed that eight areas were high on our stakeholders' priority list.

These eight areas are shown in the materiality matrix below, with the highest priorities given to Direct and Indirect Economic Impact, Ethics, Integrity and Corporate Governance and Product and Service Quality. We believe these results are accurate representation of our business and operations.

With the new Group strategy and business direction moving forward, another materiality assessment will be carried out in 2020.



ECONOMIC

- Direct and Indirect Economic Impact

ENVIRONMENT

- Green Building and Design
- Waste Management, Energy and Water Conservation
- Recycling and Environmental Awareness

SOCIAL

- Product and Service Quality
- Talent Development, Retention and Succession Planning
- Ethics, Integrity and Corporate Governance
- Occupational Safety and Health
- Community Development and Enrichment

ECONOMIC

We believe in adopting a long-term approach to economic sustainability. It is our aim to prosper as a market leader by contributing towards economic enhancements through various mechanisms that contribute to domestic economic growth.

This includes giving priority to local procurement in all our purchasing decisions. We also invest in community infrastructure including roads, school buildings, and recreational facilities. In addition, Paramount participates in the building of homes in support of the Selangor government's affordable housing scheme, Rumah Selangorku.

All these create a spillover effect which will benefit the local economy while improving the economic outcome of people working and living there.

Economic Contribution to the Society

Revenue : **RM706 million**

Total Employees
2,111

Launched Properties
1,557
(residential and commercial)

Affordable Homes
875

Workers at Sites
1,368

Contractors
41
Awarded Amount
RM590 million

Sub-Contractors
502
Awarded Amount
RM127 million

Local Purchase
TOTAL MATERIAL PURCHASED AND CONTRACT AMOUNT
2019 **RM275 million**
2018 **RM250 million**
2017 **RM216 million**

Number of Campuses/ Centres
Tertiary Education
4
Early Education
34
Schools
8
Cambridge English for Life
65

Number of Students
Tertiary Education (as at 31 Aug 2019)
5,172
Pre-tertiary (Sri KDU & R.E.A.L)
21,015

Paramount Property has over 38 years of experience building residential, commercial, industrial and integrated developments. We currently have 10 property projects in the Klang Valley, Kedah and Penang, and operate five coworking spaces in the Klang Valley. These drive prosperity, innovation and investment that enrich and advance the communities in Malaysia.

Central

- **Berkeley Uptown**: An integrated development anchored by Sri KDU International School, which is set to rejuvenate Klang
- **Sekitar26 Enterprise**: A commercial hub designed to meet the needs of businesses in Shah Alam and the surrounding areas
- **Utropolis Glenmarie**: Paramount's first integrated development modelled after a university metropolis
- **Sejati Residences and Sejati Lakeside**: Encourages population growth into the global tech hub of Cyberjaya and boost businesses in the surrounding areas
- **Greenwoods Salak Perdana**: A green sanctuary for urbanites
- **ATWATER**: Integrated development to serve one of Petaling Jaya's most vibrant commercial and residential areas
- **Kemuning Idaman at Kemuning Utama**: Affordable homes within Paramount's first residential development in the Klang Valley
- **Co-labs Coworking**: Offers a holistic approach to work

Northern

- **Bukit Banyan**: Supports the thriving economy of Sungai Petani
- **Utropolis Batu Kawan**: Serves as a growth catalyst for Batu Kawan and the south of mainland Penang

CASE STUDY

SYNERGISING FOR SOCIO-ECONOMIC BENEFITS

Leveraging on our strength-through-synergy strategy, Paramount's Utropolis developments, in Shah Alam and Penang, integrates education and property components to create thriving and vibrant communities.

Utropolis Glenmarie, located at Glenmarie in Shah Alam, comprises 1,484 units of serviced apartments, SOHOs and dual key residential apartments anchored by the 10-acre UOW Malaysia KDU University College flagship campus. It is also home to a 120,000-sq ft Utropolis Marketplace retail mall and a soon-to-be-completed 4-star international business hotel operated by the Accor Group under the Mercure brand.

Utropolis Batu Kawan is centrally located in the heart of Batu Kawan, Penang's new satellite city which is poised to become the central business district and lifestyle hub for the Northern region. Complemented by UOW Malaysia KDU Penang University College, Utropolis Batu Kawan is located within walking distance of the Penang Design Village Outlet Mall, Aspen Vision City, Columbia Asia Hospital and IKEA.

Over the long run, these developments will have the ability to deliver multiple socio- economic benefits, through the students they attract and the people they employ.

ENVIRONMENT

Recognising the importance of environmental protection, Paramount has made considerable efforts to develop and implement eco-friendly strategies.

Our property division conducts a comprehensive ecological assessment at every stage of our operations – from planning to handover – in order to reduce our environmental impact. At the same time, our education division has also instilled a sense of environmental stewardship and behavioural change amongst students by motivating them to care for the planet.

Wisma Paramount at Bukit Banyan

Environmental Standard And Policy

Paramount is certified with an ISO 14001:2015. Our environmental policy is based on the same standard requirements which guarantee the following:

- Enhancement of environmental performance
- Fulfilment of compliance obligations
- Achievement of environmental objectives

GREEN BUILDING AND DESIGN

We adopt the best practices in the construction industry and apply construction techniques and material acquisition processes that reduce waste, energy and other inefficiencies at our building sites.

GreenRE and Green Building Index

We have taken steps to incorporate green building features in some of our developments. Our aim is to excel beyond the minimum certification requirements.

Wisma Paramount at Bukit Banyan is Kedah's first Platinum-rated green building. It houses Paramount's northern regional office and sales gallery and is designed to be compliant with Green Building Index (GBI) and GreenRE certification requirements.

Built using the Industrialised Building System (IBS), it features motion sensors, energy-saving lifts as well as a Variant Refrigerant Flow (VRV) air-conditioning system. In July 2019, Wisma Paramount obtained GBI Silver with 5 stars in Building Energy Index (BEI).

Industrialised building system (IBS)

In 2019, Paramount Property adopted IBS on a larger scale for the first time at Kemuning Idaman, our Rumah Selangorku project in Kota Kemuning, Selangor.

For this project Paramount Property utilised lightweight aerated concrete blocks, pre-packed pre-mixed mortar/floor screed and aluminium formwork. We have seen IBS transform our construction practices to be more efficient and sustainable, while minimising material wastage by 50% and reducing delivery times by 50% for the structure. This system also reduces our reliance on foreign workers by 50% and improves quality control.

CASE STUDY

NEW LEASE OF LIFE FOR REPURPOSED WOOD

After Paramount Property completed the construction of our award-winning Chengal House at Sejati Residences in Cyberjaya, a significant amount of hardwood remained in the factory site where it was first discovered. Too precious to be simply cast aside, it has been progressively put to good use over the years.

At Co-labs Coworking, it has been repurposed into door frames, furniture and more for use across multiple spaces. The wood also forms an important part of the main Berkeley Uptown Klang Sales Gallery structure (which is also the location of the original factory site) and incorporated in the interior design.

By putting reclaimed wood from an old factory to good use, we have been able to do our part for the environment. At the same time, we were also able to create a strong and unique Paramount interior identity – one that can be enjoyed for many more years to come.

This old shoe factory was constructed using huge quantities of Malaysian hardwood including chengal

Berkeley Uptown Sales Gallery

WASTE MANAGEMENT, ENERGY AND WATER CONSERVATION

Waste management

Our waste management scheme follows the 3R principles of 'Reduce, Reuse and Recycle'. We aim to reduce the volume of trash by finding ways to reuse and upcycle waste. One of the ways we address this is by identifying and segregating waste from our construction sites. General and chemical waste from school laboratories are managed by a waste contractor certified by the Department of Environment (DOE) of Malaysia.

Our other initiatives in waste management include the following:

- Use crushed cut-off pile to maintain temporary access roads during construction
- Reuse of excavated/blasted rock/hard material by crushing it for road works
- Repurpose cut-off pile for toilet foundation & use of U-Drain for toilet wall
- Recycle 9 tonnes of re-bars (steel reinforcement bars)
- Use of e-brochure with QR code instead of hard copy
- Minimise use of PET bottles by providing water dispensers at our sales galleries

Energy conservation

We take steps to minimise energy consumption as part of our efforts to reduce global warming.

Energy efficiency

Some business divisions have adopted the following initiatives:

- Replacement of the foyer roofing material with a composite material to allow more natural light
- Installation of energy-efficient centralised chilled-water air-conditioning systems
- Use of energy-efficient features, such as energy-saving lifts, air-conditioning systems and LED light fittings

Electricity consumption

The relocation of the Paramount Property central region's headquarters into a coworking space at Co-labs Coworking Shah Alam at Sekitar26 has significantly reduced our energy consumption.

BUSINESS UNITS	2018 (KWH)	2019 (KWH)
Paramount Property (Central)	352,984	230,423
Paramount Property (Northern)	262,798	210,991
Sri KDU	2,736,924	2,816,059
R.E.A.L Group*	1,869,768	1,857,768

* *The data for the R.E.A.L Group excludes R.E.A.L Kids and Cambridge English for Life (CEFL)*

CASE STUDY

KEEPING AN EYE ON THE FUTURE

In June 2019, Paramount Property took a leap of faith by relocating from Kota Kemuning to Co-labs Coworking Shah Alam.

Starting afresh meant that the team could create a new and more flexible working environment. With this in mind, one of the first initiatives introduced was flexi-hours that encouraged better work-life balance.

Being part of the Co-labs Coworking community also means employees can enjoy all the facilities as well as the social and networking perks that comes with it. Facilities include a nursing room, a nap pod, hot showers and more.

Apart from enhancing employee well-being, this move effectively reduced working space requirements from 2,466 m^2 (five-storey building) to 1,814 m^2 (single-storey coworking space) and reduced electricity consumption by 26%.

In line with our commitment to 3R principles, all furniture and fittings from the previous office were also reused for other business purposes.

All these support Paramount's journey towards digital transformation. By keeping our eye on the future, we will continue improve efforts to operate sustainably while enhancing Paramount's position as a caring employer at the same time.

Water conservation

We have reduced water consumption across our business operations by successfully launching awareness campaigns, diligently monitoring for leakages, and regularly inspecting and servicing water pumps, valves and piping systems. The new water-saving design features and water-efficient fittings that we introduced across our business operations have also contributed to the decreased water consumption costs.

As new and existing water resources are becoming increasingly scarce, innovative features must be introduced during the occupancy stage to reduce the amount of water consumed. Therefore, in our new buildings, we have incorporated water conservation technologies and strategies, such as water-harvesting and water-saving tap aerators and dual-flush toilet systems.

Water consumption

BUSINESS UNITS	2018 (M^3)	2019 (M^3)
Paramount Property (Central)	1,420	919
Paramount Property (Northern)	987*	1,346
Sri KDU	42,448	39,163
R.E.A.L Group**	55,920	53,112

Note:
** Water consumption for 8.5 months (from mid-April 2018 when Paramount Property Utara moved into Wisma Paramount) to December 2018*
*** The data for the R.E.A.L Group excludes R.E.A.L Kids and CEFL*

ENVIRONMENTAL AWARENESS

We actively support environmental initiatives and campaigns to inculcate long-term behavioural changes amongst our employees, customers and students. The primary objective of these campaigns is to create awareness and sensitivity towards the environment and its associated problems.

Environmental training

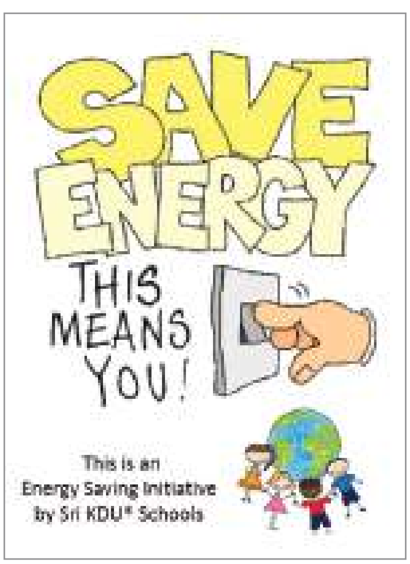
Below is the list of environmental training conducted by the property division in 2019:

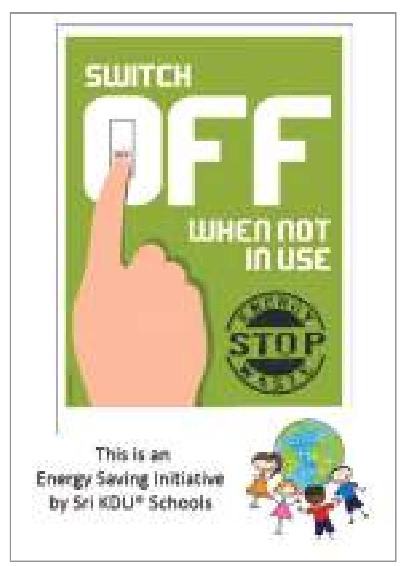
1. Basic Handling & Management of Scheduled Waste
2. Certified Environmental Professional in Scheduled Waste Management (CePSWaM)
3. Hands-on Design of Erosion & Sediment Control Plan (ESCP)
4. Roadshow on Sustainable Best Practises in the Construction Industry
5. Green Build Conference 2019

A 'No Plastic Campaign' was initiated at the Utropolis Glenmarie project location where site workers were given reusable bags and rewarded for using them

Environmental compliance

We were in full compliance with the laws and regulations relating to environmental procedures in 2019. We continue to review our policy and procedures to identify areas that may require improvement.





Environmental signages: In all our offices and campuses, environmental signages and posters are placed in strategic locations to educate and remind everyone of eco-friendly practices

CASE STUDY

FIRST SCHOOL TO RUN AN INDOOR VERTICAL FARM

When Sri KDU Secondary School pioneered a microgreens project, little did they realise that they would become the first school in Malaysia to run an indoor vertical farm. The brainchild of the school's teacher-advisor, this project involves growing microgreens in an indoor vertical farm which came complete with low-powered ventilation system and energy-saving LED tubes as the source of light for photosynthesis.

In line with the year's theme of plastic usage and management, the students were also involved in the Green Wall project where 900 plastic bottles were used for planting.

From 2 to 4 August 2019, the school was invited for the first time ever by WWF Malaysia to showcase the school's initiatives in sustainability. The school took the opportunity to exhibit the indoor vertical farm. Sri KDU's Green Ambassadors also adeptly delivered the school's mission and vision in sustainability via an informative presentation.

Sri KDU ambassadors explaining the microgreens project to interested participants

CASE STUDY

Jun Er (second from left) a student from R.E.A.L Schools Cheras represented the team in Rome

R.E.A.L SCHOOLS GO ZERO PLASTIC IN CANTEENS

In response to R.E.A.L School's global leadership programme which encourages students to select a UN Sustainable Development Goal (SDG) to champion, five Year 10 students from the Cheras campus chose to work on SDG #14 ('Life Under Water'). This was selected because a lot of disposable plastic like straws go into the oceans and destroys marine life.

*They organised various activities which culminated in a 'Plastic Free Canteen Day' in May 2019. This brought down the number of straws used in school from 1,000 a day **to zero**. Today, the school canteen has eliminated all use of plastic straws, cutlery and containers. The success of this programme has also spilled over to other R.E.A.L campuses in Shah Alam and Johor Bahru.*

To add icing to the cake, this project was amongst the top 10 projects from Malaysia (and the only one from Selangor) selected from a total of 93 projects submitted to the 'I CAN School Challenge' organised by Design for Change Malaysia.

All entries were judged by a panel of experts from corporations, global non-profits, UNICEF and the Ministry of Education Malaysia. On 26 November 2019, our students shared their solutions with 2,500 children and 800 educators at the I CAN Children's Summit 2019 held in Rome, Italy.

SOCIAL

At Paramount, we place our customers and their interests at the forefront.

At the same time, we care for the safety and health of our employees while contributing to the well-being of the community around us.

2019 Highlights	
Quality Assessment System in Construction (QLASSIC)	Customer Satisfaction Index (CSI)
Target: **76%**	Target: **80%**
Achievement: **77%**	Achievement: **88%**

CUSTOMER: PROPERTY DIVISION

As the people's developer, we believe that achievement and progress should not be measured by profits alone, but also in the value we create through our products and services. In line with this, we also focus on creating positive experiences for our customers.

Our culture is centred on 'Doing Things Right the First Time and Every Time.' This allows for strong quality control and assurance measures at the start of all processes, which lead to overall improved efficiency and productivity across our projects.

Quality process

Stringent Quality Control Processes

Paramount Property's commitment to quality control is clearly reflected in our comprehensive quality assurance processes, where key measures are emphasised and strictly adhered to across the quality chain to eliminate or avoid errors.

This approach ensures that only the best results are passed across to the next stage of the chain, which ultimately contributes to the delivery or output of high-quality products.

Paramount Property has been certified by SIRIM QAS and IQNET for conformance to standards and requirements set under ISO9001:2015. It also complies with the Construction Industry Standard (CIS7:2014) by the Construction Industry Development Board (**CIDB**).

Our process is designed as a continuous improvement loop with lessons and insights learnt, applied across the quality chain. This yields further progressive betterment of our overall quality approach. The system is robust as it integrates all components that are intrinsic to ensuring excellent quality: design, materials and most importantly, building with people in mind.

Workmanship, durability & finishes

Product Quality through Design & Continuous Improvement

The Product Development & Innovation (PDI) Department comprises architects and engineers who facilitate the introduction of new innovations and improvements into our design and build process. This ensures a continuous improvement in our quality in order to meet the increasing demands of our customers.

Rectification of Defects

We are proud to have a low defect rate in our products as validated by our QLASSIC scores. Even so, defects are taken seriously with quick and full rectification undertaken for customers. Our project financials have allocated a set amount for contingency for any defect rectification works.

PARAMOUNT PROPERTY

Paramount Property Construction ISO 9001 : 2015 Certificate

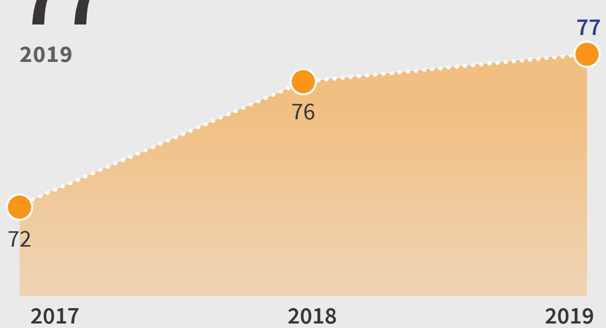
CIS 7: 2014 Quality Assessment System For Building Construction Work (QLASSIC) Phase 3B Sejati : 84%

SUSTAINABILITY STATEMENT

AVERAGE CIDB CLASSIC SCORE

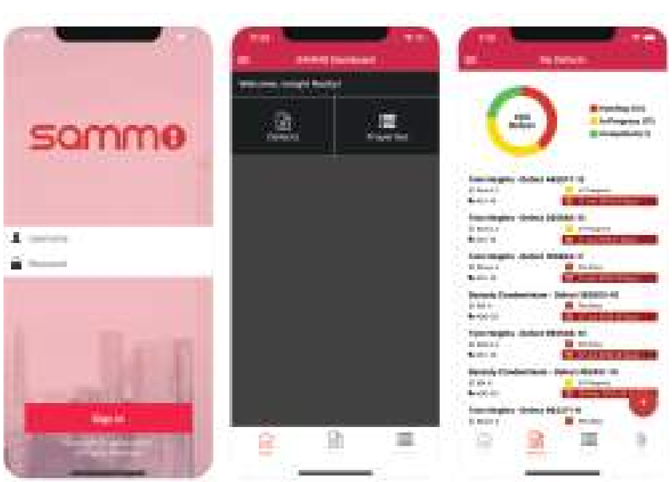
77%

2019



Tracking defects on SAMMO

In line with our mission to 'be bold in technological innovations', we have leveraged on technology to improve our services. We have implemented the defect-tracking mobile app, SAMMO, for our projects since February 2019. This app allows our purchasers to submit and update the status of their defect claims through the convenience of their smartphones.



Customer service after handover

Even after construction and handover, we continue to play an active role in the communities we have built together. The role that our Customer Care and Township Management departments play is crucial to ensuring the quality, liveability, value appreciation and overall wellbeing of our projects and communities.

Customer Satisfaction

We are humbled that almost one in four Paramount Property buyers is a repeat purchaser. This is testament to the strong sense of trust that customers have towards our products. Having had a positive experience with our brand, they have chosen to continually make us their preferred choice.

22%
REPEAT BUYER RATE

Results from Paramount Property's Customer Satisfaction Index (**CSI**), an internal benchmark, reveal that we continue to retain the confidence of our customers who remain pleased with the design, build and finish of our homes as well as other customer-related services. We are pleased to report that we have consistently exceeded our CSI target of 80% over the last three years.

CUSTOMER: EDUCATION DIVISION

CASE STUDY

TRULY THE PEOPLE'S DEVELOPER

Dr Harcharan Singh

Paediatrician

"I came to Sungai Petani in 1990 to start my practice. When Paramount started building Tycoon Square, I bought a shop lot in Taman Patani Jaya which was completed in 1995. I have been operating my clinic here ever since. Impressed by the developer's track record, I have also acquired Paramount properties in the Klang Valley.

Paramount's tagline as the people's developer describes the company perfectly. I am satisfied with their quality, timely delivery schedules, and exceptional after-sales services."

We are committed to providing quality education that enables our students to engage with sustainability challenges and make a difference in their community at local, national and global levels.

Our schools are centres of development where students learn through exploration and discovery. At both Sri KDU Schools and R.E.A.L Education Group, our philosophy is centred around empowering students so they can grow beyond the classroom and be prepared to face the challenges in today's increasingly globalised world.

With around 21,000 students, one of our biggest impact on sustainability is ensuring that our students develop the attributes and competencies necessary for applying sustainability principles in their personal and professional lives.

R.I.P.P.L.E.S.

Sri KDU Primary School's homegrown leadership and character-building programme is aimed at cultivating leadership values amongst students and teachers. Through this programme, we aim to create a culture of care within the school community.

The seven core R.I.P.P.L.E.S. values are:	
Responsibility	Be a victor, not a victim
Inspiration	Be visionary and purposeful
Plan	Understand the importance of planning
Practice	Take small actions consistently
Leverage	Support teamwork and win-win choices
Endurance	Demonstrate bravery and grit
Success	Exhibit gratitude and celebrate wins

CASE STUDY

SHAPING CHARACTER AND BUILDING CAREERS

Ho Eu Sheng
Alumni of Sekolah Sri KDU (Primary) & Sri KDU International School (SKIS) (Secondary)
Student of St Hugh's College, University of Oxford

"After graduating from SKIS post IGCSE, I started at Harrow School in England, where I completed my A Levels. I have gone on to pursue a degree in Engineering Science at St Hugh's College, Oxford.

The education I received in Sri KDU and SKIS has helped build the foundation in the aspects of academia and social skills, which continue to serve me well. These are the experiences that define one's schooling life and makes a difference."

Helping Out People Everywhere (H.O.P.E.)
Sri KDU Primary School has been promoting practices of community service and giving back to society since 2009. The school's H.O.P.E. project has raised funds, in cash and in kind, which have been used to aid many individuals, families, orphanages and homes.

Both H.O.P.E. and R.I.P.P.L.E.S. are great avenues for students and teachers to be agents of change for the community.

Highlights:
As a testament to our commitment to provide quality education, we achieved the following accolades in 2019:
- Sri KDU Primary and Secondary School was awarded the Quality Standards Award with a 5-star rating by the Ministry of Education, Malaysia
- Maintained membership in the Federation of British International Schools in Asia (**FOBISIA**)
- R.E.A.L. Kids was voted by Parenthood Magazine as the kindergarten with the 'Best Preschool Programme' and the 'Best Trilingual Curriculum' at the Parents' Choice Awards 2019
- R.E.A.L International School Cheras Campus was awarded a 5-star SKIPS rating by MOE
- Both R.E.A.L International Schools Johor Bharu and Shah Alam were accorded four-star SKIPS ratings by the MOE

EMPLOYEES

Paramount's corporate mission shows that employees are at the very heart of the Company. We place great importance on key aspects such as the safety and health of our people, talent development and enabling our employees to maximise their potential.

At Paramount, we believe in motivating and engaging our people to achieve our goals, and realise our corporate vision and mission. Over the years, we have put in place policies, plans and rewards to attract, develop and retain our talents.

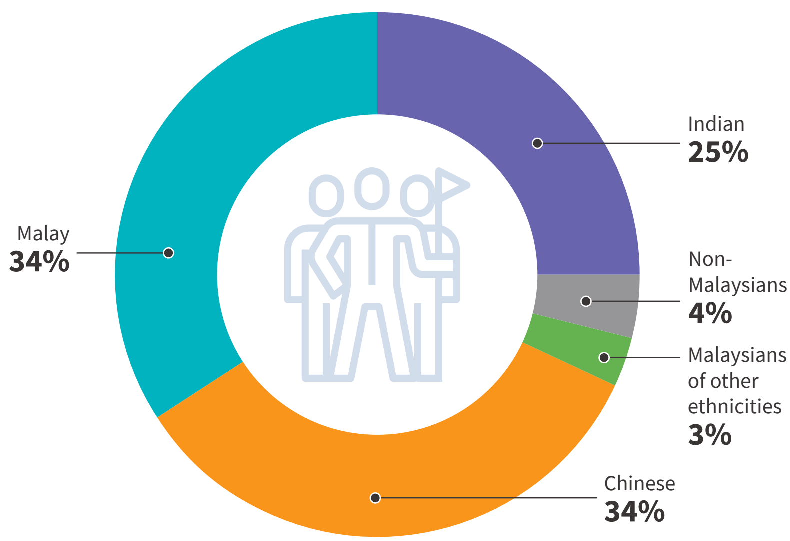
Dato' Teo Chiang Quan with 15 years long service award recipients

Composition and Diversity

As at the end of 2019, the Company had a total of 2,111 employees across all locations in Malaysia. Having employees with diverse experiences, skills and knowledge across operations enhance the Group's competitiveness as the Company effectively has a 'bigger' pool of skill sets to draw upon for creative solutions.

An analysis of the composition of the workforce is shown below according to retention rate:

Total Workforce by Ethnicity



Men and Women in the Workforce

MEN
592

WOMEN
1,519

Employee Retention Rate

77%

Our Workforce

2,111*

* *Excludes Cambridge English For Life in computing number of employees to ensure data consistency across the statement.*

Age Group

399
> 50 years old

1,149
30 – 50 years old

563
< 30 years old

Employee Breakdown by Role

Position	2017			2018			2019		
	M	F	Total	M	F	Total	M	F	**Total**
Senior Managers and Managers	73	114	187	88	129	217	96	152	**248**
Executives	145	230	375	165	234	399	178	263	**441**
Non-Executives	136	190	326	129	146	275	129	149	**278**
Academic	169	857	1,026	174	925	1,099	189	955	**1,144**

Insights on employee composition and diversity

From the data shown above, the Company would like to highlight the following key points:

AGE GROUP 1

While 54% of the Company's employees are aged 30-50 years, there is a significant proportion of Gen Y employees (below 30 years of age) making up 27% of the workforce.

GENDER 2

Paramount provides employees with equal opportunities, rewards and resources regardless of gender.

ETHNICITY 3

The main ethnic groups of the Malaysian population are well-represented. As the property development and education sectors involve a wide and diverse range of stakeholders, it is essential for our workforce to be able to understand and address the needs of the stakeholders. A diverse workforce is a key competitive advantage in this regard.

HIGHLIGHT

Paramount Property Utara (PPU) - Best Employer by KWSP Kedah/Perlis: KWSP Kedah/Perlis has awarded PPU as the Best Employer of 2019 in terms of on-time e-payment and compliance with all legal aspects.

TALENT DEVELOPMENT, RETENTION AND SUCCESSION PLANNING

Our people are vital to our continued success in today's competitive market. We motivate our employees to reach their full potential by focusing on three areas: talent development, retention and succession planning.

The Group believes that attracting good talent alone is not enough. We need to empower and enable them to reach their full potential.

In today's world, financial remuneration is not the only factor for employees in choosing a job or staying on a job. Other considerations include work culture, company values, and professional development. We have, therefore, carefully, crafted plans to develop and retain our employees.

Average training hours/ staff: **18.91**

In building the talent pool, the following training programmes were conducted at Paramount in 2019:

Programme	Targeted Employee Level	Training Provided In 2019	No. of Participants
Sustainable Talent Acceleration & Retention Strategy (STARS)	Senior Management	• Leadership Coaching • Spokesperson's Media Training	6 9
Leading with Energy & Passion (LEAP)	Middle Management	• Managing Change in a Dynamic World • Business Acumen • Strategic and Analytical Thinking • Negotiation Skills • Presentation Skills • Corporate Grooming	19
Post-Leading with Energy & Passion (LEAP)	Middle Management	• Successful Stakeholder Engagement & Management	39
Emerging Leaders in Transition (ELITe)	Executive-level employees	• Critical Thinking in Action • Passionate Presentations	25

Rewarding talent

Employees enjoy a range of benefits over and above what is legally prescribed. Compensation and benefits packages are designed to cater to employees of different age groups and range from gym subsidies to healthcare benefits for the family, to childcare subsidies and subsidies for the care of elderly parents. Employees are rewarded for performance based on Key Performance Indicators which are set in a participatory manner.

High performing staff and senior management are entitled to participate in the Group's Long Term Incentive Plan (LTIP) which rewards eligible talents with share options, allowing them to enjoy the Group's growth by owning a part of the company. The LTIP involves the allotment of new ordinary shares in the Group to eligible employees and executive directors of the Group, provided the total number of shares allocated do not exceed 10% of the total number of issued shares in the company.

Paramount has many long-serving employees as a result of our employee-centric policies and career opportunities available. In 2019, we showed our appreciation to 130 employees who have served from five to 30 years.

Award	Total Awards Presented
5 years	73
10 years	20
15 years	31
20 years	0
25 years	3
30 years	3
	130

Employee well-being

We believe in a proactive approach to health and wellness for our employees, including taking active preventive measures. Activities to encourage our employees to be healthy include the most active employee competition (which required employees to keep tabs on the number of steps they take daily). We also increased employee awareness on other aspects of health including, among others, a talk on eye care as many of our employees work on the computer daily. To encourage work-life balance, we introduced flexible working hours for Paramount Property employees, allowing them to fit in family commitments and even avoid the rush hour traffic, so long as work quality is not affected and core working hours are maintained.

CASE STUDY

GROWING WITH PARAMOUNT

Che Asiah Binti Osman @Othman
Assistant Manager
Human Resource & Administration
Paramount Property (Utara)

"My husband was transferred to Kedah, and I joined him once I found a job here. I started working in Paramount as secretary to Dato' Ricque Liew in 1995.

Working here, I have had opportunities to learn about other areas which led me to my current role. It is challenging but I am enjoying myself. I believe the leadership has vision and everyone who wants to take the opportunity can move forward together with the company."

Employee engagement

Townhall meetings

Townhall meetings are used by the management to share the latest developments in the company and provide updates on ongoing projects. During these occasions, employees can share views and seek clarifications from the management. These sessions are also opportunities for colleagues from different departments and locations to come together, fostering goodwill and unity.

Townhall meeting at Paramount Property Division (PPD)

Recreation and gatherings

Paramount has a wellness campaign called 'Happy Healthy You' that is being embraced across the Group. We organise a variety of games, social activities and even sponsor short trips to encourage employees to work and play together.

Tug of War (Paramount Property Division Central vs Northern)

A friendly basketball match

Cruise trip by Kelabku (Central Region)

ETHICS & INTEGRITY

Paramount has long established a Code of Business Conduct and Ethics (**Code**), which outlines the professional standards expected of all employees, directors and representatives at all levels of the organisation. The Code also specifies obligations to stakeholders and upholds exemplary standards of professionalism and corporate conduct.

All employees are also required to sign a Non-Disclosure Letter of Agreement to confirm that no conflict of interest was present between the employee and company during their employment. Cases of breach or alleged breach of our Code will be investigated by internal audit teams and reported to the Audit Committee.

Our Whistleblowing Policy is also posted on our website. Concerned stakeholders may use the given contact information to anonymously voice their concerns on suspected behaviours of any employee in violation of our Code.

In FY2019, no reports were received.

OCCUPATIONAL SAFETY & HEALTH

At Paramount, we recognise the importance of mitigating occupational accidents and illnesses. Our Safety and Health (**S&H**) policy and procedures outline the Group's commitment as follow towards ensuring that the safety, health and welfare of our employees and contractors are well taken care of.

- Minimising and managing Occupational Safety and Health risks using the control hierarchy
- Protecting the safety and health of our stakeholders and other interested parties by providing safe and healthy work conditions (such as skills training and establishment of committees) for the prevention of work-related injury and ill-health
- Seeking consultation and participation of workers (such as forming a Safety and Health Committee)
- Satisfying and fulfilling applicable compliance obligations (legal and other requirements) and complying with the requirements of our Integrated Management System

Aligned with the above commitments, we have implemented key programmes and interventions to enhance the safety, health and welfare of our employees and contractors. We were in full compliance with laws and regulations as well as procedures in 2019.

Safety and health standards

Our property division complies with international and national standards, which provide the framework that governs our management approach for Occupational Safety and Health (**OSH**).

Our property development division has been certified with OHSAS 18001:2007, MS 1722:2011 and ISO 45001: 2018. We are also currently transitioning to ISO 45001:2018 Occupational Safety and Health Management System for our construction companies.

Paramount Property has adopted the Safety and Health Assessment System in Construction (SHASSIC) for assessing and evaluating site safety and health management.

Safety and health committee

In accordance with our policy, we have established the Safety and Health Committee in our property division. The committee is tasked with managing and monitoring the continuous improvement of S&H initiatives, fulfilling legal and other requirements, and reaching OSH objectives.

S&H awareness and training

We carry out various internal and external S&H programmes to inculcate a culture of safety in the workplace and to create a sense of responsibility amongst employees. We have also created posters containing relevant safety and health information that are displayed prominently at work sites.

All contractors and visitors are required to comply with S&H standard operating procedures, guidelines and work instructions. S&H inductions for new workers and weekly toolbox meetings are conducted at job sites to remind all workers on safety topics related to the specific jobs, such as potential workplace hazards, risks and safe work practices.

Below is a list of S&H training programmes conducted during the year under review:

- Fire drill and fire extinguisher training
- Chemical spillage
- World OSH Day
- Working at height (safety and harness, working at height)
- Rigging & Slinging training
- Forklift training
- Personal Protective Equipment training
- Signalman and lifting training

S&H performance

At Paramount, we consistently monitor S&H indicators, because they indicate whether our S&H initiatives are effective in preventing incidents and occupational diseases.

We benchmark our safety management and practices against Safety and Health Assessment in Construction (SHASSIC) CIS 10: 2018.

The following is the list of project sites which were assessed in 2019 by CIDB:

SHASSIC Assessment		
PROJECT SITES	SCORE	STAR RANKING
Utropolis Phase 3	91%	★★★★★
Sri KDU, Klang	84%	★★★★
Bukit Banyan, Phase 4, 100 Units DS Terrace	81%	★★★★
Utropolis Phase 3 (Hotel)	70%	★★★★
Keranji Phase 6A	70%	★★★★
Bukit Banyan, Phase 4, 38 units DS Semi-D	63%	★★★

S&H Indicators

We conduct a regular review of our S&H policies and procedures to identify areas that may need improvement. No critical S&H incidents were recorded in 2019.

COMMUNITY

We are conscious of how our businesses are inter-connected with the communities within which we operate. While contributing to the growth of the nation, we are also committed to giving back to society through various programmes.

COMMUNITY DEVELOPMENT AND ENRICHMENT

We participate actively in the communities where we operate through charitable efforts. In 2019, the Group and its business divisions engaged in Corporate Social Responsibility activities to address the welfare of underprivileged communities.

50 Years, 5 Good Causes

Paramount together with our business associates supported five charitable organisations as part of our 50th Anniversary celebrations. This initiative raised a total of RM640,500 for the following charities:

1. National Cancer Society Malaysia
2. Hospis Malaysia
3. Dignity for Children Foundation
4. T. Mori Education Trust
5. WWF Malaysia

SENTUL FESTIVAL

Paramount was the main sponsor of the Sentul Festival, organised in conjunction with Dignity for Children Foundation's 20th Anniversary.

KIWANIS DOWN SYNDROME

As a regular supporter of the Kiwanis Down Syndrome Foundation, Paramount Property donated RM20,000 towards the Kiwanis Treasure Hunt.

WORLD KIDNEY DAY COLOUR FUN RUN 2019

Paramount Property Utara worked with Hospital Sultan Abdul Halim to create awareness on the importance of kidney care by organising the World Kidney Day Colour Fun Run which kicked off at Bukit Banyan.

SAYANGI RUMAHKU CAMPAIGN 2019

Paramount Property's Sayangi Rumahku campaign is a joint effort with EdgeProp and Nippon Paint Malaysia to improve the lives of the B40 group living at the People's Housing Projects (PPR). Our beneficiaries are the residents of PPR Lembah Subang 1 in Petaling Jaya, PPR Seri Cempaka in Pantai Dalam and PPR Sri Kedah in Gombak.

SUSTAINABILITY STATEMENT

‘MAKE A WISH’ CAMPAIGN

During Utropolis Marketplace’s ‘Make A Wish’ campaign, Paramount Property raised RM70,000 to fulfil Gerald Lee's wish for a prosthetic leg.

SRI KDU H.O.P.E. FAMILY FUN RUN

Sri KDU organised its inaugural H.O.P.E. Family Fun Run which saw the school community coming together to collectively raise RM42,000 for Pusat Jagaan Titian OKU Nur, a home for the disabled.

SRI KDU HANDS FOR EDUCATION

Students from Sri KDU Secondary School participated in a weekend tutoring project for underprivileged students living at the PPR flats in Kota Damansara. This initiative has earned them The Tuanku Bainun ‘Young Changemakers’ Award.

EDUCATIONAL SCHOLARSHIP PROGRAMME

In 2019, Paramount disbursed scholarships to 23 high-achieving students to study at Sri KDU and R.E.A.L Schools. This also opened up opportunities for students, whose family income is below RM100,000, to enjoy private education.

Total scholarships given: RM 390,352

HOW WE ARE GOVERNED

BOARD OF DIRECTORS' PROFILE

DATO' TEO CHIANG QUAN

Chairman & Executive Director

Age	Gender	Nationality
70	Male	Malaysian

Dato' Teo Chiang Quan joined the Board of Directors (**the Board**) on 19 January 1977 and has been active in the management of Paramount Corporation Berhad (**Paramount**) since 1981 when he first served as the Principal Officer of the Group's insurance division.

Over 28 years, Dato' Teo has held the positions of Group Managing Director & Group Chief Executive Officer (**CEO**), Deputy Chairman and now, Chairman. During this time, he has been instrumental in shaping Paramount into the reputable and financially-sound Group that it is today.

In his current role, he provides leadership in the effective functioning of the Board and the boards of the Company's subsidiaries within a robust framework of corporate governance. He guides management in the formulation of the Group's long-term strategic plans, particularly in land banking, and ensures effective communications with stakeholders.

He is also a firm proponent of Paramount's core values encapsulated in T.R.I.B.E (Trust, Respect, Integrity, Bravery and Energy) and is highly committed to ensuring the delivery of meaningful and sustainable outcomes for all stakeholders.

Dato' Teo was named as 'FIABCI Malaysia Property Man of 2019' at the 'FIABCI-Malaysia Property Award 2019' in view of his contributions to the property industry over the years. It is indeed a timely and befitting honour as Paramount celebrated its 50th anniversary the same year.

His son, Benjamin Teo Jong Hian, is the CEO of Paramount Property Development Sdn Bhd and an Executive Director of Paramount.

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

Committee
- Board Risk Management Committee (Member)

Appointed
- 19 January 1977

Qualification
- Hon Doc Middlesex University, United Kingdom

Directorship in other Public Companies

Listed
- Nil

Non-listed
- Nil

JEFFREY CHEW SUN TEONG

Group Chief Executive Officer & Executive Director

Age	Gender	Nationality
54	Male	Malaysian

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

He began his career at PricewaterhouseCoopers in 1987 and thereafter, joined Citibank Berhad in 1991, leaving as General Manager of Commercial Banking.

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

As the Group CEO of Paramount, Mr Chew is responsible for the management of the Group's businesses and ensures that the Group's businesses deliver consistent shareholder value.

Under his management, Paramount has experienced consistent revenue growth over the past five years. It has also garnered numerous awards, including the "Highest Returns to Shareholders Over 3 Years" for the Property Sector at The Edge Malaysia Centurion Club Corporate Awards 2019. Paramount also rose to 13th place in 2019 for The Edge Property Excellence Awards rankings, up from 25th place in 2014.

Mr Chew was on the Advisory Committee of ACCA Malaysia up to 2017. He is currently an Independent Director and Chairman of the Audit Committee of the Asian Banking School and a member of the Small Debt Resolution Committee of Bank Negara Malaysia.

Mr Chew attended all five Board meetings held in the year.

Committee
- Nil

Appointed
- 8 June 2015

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

Directorship in other Public Companies

Listed
- Nil

Non-listed
- Nil

BOARD OF DIRECTORS' PROFILE

BENJAMIN TEO JONG HIAN

Executive Director

Age	Gender	Nationality
31	Male	Malaysian

Mr Benjamin Teo joined the Board of Paramount as an Executive Director on 22 August 2019. He is also the CEO of Paramount Property Development Sdn Bhd (**PPD**), a position he has held since 1 March 2018.

Mr Teo started his career at Paramount as a management trainee in 2012 and rose through the ranks to become the Director of Innovation at Paramount Property in 2015.

During this time, he led the development of Co-labs Coworking, providing alternative solutions to address the changing needs of today's workforce. Co-labs Coworking has since expanded, from one space in 2016 in Glenmarie, Shah Alam to five locations across the Klang Valley today namely The Starling and The Starling Plus in Petaling Jaya, Sekitar26 Enterprise in Shah Alam and Naza Tower in KL City Centre.

As the CEO of PPD, he is responsible for developing innovative concepts to add value to Paramount Property's offerings. This includes scaling up its current eco-system of services to appeal to new segments of audiences and growing its revenue stream through diversification into complementary verticals and industries.

Mr Teo is the son of Dato' Teo Chiang Quan, who is the Chairman and an Executive Director, as well as a substantial shareholder of Paramount.

Mr Teo attended all three Board meetings held after his appointment in the second half of 2019.

Committee
- Nil

Appointed
- 22 August 2019

Qualification
- Bachelor of Politics and Sociology (with Honours), University of Nottingham, United Kingdom

Directorship in other Public Companies

Listed
- Nil

Non-listed
- Nil

DATUK SERI MICHAEL YAM KONG CHOY

Senior Independent Non-Executive Director

Age	Gender	Nationality
66	Male	Malaysian

Datuk Seri Michael Yam joined the Board of Paramount on 18 February 2010 and was designated as the Senior Independent Non-Executive Director on 27 February 2014.

Datuk Seri Michael has an illustrious career spanning over 35 years in the construction, real estate and corporate sectors. Prior to his retirement in 2008, he helmed two different award winning public listed property companies as Managing Director and CEO. In 2002, he was voted 'CEO of the Year' for Malaysia by American Express Corporate Services and Business Times.

After graduating from the University of Westminster, London in Building & Management Studies, he worked with the British Civil Service as well as various other companies in the United Kingdom. Upon his return to Malaysia, he served in companies such as Landmarks Berhad, Peremba Malaysia, Country Heights Holdings Berhad and Sunrise Berhad.

He is currently appointed on the boards of various government incorporated and non-governmental organisations, serving as the Chairman of InvestKL Corporation, Malaysia Airports (Niaga) Sdn Bhd, Triterra Sdn Bhd and as a director of Kwasa Land Sdn Bhd (a subsidiary of Employees Provident Fund). He is also the Most Recent Past President and Patron of the Real Estate and Housing Developers' Association of Malaysia and a trustee of the Standard Chartered Foundation.

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

Committee
- Nominating and Remuneration Committees (Chairman)

Appointed
- 18 February 2010

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

Directorship in other Public Companies

Listed
- Malaysia Airports Holdings Berhad
- Cahya Mata Sarawak Berhad

Non-listed
- Standard Chartered Saadiq Berhad

BOARD OF DIRECTORS' PROFILE

ONG KENG SIEW

Independent Non-Executive Director

Age	Gender	Nationality
63	Male	Malaysian

Mr KS Ong joined the Board of Paramount on 14 November 1994 and was re-designated as an Independent Non-Executive Director on 14 August 2014.

Mr Ong began his career with the Group as an Accountant in 1981 and was promoted to the position of Finance and Administration Manager in 1984. He was subsequently appointed as the General Manager to oversee the operations of the property development and construction divisions in 1989.

Mr Ong assumed the post of Deputy Group Managing Director & Deputy Group CEO in 1997 before succeeding Dato' Teo Chiang Quan as the Managing Director & CEO of Paramount on 1 December 2008.

On 18 June 2012, after serving the Group with distinction for more than 30 years and ensuring that it was on a strong footing, he retired as the Managing Director & CEO of Paramount.

Mr Ong attended all five Board meetings held in the year.

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

Appointed
- 14 November 1994

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

Re-designated as an Independent Non-Executive Director
- 14 August 2014

Directorship in other Public Companies

Listed
- United Malacca Berhad

Non-listed
- Nil

QUAH POH KEAT

Independent Non-Executive Director

Age	Gender	Nationality
67	Male	Malaysian

Mr PK Quah joined the Board of Paramount on 8 June 2016.

Mr Quah was a partner of KPMG Malaysia since 1 October 1982 before rising through the ranks to become the firm's Senior Partner (currently referred to as Managing Partner) on 1 October 2000. Prior to taking up the position as Senior Partner, he led the Tax Practice and the Japanese Practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council, a governing body within KPMG International that oversees all Japanese Practices within KPMG. During his tenure as Senior Partner, he also served as a member of the KPMG Asia Pacific Board and KPMG International Council. Mr Quah retired from KPMG Malaysia on 31 December 2007.

After his retirement, he joined the board of Public Bank Berhad as an Independent Non-Executive Director from 30 July 2008 until 1 October 2013 when he was appointed to the position of Deputy CEO of the bank, a position that he held until 31 December 2015.

He also has, at various times after 31 December 2015, served on the boards of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Mr Quah attended all five Board meetings held in the year.

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

Appointed
- 8 June 2016

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

Directorship in other Public Companies

Listed
- Kuala Lumpur Kepong Berhad
- LPI Capital Berhad
- Malayan Flour Mills Berhad

Non-listed
- Public Mutual Berhad
- Lonpac Insurance Berhad

BOARD OF DIRECTORS' PROFILE

FATIMAH BINTI MERICAN

Independent Non-Executive Director

Age	Gender	Nationality
66	Female	Malaysian

Puan Fatimah Merican joined the Board of Paramount on 2 July 2018.

Puan Fatimah had an impressive career of 37 years at Exxon Mobil where she rose through the ranks from the position of Information Technology (**IT**) Analyst at Esso Malaysia Berhad (**Esso**) in 1977 to Executive Director of Esso and Vice President & Director of ExxonMobil Exploration and Production Malaysia Inc before retiring in March 2014.

Puan Fatimah has accumulated a wealth of knowledge, skills and experience in IT application development and support, project management, system programming and planning during her tenure at Exxon Mobil.

After the merger of Exxon (the parent company of Esso) and Mobil in 2000, Exxon Mobil embarked on an ambitious plan to consolidate all IT services for all its key locations globally. Puan Fatimah was involved in this plan and led a global team that supported the non-Enterprise Resource Planning applications of all Exxon Mobil Downstream and Chemical businesses. Under this posting, Puan Fatimah was also involved in the setting up of an IT support centre for Exxon Mobil in Bangkok.

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

Puan Fatimah attended all five Board meetings held in the year.

Committee

- Audit and Nominating Committees (Member)

Appointed

- 2 July 2018

Qualification

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

Directorship in other Public Companies

Listed

- IJM Plantations Berhad

Non-listed

- United Overseas Bank (Malaysia) Berhad

FOONG PIK YEE

Independent Non-Executive Director

Age	Gender	Nationality
60	Female	Malaysian

Ms PY Foong joined the Board of Paramount on 22 August 2019.

Ms Foong began her career as an auditor at KPMG Singapore and moved to Australia in 1983 to pursue her professional qualification and a Master of Business Administration degree. She stayed on in Australia for another nine years acquiring skills at various organisations including PricewaterhouseCoopers, JP Morgan, HSBC and ANZ Banking Group.

She joined Standard Chartered Bank (**SCB**) in 1993 after returning to Malaysia. In the course of her 19 years at SCB, Ms Foong took on various leadership roles and across many geographies including as Group Head of Credit Operations, Head of Sales for Corporate Banking Hong Kong, Chief Operating Officer for Wholesale Banking and Chief Financial Officer of SCB Malaysia. She was the Chief Executive Officer of SCB Lebanon from 2008 to 2012.

She returned to Malaysia under the Talentcorp Returning Expert programme in 2013 and joined Hong Leong Bank Berhad as its Chief Financial Officer until her retirement in June 2019.

Currently, Ms Foong serves on the Industry Advisory Board of Monash University Malaysia, and is actively involved in the promotion of talent development. She is also involved in the women in leadership mentoring programmes of the 30% Club, Institute of Chartered Accountants in England and Wales and the Malaysia Australia Business Council. Ms Foong was also a recipient of the 'Most Inspiring Woman' in the 'Great Women of Our Time' awards from the Malaysian Women's Weekly Magazine in 2007.

Ms Foong attended the three Board meetings held after her appointment in the second half of 2019.

Committee
- Audit and Remuneration Committees (Member)

Appointed
- 22 August 2019

Qualification
- Bachelor of Commerce, University of Melbourne, Australia
- Member of Chartered Accountants Australia and New Zealand
- Master of Business Administration (majoring in Finance), Monash University, Australia
- Chartered Banker, Asian Institute of Chartered Bankers

Directorship in other Public Companies

Listed
- Nil

Non-listed
- AmBank Islamic Berhad
- Prudential Assurance Malaysia Berhad

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

KEY SENIOR MANAGEMENT PROFILE

JEFFREY CHEW SUN TEONG

Group Chief Executive Officer & Executive Director

Kindly refer to the Board of Directors profile on page 73 for his profile.

BENJAMIN TEO JONG HIAN

Executive Director of Paramount Corporation Berhad & Chief Executive Officer of Paramount Property Development Sdn Bhd

Kindly refer to the Board of Directors profile on page 74 for his profile.

FOONG POH SENG

Chief Financial Officer

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

Mr Foong, a Malaysian, aged 54, male, has more than 28 years of experience in financial management, during which he formed sound relationships with the financial community.

Mr Foong joined Paramount in 1989 as an accounts trainee and rose through the ranks to become Finance Manager of the property division when the Group expanded into the Klang Valley. He returned to corporate office in 2007 as Financial Controller before assuming his present role of Chief Financial Officer on 1 January 2014 to head the Group Finance function. His mandate covers three core areas – controllership, which includes presenting and reporting accurate and timely historical financial information of the Group, treasury duties, encompassing tracking, recording and presenting the Group's current financial condition, taking into consideration risk and liquidity as well as the capital structure of the company, and financial strategy and forecasting, including identifying and reporting on financial efficiency and opportunities.

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

KEY SENIOR MANAGEMENT PROFILE

DATIN TEH GEOK LIAN

Chief Executive Officer of Paramount Education

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

Datin Teh, a Malaysian, aged 61, female, was appointed Chief Executive Officer of Paramount Education in June 2011.

As CEO of Paramount Education, Datin Teh had overall responsibility of the education division of the Paramount Group; from pre-school, primary and secondary schools through to tertiary institutions and enrichment centres. Under her stewardship, KDU expanded its wings to their iconic campuses at Utropolis Glenmarie and at Utropolis Batu Kawan. Subsequent to the completion of the sale of Paramount's controlling equity interest in the tertiary education business to University of Wollongong Malaysia (UOWM) in September 2019, and its pre-tertiary education business to Prestigion Education Sdn Bhd in February 2020, Datin Teh continues to contribute her expertise and experience as a Board member of all the entities in the UOWM-KDU University College group and Prestigion Education Sdn Bhd.

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

Datin Teh has had a diverse education experience abroad, both at tertiary and school levels. She graduated from Yale University under a Yale scholarship and also spent a year as a high school foreign exchange student in the U.S. under the American Field Service (AFS) programme.

BEH CHUN CHONG

Chief Executive Officer of Paramount Property

- Bachelor of Civil Engineering from University Teknologi Malaysia

Mr Beh, a Malaysian, aged 49, male, is an experienced professional in the property and construction industry. A civil engineer by training, he has spent 26 years in various Malaysian companies helming a diverse portfolio of projects ranging from infrastructure and commercial, through to retail and hospitality and high-end residential. His experience covered all aspects of property development from design management, to construction management and post-development management.

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

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

He is responsible for appointing strategic partners who will deliver on this vision and set new standards in design, as well as the marketing and operational aspects of the business. He ensures that the company delivers its projects on established building standards, within budget, and on time.

KEY SENIOR MANAGEMENT PROFILE

JEFFREY QUAH CHUAN TATT

Group Human Resource Director

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

Mr Quah, a Malaysian, aged 54, male, has more than 25 years of experience in the field of human resource management. He has extensive exposure in various industries including property development, construction, hospitality, logistics, retail and manufacturing. Regarded as a generalist, he is familiar with strategic HR initiatives, organisational improvement, learning and development, performance management, business process improvement, compensation and benefits, talent management and recruitment. Prior to his current role, he has served in senior leadership roles in several public listed companies, a US-based multinational company and a government agency.

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

This Statement on Corporate Governance provides insights into Paramount's corporate governance processes with reference to the principles of the Malaysian Code on Corporate Governance 2017 (**MCCG 2017**) and the best practices prescribed therein for the financial year ended 31 December 2019 (**FY2019**).

It is advisable to read this statement together with the other statements in this annual report as well as the Corporate Governance Report for FY2019 (**2019 CG Report**) that is available in the Corporate Governance section of the Company's website at www.pcb.my for additional information that is relevant to the Group's corporate governance practices.

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board is collectively responsible for the overall corporate governance of the Company and the strategic direction of the Group. Although the Board confers some of its authorities to the Board Committees and delegates the day-to-day management of the Group's business operations to the key senior management team, it reserves for its decision significant matters, such as the following, to ensure that the direction and control of the Group is firmly in its hand:

- Strategic planning
- Annual budgets and performance reviews
- Financial reporting
- Material acquisition and disposal of assets
- Major capital expenditure
- Fund raising activities
- Corporate governance policies
- Announcements to Bursa Malaysia Securities Berhad (**Bursa Securities**)
- Dividend payments
- Changes in the Board composition and principal officers
- Board and senior management remuneration
- Board and senior management succession planning

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

- Provided strategic guidance to management
- Monitored the implementation of strategic initiatives and management's performance in meeting the growth targets set out in the Group's 5-year Strategic Plan for 2015 to 2019 (**Y2015-Y2019 Plan**)
- Approved the Group's 2019 Budget and Business Plan, and monitored operational performance against the budget
- Monitored the progress of the following corporate proposals which were implemented in 2019:
  - o the issue of 173,337,846 bonus shares and 173,337,846 free warrants by the Company
  - o disposal of the Group's tertiary education campus properties at Utropolis Glenmarie, Shah Alam, Selangor, at Jalan Anson on Penang island, and at Bandar Cassia, Batu Kawan on the mainland of Penang to Dynamic Gates Sdn Bhd, a special purpose vehicle, for a total consideration of RM420,000,000.00 to facilitate a leaseback of these campuses to KDU University College Sdn Bhd (**KDUUC**) and KDU University College (PG) Sdn Bhd (**KDUPG**) (now known as UOW Malaysia KDU University College Sdn Bhd and UOW Malaysia KDU University College (PG) Sdn Bhd, respectively)
  - o divestment of the Company's controlling equity interests in KDUUC, KDUPG and KDU College (PJ) Sdn Bhd to UOWM Sdn Bhd for a total cash consideration of RM38,500,000.00
- Reviewed and approved corporate and business proposals submitted by management, which included the following:
  - o divestment of the Company's controlling equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd to Prestigion Education Sdn Bhd for an indicative total cash consideration of RM540,500,000.00
  - o expansion of Co-labs Coworking to five locations

- Approved the award of new Paramount shares to eligible employees of the Group pursuant the Company's Long Term Incentive Plan (**LTIP**)
- Reviewed the Group's cyber security measures
- Appointed two new Directors to replace the Directors who have retired, as part of the Board's succession and gender diversity plan, and revised the composition of the Board Committees following the board changes
- Tracked the economic, environmental and social (**EES**) governance activities of the Group on a half-yearly basis
- Approved the Group's 5-year Strategic Plan for 2020 to 2024 (**Y2020-Y2024 Plan**)
- Updated the Board Charter with a clause to stipulate 12 years as the maximum tenure for the position of an Independent Non-Executive Director (**INED**) of the Company

DEMARCATION OF RESPONSIBILITIES

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

The four Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference as determined by the Board and set out in the Board Charter. Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee through reports by the Chairman of each of the Board Committees at Board meetings.

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

Audit Committee

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for timely and accurate financial reporting and the development of sound internal controls. A detailed report on the activities of the Audit Committee in FY2019 is presented on pages 94 to 96 of this annual report. Currently, the Audit Committee comprises exclusively INEDs, namely Mr Quah Poh Keat (as Chairman), Puan Fatimah Merican and Ms Foong Pik Yee.

Nominating Committee

The primary function of the Nominating Committee is to consider and recommend to the Board new nominees for appointment to the Board, the re-election of Directors, and to assess the independence of INEDs. It also conducts yearly assessment of the effectiveness of the Directors, the Board, the Board Committees, the Chairman and the Group CEO in fulfilling their respective duties. The following activities were carried out by the Nominating Committee in FY2019:

- Reviewed the outcome of the 2018 Directors' Self and Peer Assessment undertaken to assess the performance of individual Directors, the Board, the four Board Committees, the Chairman and the Group CEO, and recommended remedial actions where applicable
- Reviewed the training programmes attended by the Directors, and discussed the Directors' training needs for the ensuing year
- Updated the Directors' Self and Peer Assessment questionnaire to better reflect performance expectations
- Reviewed the Declaration of Independence signed by all INEDs
- Assessed the eligibility of Directors for re-election at the 49th Annual General Meeting (**AGM**) of the Company
- Assessed the eligibility of Directors to remain as INEDs after having served the board for more than nine years
- Conducted a yearly review of its Terms of Reference
- Nominated one additional Executive Director, namely Mr Benjamin Teo Jong Hian, and one additional INED, namely Ms Foong Pik Yee, for appointment to the Board after having assessed the eligibility and suitability of the candidates based on a set of selection criteria, which included the preferred area of expertise and experience
- Recommended revisions to the composition of the four Board Committees to ensure even distribution of duties amongst the board members

Currently, the Nominating Committee comprises exclusively INEDs, namely Datuk Seri Michael Yam Kong Choy who is the Senior INED (as Chairman), Mr Ong Keng Siew and Puan Fatimah Merican.

Remuneration Committee

The primary function of the Remuneration Committee is to assess and recommend to the Board the remuneration packages of Executive Directors, including the Group CEO, to ensure that their remuneration commensurate with their responsibilities and contribution to the Group's performance, and are adequately competitive to retain these key personnel for the future growth of the Group. The Remuneration Committee also recommends to the Board the policy and framework for determining Directors' fees and benefits, and has, since March 2015, assumed the role as the committee to implement and administer the Company's LTIP. The following activities were undertaken by the Remuneration Committee in FY2019:

- Reviewed bonus payments and salary increments to the Executive Directors, including the Group CEO
- Reviewed bonus payments and salary increments to senior management personnel
- Reviewed Directors' fees and Board Committee fees
- Reviewed the granting of Paramount shares under the 2019 LTIP Award and the vesting of Paramount shares pursuant to the 2016, 2017 and 2018 LTIP Awards
- Conducted a yearly review of its Terms of Reference

Currently, the Remuneration Committee comprises exclusively INEDs, namely Datuk Seri Michael Yam Kong Choy (as Chairman), Mr Quah Poh Keat and Ms Foong Pik Yee.

Board Risk Management Committee

The primary function of the Board Risk Management Committee is to assist the Board in fulfilling its duties to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The following activities were undertaken by the Board Risk Management Committee in FY2019:

- Reviewed the Top Key Risks of the Group and monitored the effectiveness of the risk management plans identified by the Executive Risk Management Committee (**ERMC**)
- Monitored the implementation progress of the Group's Business Continuity Management Plan drawn up by the ERMC
- Conducted a yearly review of its Terms of Reference

Currently, the Board Risk Management Committee comprises a majority of INEDs, namely Mr Ong Keng Siew (as Chairman), Dato' Teo Chiang Quan and Mr Quah Poh Keat.

Senior Independent Non-Executive Director

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

Chairman

To ensure separation of powers between the Chairman and the Group CEO, the Board has stipulated in the Board Charter that the Chairman is responsible for the effective leadership, operation and governance of the Board. To this end, the Chairman of the Board, Dato' Teo Chiang Quan, works with the Group CEO, Mr Jeffrey Chew Sun Teong and the Company Secretary to set the agenda for Board meetings, and he ensures timely provision of accurate and relevant information to all Directors prior to the meetings. He leads the Board in all Board discussions and ensures that all members of the Board continue to contribute effectively to the development of the Company's strategies and policies. The Chairman also presides over all board meetings of the Company's subsidiaries, and he ensures that the boards of the subsidiaries conform to the high standards of governance that are practised by the Board. He also acts as a facilitator to ensure that no Board member dominates the board discussions at the board meetings. In addition, the Chairman undertakes the executive function of guiding management in the evaluation and selection of land bank to grow the Group's property development business.

Group CEO

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

Company Secretary

All Directors have unrestricted access to the Company Secretary, who plays an advisory role to the Board in relation to the Board policies and procedures, compliance with applicable laws, rules and regulations and codes. The Secretary, who is duly certified by the Companies Commission of Malaysia pursuant to the requirements of the Companies Act, 2016, supports the Board and Board Committees in the discharge of their duties by monitoring the status of adherence to the relevant laws and regulations and corporate governance best practices, and ensuring that all information and materials that are required for the consideration of the Board and Board Committees are provided to the Directors expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to the respective members of the management team for their necessary action. The duties of the Secretary also include managing the processes pertaining to the Company's AGMs and maintenance of the Group's statutory records. Additionally, the Secretary keeps the Directors updated on new statutory and regulatory requirements, and attends to the sourcing of training programmes for the Directors.

PROMOTION OF GOOD BUSINESS CONDUCT

Directors' Code of Ethics and Code of Business Conduct & Ethics

The Board has adopted a Directors' Code of Ethics and a Code of Business Conduct & Ethics to ensure that high standards of governance, ethical, prudent and professional behaviour are embedded in the Board's activities and management practices across the Group. These codes are reviewed by the Board once in every three years. The Directors also adhere to the practice of declaring their interests, if any, in transactions and proposals (including proposals on their on re-election to the Board) that are submitted to the Board or Board Committees for approval, and abstaining from deliberating and voting on such transactions and proposals. There were no reported conflict of interest during the year under review or during the period from 1 January 2020 to the date of publication of this statement.

Insider Trading

In efforts to prevent insider trading in Paramount shares and to maintain the confidentiality of price sensitive information, the Board has adopted an Insider Dealing Policy, providing better clarity to the definition of 'insider trading' and setting the steps that must be taken by all Directors and employees to ensure that full disclosure is made pre and post the act of trading during a closed period. The Board is not aware of any incidence of 'insider trading' during the year under review or during the period from 1 January 2020 to the date of publication of this statement.

Whistleblowing Policy

In promoting a culture of high integrity and greater transparency, the Board has adopted a Whistleblowing Policy which is reviewed once in every three years. This policy provides employees of the Group and stakeholders an avenue to raise concerns regarding suspected fraud, wrongdoings and malpractices without being subject to victimization, harassment or discriminatory treatment.

Examples of 'reportable activities' under the Whistleblowing Policy and the mechanism by which employees and any member of the public can confidently and anonymously voice concerns to the Chairman of the Audit Committee or the Head of the Internal Audit Department at whistleblower@pcb.my are all disclosed in the Board Policies section of the Company's website at www.pcb.my. No report was received thus far from any whistleblower in FY2019 or during the period from 1 January 2020 to the date of publication of this statement.

BOARD COMPOSITION

The current Board composition of Paramount reflects diversity in expertise and provides objectivity in the Board's decision-making process. The wealth of experience of the Board members in finance, banking, property development, marketing, information technology (**IT**) and management allows for effective oversight of the Group's businesses based on diverse perspectives and insights, and the composition of 62.5% INEDs (i.e. five INEDs out of a total of eight Directors) provides independent judgement to Board decisions. The profiles of the current Board members are set out on pages 72 to 79 of this annual report.

One Director, namely Datuk Seri Michael Yam Kong Choy, has served as an INED for more than nine years. Hence, the Board will be seeking shareholders' approval at the forthcoming 50th AGM for Datuk Seri Michael Yam Kong Choy to remain in office as an INED for another year.

The Nominating Committee has assessed the independence of Datuk Seri Michael Yam Kong Choy based on the Declaration of Independence made by him as at the end of 2019 and the high rating received by him for 'taking strong constructive stands at Board or Board Committee meetings' in the 2019 Directors' Self and Peer Assessment exercise. The Nominating Committee, being satisfied with the outcome of this assessment, concluded that the independence of Datuk Seri Michael Yam Kong Choy is not impaired, and hence, has recommended that Datuk Seri Michael Yam Kong Choy be allowed to continue in office as an INED up to the 51st AGM of the Company in 2021.

GENDER DIVERSITY

The Paramount Group adheres to the practice of non-discrimination with regard to gender, and ensures that the selection of a candidate for directorship or employment is based on merit, in the context of skills and experience. The Board has also set a target of 30% women representation on the Board by the end of 2020, and currently, a 25% representation had been achieved. Out of the Group's total workforce of 536 employees as at 24 April 2020, women constitute approximately 44.22%, and 20.00% of the Group's senior management team comprises women employees, holding positions as heads of divisions, business units and corporate functions.

EVALUATION OF BOARD EFFECTIVENESS

Board Operations

The Board's activities were mostly conducted at the Board and Board Committee meetings held during the year. The meetings were scheduled in advance before the end of the preceding year to enable the Board members to plan ahead for the meetings. In the intervals between the meetings, matters that required urgent decisions from the Board or the Board Committees were sought through circular resolutions, which were supported by information and explanations required for informed decisions to be made.

Formal agendas together with a comprehensive set of meeting papers, consisting of the minutes of the previous meeting, management reports and proposals, were forwarded to the Directors five business days prior to the meetings. The Chairman chaired all Board meetings held in the year, and the meetings of the Board Committees were chaired by their respective Chairmen who updated the Board on the activities of the committees at the nearest Board meeting. All Directors participated actively in the Board deliberations, with no individual or group of individuals dominating the decision-making process of the Board or Board Committees. Deliberations and decisions made at such meetings were recorded in the minutes of the meetings, which were then tabled for confirmation at the next Board or Board Committee meeting.

Except for one Director who had resigned from the Board during the financial year, all Directors of the Company have attended 100% of the Board meetings and more than 50% of the Board Committee meetings held in FY2019, the details of which are reported on page 10 of the 2019 CG Report that is available in the Corporate Governance section of the Company's website at www.pcb.my.

Board Assessment

The Directors undertook their annual Directors' Self and Peer Assessment exercise in November 2019, and the results were reviewed by the Nominating Committee in January 2020. The assessment, which was facilitated by the Secretary, was based on the performance of each of the Directors, the Board as a whole, the four Board Committees, the Chairman and the Group CEO. The criteria used in the assessment of the Board included the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities. These criteria were similarly applied to the assessment of the Board Committees. The individual Directors were assessed based on their competence, capability, commitment, objectivity, participation in Board deliberations and their contribution to the objectives of the Board and the Board Committees on which they serve. The Chairman was assessed based on his leadership role and his impartiality in overseeing the deliberation and decision-making process of the Board whilst the assessment of the Group CEO was co-related to the execution of the Group's strategic plans by management and the achievement of performance targets set by the Board. In addition to this assessment, all INEDs were required to sign a Declaration of Independence to re-confirm their status of independence. All Directors, the Board, the Board Committees, the Chairman and the Group CEO attained above average ratings of between 4.31 and 4.82 points (based on a scale of 1 to 5) in the 2019 Directors' Self and Peer Assessment exercise.

Appointment of new Directors

The Nominating Committee is entrusted with the duty of identifying, assessing and nominating candidates to fill Board vacancies as and when they arise and for succession planning. To perform this duty, the Nominating Committee has formulated a procedural guide for the identification, assessment and selection of Board candidates, the details of which are disclosed on pages 21 to 22 of the 2019 CG Report that is available in the Corporate Governance section of the Company's website at www.pcb.my.

The Nominating Committee leverages on the Directors' wide network of professional and business contacts as well as talent consultants as the main sources for Board candidacies, and its recommendations are generally based on its assessment of the expertise, skills and attributes of the current Board members and the needs of the Board taking into account the diversity approaches set out in the Boardroom Diversity Policy, the Group's future business direction, the tenure of service, contribution and the commitment of each Board member whilst supporting healthy Board rejuvenation.

In assessing and selecting new directors, attributes such as character, integrity, competence, experience and a commitment to serve the Company with diligence are highly regarded by the Board and the Nominating Committee. For the position of Executive Director, further consideration will be given to the candidate's skills, knowledge and expertise whilst an INED will be evaluated based on the 'independent' test as stipulated in the Main Market Listing Requirements (**MMLR**) of Bursa Securities and the candidate's ability to discharge such responsibilities as are expected of an Independent Director. In making its recommendations to the Board, the Nominating Committee will also assess the Board structure, as a whole, to ensure that the desired skill and diversity matrix are relevant to the Group's strategic direction.

Re-election of Directors

The Company's Constitution provides that at each AGM, one-third of the Directors or if their number is not three or multiples of three, then the number nearest to but not less than one-third shall retire from office by rotation, and are eligible for re-election. Retiring Directors are selected on the basis of those who have been longest in office since their last re-election. Additional Directors appointed during the interval between two AGMs are also subject to retirement and are eligible for re-election at the second AGM. In accordance with these provisions, four Directors, namely Mr Quah Poh Keat, Mr Ong Keng Siew, Mr Benjamin Teo Jong Hian and Ms Foong Pik Yee, are subject to re-election at the 50th AGM of the Company.

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

The Nominating Committee had, in January 2020, conducted its evaluation of the eligibility of the abovementioned Directors for re-election at the forthcoming 50th AGM.

In assessing the eligibility of the Directors for re-election, the Nominating Committee has taken into consideration the Directors' ability to exercise objective judgment, contribute positively to the Board and the Board Committees on which they serve to facilitate sound decision-making, and to act in the best interest of the Company. The Nominating Committee was satisfied with the evaluation results, and has recommended all of the abovementioned Directors for re-election at the 50th AGM of the Company. All retiring Directors, being eligible, have offered themselves for re-election at the AGM.

In February 2018, the Board amended the Board Charter to reflect that INEDs who have served the Board for more than nine years shall remain in office as an INED, subject to annual shareholders' approval, up to the twelfth year. In December 2019, the Board further amended the Board Charter to stipulate 12 years as the maximum tenure for the position of an INED of the Company.

Directors' Continuing Development Programme

The Board Charter requires all Directors to attend continuing development programmes to keep themselves abreast of regulatory changes pertaining to the functions of the Board as well as to be updated on relevant technical and industry related matters.

The Secretary, acting under the instruction of the Nominating Committee, compiles training programmes that are available to the Directors for their selection. The Secretary also attends to internally organised training programmes whereby industry experts are invited to update the Directors on industry related matters and share insights about the latest economic and industry outlook as well as market trends. In addition, the Secretary, the Chief Financial Officer and the external auditors regularly update the Board on changes and amendments to legislative and regulatory provisions.

In FY2019, all Directors of Paramount have attended at least three training programmes, with a majority having attended more than five programmes, on a wide range of topics under the following key areas:

- Corporate Governance
- Legal and Regulatory Updates
- Finance and Risk Management
- Leadership and Strategy Management
- Economic, Industry and Market Trends

In assessing the training needs of the Directors, the Nominating Committee has agreed that the above topics were all relevant and useful in providing the Board with a broad range of information to facilitate informed decision-making. The full list of training programmes attended by the Directors are disclosed on pages 11 to 12 of the 2019 CG Report that is available in the Corporate Governance section of the Company's website at www.pcb.my.

The two newly appointed Directors have also successfully completed the Mandatory Accreditation Programme required by Bursa Securities.

Succession Planning

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

REMUNERATION

Remuneration of Directors and Key Senior Management

The Board has, since 2014, adopted a Board Remuneration Policy that sets out the manner in which the remuneration of Directors are determined. The policy is reviewed by the Remuneration Committee and the Board once in every three years. The total remuneration, comprising salaries, bonuses and benefits of Executive Directors and senior management are reviewed annually by the Remuneration Committee based on the guidelines set out in the Board Remuneration Policy. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalisation. Salary increments to the three Executive Directors and senior management above a certain grade were determined by the Remuneration Committee after consideration of the Group's performance for FY2018, prevailing market conditions, the employee's performance, level of responsibility and contributions to the Group's performance, and taking into account the need to align the remuneration structure of all key employees to the long-term objectives of the Group.

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

All Directors are entitled to Directors' fees, which are benchmarked against fees paid by comparable public listed companies in Malaysia, and revised once in every four years. Given that all Directors' fees were revised in 2017, there will not be any increase in Directors' fees until 2021.

The fee structure for the INEDs is disclosed on pages 30 to 31 of the 2019 CG Report that is available in the Corporate Governance section of the Company's website at www.pcb.my.

Details of the remuneration of the Directors and key senior management of the Company for FY2019 are available on pages 32 to 34 of the 2019 CG Report that is available in the Corporate Governance section of the Company's website at www.pcb.my.

In addition to the above, the Directors have the benefit of a Directors and Officers Liability Insurance (**D&O Insurance**) in respect of liabilities arising from civil claims against the Directors for alleged wrongly acts committed in their capacity as Directors of the Company during the period from 3 January 2019 to 2 January 2020. The D&O Insurance, however, does not indemnify a Director if it is established, in the final adjudication, that the Director had committed a criminal act or had obtained any profit or personal gain from the transaction or event.

EFFECTIVE AUDIT AND RISK MANAGEMENT

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit Committee of Paramount comprises entirely INEDs, and is led by Mr Quah Poh Keat who is not a Chairman of the Board or any other Board Committees. This composition reinforces the independence of the Audit Committee. A majority of the members of the Audit Committee, namely Mr Quah Poh Keat and Ms Foong Pik Yee, are members of professional accounting bodies and Mr Quah is a member of the Malaysian Institute of Accountants. Their qualifications and extensive experience in the area of financial reporting and the management of internal controls provide assurance to the Board that the committee is well equipped with the necessary expertise and skills to oversee the financial reporting processes of the Company and the internal control governance of the Group. In addition, the appointment of Puan Fatimah Merican, who has 37 years of working experience in the IT arena, provides diversity of views, particularly from a systems perspective, to strengthen the quality of deliberations at the Audit Committee meetings. The profiles of the members of the Audit Committee are set out on pages 77 to 79 of this annual report.

To further strengthen the independence of the Audit Committee, the Board has adopted MCCG 2017's recommendation of requiring a former key audit partner of the Company's external auditors to observe a cooling-off period of at least two years before being appointed to the Audit Committee, and hence, the Terms of Reference of the Audit Committee was updated in 2018 to formalise this decision. Nevertheless, no former audit partner of the Company's external auditors was appointed as a Director of the Company in FY2019.

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

- **Review of Financial Reporting**

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

- **Evaluation of External Auditors**

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

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

- **Oversight of the Internal Audit Function**

  The Audit Committee has direct and full access to the Internal Audit Department (**IAD**) to ensure effective oversight of the Company's internal audit function, which plays an important role in testing the adequacy and integrity of the Group's internal control system. The Head of IAD reports functionally to the Audit Committee, and administratively to the Group CEO. His/her appointment to or removal from the said position is subject to the approval of the Audit Committee. The performance of IAD is also evaluated by the Audit Committee annually.

  The Audit Committee also reviews the internal audit plans and approves the budget for the internal audit function to ensure that IAD has adequate and quality resources to execute its plans effectively. Internal audit reports are submitted by the IAD to the Audit Committee for review on a quarterly basis, and the committee generally requires management to ensure that corrective measures are taken to address the internal audit issues within required timeframes.

- **Review of Related Party Transactions**

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

Detailed information on all recurrent RPTs of the Group, such as the names of the related parties, their relationship with each other and with the Group, the nature and value of each transaction, are set out in Note 40 to the Audited Financial Statements on pages 221 to 223 of this annual report. The procedure by which RPTs are conducted and monitored is disclosed in the Board Policies section of the Company's website at www.pcb.my.

A detailed report on the activities of the Audit Committee for FY2019 can be found in the Report of the Audit Committee on pages 94 to 96 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management

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

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

The identified key risks are grouped into six categories, namely strategic, operational, financial, compliance, reputational and cyber security. A detailed account of such risks are reported in the Statement on Risk Management and Internal Control on pages 99 to 100 of this annual report.

Internal Control

To further enhance the Group's system of internal controls, the Board has, upon the recommendation of the Audit Committee, upgraded the Group's internal control framework by adopting the methodologies prescribed in the COSO Internal Control Integrated Framework. A steering committee, comprising members of the management team, led by the Group CEO and facilitated by the Head of IAD, was established in 2018 to evaluate the adequacy of the Group's existing internal control policies and procedures, and to identify areas that needed improvement under the new framework.

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors, and presented on pages 97 to 102 of this annual report, provides a detailed report on the Group's level of risk management and internal control for the year under review.

Information Technology Governance

Although the Group does not have a high degree of dependence on IT for its day-to-day business activities, the Board does recognise the need to put in place an IT governance structure to address risks that are IT-related including disruption, cyber security and disaster recovery. Hence, an IT Steering Committee (**ITSC**), which is chaired by the Group CEO, was set up by management in FY2019 to review and monitor the Group's IT infrastructure and cyber security measures. The ITSC meets on a quarterly basis, and reports its findings and recommendations to the Board on a half yearly basis.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONS WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

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

Additionally, the Company holds scheduled investor relations (**IR**) briefings, coinciding with the release of the half-year and full-year results of the Group to Bursa Securities, to investment analysts and fund managers. The quarterly reports released by the Company to Bursa Securities are also accompanied by a set of presentation slides to give investors a snap-shot view of the Group's quarterly and year-to-date performance. In addition, a media briefing is held upon the conclusion of the Company's AGM for the benefit of potential investors as well as shareholders who are unable to attend the meeting. The Company also obliges the requests of analysts, fund managers and the media for company visits, briefings and interviews outside the scheduled IR briefings.

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

CONDUCT OF GENERAL MEETINGS

The Company's AGM, in addition to dealing with the formal business of the Company, represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. Furthermore, barring any unforeseen circumstances, notice of 28 clear days is given to all shareholders for the convening of all AGMs.

The 49th AGM was held on 29 May 2019, and two Extraordinary General Meetings (**EGMs**) were held on 10 July 2019 and 13 September 2019. An overview of the Group's performance for the financial year ended 31 December 2018 and details of the corporate proposals were presented to the shareholders at the 49th AGM and the EGMs, respectively.

Shareholders were invited to raise queries, and in this respect, the Board is pleased to report that all questions raised by shareholders at the 49th AGM and the two EGMs were adequately attended to by the Board, and that all resolutions proposed were duly approved by the shareholders present at the meetings.

The minutes of the abovementioned meetings are available in the General Meeting (Minutes) section of the Company's website at www.pcb.my.

Voting on all resolutions proposed in the Notice of the forthcoming 50th AGM will be by poll, and Paramount has appointed Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator whilst Asia Securities Sdn Bhd shall be the Scrutineer to validate the votes cast at the meeting.

COMPLIANCE STATEMENT

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

- Limiting the tenure of INEDs to nine years or re-designating INEDs who have served for more than nine years as Non-Independent Directors. Nevertheless, the Board has adopted the alternative approach of seeking shareholders' approval at the Company's AGM for such Directors to remain in office as INEDs on an annual basis up to the 12th year, after which time, they are not eligible for re-election and their tenure shall expire at the nearest AGM.

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

Note:

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

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

AUDIT COMMITTEE REPORT

The Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount**) is pleased to present the Audit Committee Report for the financial year ended 31 December 2019 (**FY2019**).

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

COMPOSITION AND MEETINGS

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

The Audit Committee convened four (4) meetings during FY2019 and the attendance of the members of the Audit Committee at the meetings were as follows:

Name of Directors	Number of Meetings	
	Held[1]	Attended
Quah Poh Keat (Chairman)	4	4
Ong Keng Siew[4]	4	4
Fatimah Binti Merican	4	4
Foong Pik Yee[3]	2	2
Quah Chek Tin[2]	2	2

[1] Indicates the number of meetings held during the period the respective Audit Committee member held office
[2] Ceased to be a member of the Audit Committee from 29 May 2019
[3] Appointed as an Audit Committee member on 22 August 2019
[4] Ceased to be a member of the Audit Committee from 20 January 2020

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

1. Financial Reporting

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

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

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

2. External Audit

a. Reviewed the external auditors' audit plan, which includes the scope and timeline of their annual audit, prior to the commencement of audit.

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

c. Reviewed the external auditors' report to the Audit Committee.

d. Obtained written assurance from the external auditors to the Audit Committee that, in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for FY2019.

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

The Audit Committee was satisfied with the suitability of the external auditors based on the quality of service and sufficiency of resources they provided to the Paramount Group. The Audit Committee took note of the openness in communication and interaction with the lead audit engagement partner and the engagement team, which demonstrated their independence, objectivity and professionalism.

The results of the performance assessment of the external auditors for FY2019 supports the Audit Committee's recommendation to the Board for the re-appointment of the external auditors.

f. Reviewed the non-audit related services by the external auditors. The amount of the external audit fees and non-audit fees incurred for the financial year ended 31 December 2019 are disclosed on page 20.

g. Met with the external auditors on 26 February 2019 and 19 November 2019 without the presence of Executive Board members and management to review and discuss key issues within their duties and responsibilities. There were no major concerns raised by the external auditors at the meetings.

3. Internal Audit

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

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

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

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

e. Met with the Head of Internal Audit on 16 May 2019 and 19 November 2019 without the presence of the Executive Board members and management.

f. Reviewed the report on the Long Term Incentive Plan (LTIP) of the Company to ensure compliance with the criteria set out in the By-Laws of the LTIP.

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

4. Related Party Transactions

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

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

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

5. Annual Reporting

Reviewed the Audit Committee Report, Summary of Activities of the Internal Audit Function, Statement on Risk Management and Internal Control before submission to the Board for approval and for inclusion in the 2019 Annual Report.

6. Others

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

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

c. Reviewed the solvency assessment by the management in relation to the declaration of dividends.

d. Monitored management's performance through a set of financial key performance indicators that are tabled for review and deliberation at all four Audit Committee meetings held in a year.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by IAD in the discharge of its duties and responsibilities. IAD is independent of operations and reports functionally to the Audit Committee and administratively to the Group CEO. IAD is headed by Mr Wong Ket Keong who is a Certified Internal Auditor of the Institute of Internal Auditors (USA), a member of the Malaysia Institute of Accountants, and a Fellow of the Association of Chartered Certified Accountants (UK).

The primary responsibility of IAD is to provide reasonable assurance to the Audit Committee on the effectiveness of the governance, risk management and internal control processes within the Company and the Group.

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

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

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

IAD verified the terms of the RPTs from the perspective of fairness and at arms' length before submission thereof to the Audit Committee for its consideration.

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

There are eight internal auditors in IAD which incurred RM1.21 million for FY 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control for financial year ended 31 December 2019 (**FY2019**) is made pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Securities**). It is drawn up with reference to the Principles set out in the Malaysian Code on Corporate Governance 2017 (**MCCG**) and the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers issued by Bursa Securities.

BOARD RESPONSIBILITY

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

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

The Board has established an ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in achieving its business objectives. This process has been in practice for the year under review up to the date of approval of this statement. The Board has also evaluated the risks associated with new businesses undertaken and major investments made during the year.

The disclosures in this statement, however, do not cover associate or joint venture companies which the Group does not have any direct operational control. Nevertheless, board representation in the associate or joint venture companies and key financial data made available periodically to the Group by those companies at their board meetings do provide vital information necessary for decisions on the investment and safeguarding of the Group's interests in those companies.

RISK MANAGEMENT

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

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

  The BRMC is the main governing body authorised by the Board to ensure that adequate measures are put in place to address and manage the key risk exposure of the Group. Currently, the BRMC comprises two (2) independent non-executive directors and one (1) executive director. The chairman of the BRMC is an independent non-executive director. The BRMC functions within its terms of reference, and it meets on a half-yearly basis to review and deliberate all key risks identified by management. Further details on the BRMC and its activities during the year under review are reported in the Statement on Corporate Governance.

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

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

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

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

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

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

- ***Audit Committee (AC)***

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

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

- ***Risk Management Policy***

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

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

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

- ***Risk Appetite Statement and Risk Tolerance***

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

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

- ***Risk assessment reviews***

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

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

1) Strategic risks

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

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

2) Operational risks

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

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

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

In view of the increasingly challenging operating environment of the education businesses, the Group has divested its interests in the Education Division down to a non-controlling stake. The divestment enables the Group to monetise the education assets and utilise the proceeds to pare down external borrowings and strengthen working capital for the core business of property development.

3) Finance-related risks

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

4) Compliance risks

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

5) Reputational risks

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

6) Cyber security risks

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

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

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

- ***Key Risk Indicators***

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

- ***Continuous education***

  Although the Group has achieved a reasonably high level of robustness in managing a wide range of risks, continuous education takes place at the ERMC meetings and knowledge sharing sessions between the CRM Department and risk owners across the Group to reinforce the best practices.

INTERNAL CONTROL

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

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

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

- The Board has adopted a Code of Business Conduct and Ethics (Code of Conduct) with the objective of upholding the highest standards of honesty, integrity, ethical, and legal behavior in the conduct of all business operations of the Group. All employees are required to adhere to the principles set out in the Code of Conduct whilst carrying out their duties and responsibilities. The Code of Conduct is also made available to employees of the Group and the public via the Company's website. The Code of Conduct covers areas such as conflict of interest, business conduct in the workplace, confidentiality, fair dealing, gift and entertainment.

- The Group has clearly defined areas of responsibilities for all committees of the Board and clear lines of authority and accountability for various levels of management. It has an appropriate organisational structure which facilitates the segregation of duties and accountability.

- Selection and recruitment of new employees are based on both the business requirements and the individual's competency assessment. The Group Human Resource Department has in place processes for performance management and talent development to ensure that employees of the Group are equipped with the necessary skills that enable them to deliver high quality performance.

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

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

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

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

- Insurance coverage and physical safeguards on major assets are in place to ensure that the Group's assets are adequately insured against any mishap or incidents that could result in a material loss to the Group.

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

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

- Management holds Finance Committee meetings on a quarterly basis where comprehensive financial results are reviewed by comparing actual performance against approved budget and forecast. The quarterly financial results and management reviews are then summarised for presentation to the Board during their quarterly meetings.

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

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

INTERNAL AUDIT FUNCTION

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

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

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The Company's external auditors, Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for FY2019.

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

CONCLUSION

The Board has received assurance from both the Group CEO and the Chief Financial Officer of the Company that the risk management and internal control system is operating adequately and effectively in all material aspects for FY2019 and up to the date of this statement.

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's risk management, and the review and monitoring of the internal control system gives reasonable assurance that the internal controls in place are adequate. There were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

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

THE FINANCIALS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 19 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	118,990	109,076
Attributable to:		
Owners of parent	104,049	97,025
Holders of Private Debt Securities ("PDS")	12,051	12,051
Non-controlling interests	2,890	-
	118,990	109,076

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

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

DIVIDENDS

The amounts of dividends declared by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Single tier final dividend of 6.00 sen on 433,344,720 ordinary shares, declared on 29 April 2019 and paid on 4 July 2019	26,001
In respect of the financial year ended 31 December 2019:	
Single tier interim dividend of 2.00 sen on 606,682,566 ordinary shares, declared on 22 August 2019 and paid on 25 September 2019	12,133
	38,134

At the forthcoming Annual General Meeting, a final single tier dividend of 4.50 sen, in respect of the financial year ended 31 December 2019 on 614,443,966 ordinary shares, amounting to a dividend payable of RM27,649,978 will be proposed for shareholders' approval.

DIVIDENDS (CONT'D.)

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS OF THE COMPANY

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

Dato' Teo Chiang Quan *
Ong Keng Siew
Datuk Seri Yam Kong Choy
Chew Sun Teong *
Quah Poh Keat
Fatimah Binti Merican
Foong Pik Yee (Appointed on 22 August 2019)
Benjamin Teo Jong Hian * (Appointed on 22 August 2019)
Tan Sri Foong Cheng Yuen (Retired on 29 May 2019)
Quah Chek Tin (Retired on 29 May 2019)
Dato' Rohana Tan Sri Mahmood (Resigned on 16 December 2019)

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

DIRECTORS OF THE SUBSIDIARIES

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

Beh Chun Chong
Foong Poh Seng
Wang Chong Hwa
Datin Teh Geok Lian
Ahmad Subri bin Abdullah
Selvarajoo Esther Majella
Ooi Hun Peng
Faizah Binti Khairuddin
Aidan Hamidon
Ong Guan Siew (Resigned on 17 June 2019)
Liew Yin Chew (Resigned on 12 February 2020)
Aziz bin Bahaman (Resigned on 18 February 2020)
Ee Ching Wah (Resigned on 18 February 2020)
Chin Mei Kheng (Resigned on 18 February 2020)
Kee Keok Kuay (Resigned on 18 February 2020)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40(b) to the financial statements.

DIRECTORS' INDEMNITY

The Company maintained a Directors' and Officers' Liability Insurance ("D&O Insurance") of RM10.0 million in respect of liabilities arising from civil claims against the directors and officers for alleged wrongful acts committed in their capacity as directors and officers while holding office for the Company and the Group. The total amount of insurance premium paid for the D&O Insurance as at the financial year end was RM15,353. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

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

	Number of ordinary shares				
	At 1 January 2019	**Bought**	**LTIP Shares Vested**	**Bonus Issue**	**At 31 December 2019**
The Company					
Direct Interest					
Dato' Teo Chiang Quan	5,610,500	-	-	2,244,200	7,854,700
Ong Keng Siew	3,987,700	-	-	1,595,080	5,582,780
Datuk Seri Yam Kong Choy	132,500	-	-	53,000	185,500
Chew Sun Teong	1,831,400	-	1,547,200	1,351,440	4,730,040
Benjamin Teo Jong Hian	542,500	140,000	13,700	222,480	918,680
Deemed Interest					
Dato' Teo Chiang Quan	113,444,000	280,000	13,700	45,383,080	159,120,780
Quah Poh Keat	956,800	-	-	382,720	1,339,520

DIRECTORS' INTERESTS (CONT'D.)

	Number of warrants			
	At 1 January 2019	New Issue	Bought	At 31 December 2019
The Company				
Direct Interest				
Dato' Teo Chiang Quan	-	2,244,200	-	2,244,200
Ong Keng Siew	-	1,595,080	-	1,595,080
Datuk Seri Yam Kong Choy	-	53,000	-	53,000
Chew Sun Teong	-	1,351,440	-	1,351,440
Benjamin Teo Jong Hian	-	222,480	-	222,480
Deemed Interest				
Dato' Teo Chiang Quan	-	45,383,080	-	45,383,080
Quah Poh Keat	-	382,720	-	382,720

	Number of ordinary shares under the LTIP				
	At 1 January 2019	Granted	Vested	Not vested**	At 31 December 2019
The Company					
Chew Sun Teong	4,631,700	2,709,800	(1,547,200)	(208,000)	5,586,300
Benjamin Teo Jong Hian	146,000	249,200	(13,700)	-	381,500

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

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

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

DIRECTORS' REPORT

ISSUANCE OF SHARES

On 20 March 2019, 5,072,800 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 737,400 restricted shares ("RS") under the 2016 RS Grant;
(ii) Second vesting of 803,800 RS under the 2017 RS Grant;
(iii) First vesting of 690,300 RS under the 2018 RS Grant; and
(iv) Vesting of 2,841,300 performance-based shares ("PS") under the 2016 PS Grant.

On 25 July 2019, 173,337,846 new ordinary shares in the Company were alloted and issued pursuant to the Company's bonus issue, on the basis of 2 new shares for every 5 existing ordinary shares held in the Company.

EMPLOYEE SHARE SCHEME

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

During the year, the Company made its fifth award of up to 5,399,900 LTIP shares, comprising 2,091,500 RS under the 2019 RS Grant and up to 3,308,400 PS under the 2019 PS Grant.

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

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

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

Further information on LTIP shares is disclosed in Note 36 to the financial statements.

WARRANTS 2019/2024

On 29 July 2019, the Company issued 173,337,846 new free warrants 2019/2024 ("Warrants") on the basis of 2 Warrants for every 5 existing ordinary shares held in the Company.

The Warrants are valid for exercise for a period of 5 years from its issue date and will expire on 28 July 2024. During this period, each Warrant entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 29 July 2019 to 28 July 2024, at an exercise price of RM1.79 per Warrant in accordance with the Deed Poll dated 11 July 2019. Any Warrants not exercised by its expiry date will lapse thereafter and cease to be valid for all purposes. As at the reporting date, 173,337,846 Warrants remained unexercised.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Notes 17, 19, 36 and 46 to the financial statements.

SUBSEQUENT EVENTS

Significant events subsequent to the end of financial year are disclosed in Note 46 to the financial statements.

AUDITORS

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

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

There was no payment made or insurance effected to indemnify the auditors during the financial year and the period from 1 January 2020 to the date of this report.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 May 2020.

Dato' Teo Chiang Quan

Chew Sun Teong

STATEMENT BY DIRECTORS

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

We, Dato' Teo Chiang Quan and Chew Sun Teong, being two of the directors of Paramount Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 116 to 236 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 May 2020.

Dato' Teo Chiang Quan	Chew Sun Teong

STATUTORY DECLARATION

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

I, Foong Poh Seng, being the officer primarily responsible for the financial management of Paramount Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 116 to 236 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 6 May 2020	Foong Poh Seng

Before me,

Commissioner for Oaths
Ng Say Hung
No. B185
No. 71-1, Jalan SS21/37
Damansara Utama (Uptown)
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

to the members of Paramount Corporation Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 236.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Key audit matters (cont'd.)

Recognition of revenue and cost on property development projects

The revenue and cost of property development projects contributed approximately 66% and 53% respectively of the Group's revenue and cost, which were mainly computed based on stage of completion method. Stage of completion is determined by the proportion of property development cost incurred for work performed to date, to the estimated/budgeted total property development cost. We focused on this area because management made significant judgement in determining the stage of completion, the extent of the property development cost incurred and the estimated/budgeted total property development cost.

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

The Group's disclosures on property development activities are included in Notes 14(b) and 15 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Paramount Corporation Berhad (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Yee Yee
No. 03176/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
6 May 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Continuing operations			
Revenue	4	705,974	632,494
Other income		5,962	7,374
Property development costs		(473,884)	(416,897)
Construction contract costs		-	(754)
Employee benefits expense	5	(68,288)	(57,626)
Depreciation and amortisation		(13,118)	(5,150)
Other expenses		(48,199)	(36,277)
Finance costs	7	(21,910)	(12,800)
Share of results of associates		2,405	(116)
Share of results of a joint venture		(104)	(66)
Profit before tax from continuing operations	8	88,838	110,182
Taxation	9	(34,328)	(31,803)
Profit after tax from continuing operations		54,510	78,379
Discontinued operations			
Profit after tax for the year from discontinued operations	17	64,480	31,112
Profit for the year		118,990	109,491
Profit attributable to:			
Ordinary equity holders of the Company		104,049	91,814
Holders of Private Debt Securities ("PDS") of the Company		12,051	13,468
Non-controlling interest		2,890	4,209
		118,990	109,491
Earnings per share ("EPS") attributable to ordinary equity holders of the Company (sen)			
- Basic	10(a)	17.17	15.34
- Diluted	10(b)	16.55	14.91

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	2019 RM'000	2018 RM'000
Profit net of tax	118,990	109,491
Other comprehensive income:		
Item that will not be reclassified to profit or loss		
Net loss on investment in quoted shares designated at fair value through other comprehensive income	(3,957)	-
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	(111)	(195)
Total comprehensive income	114,922	109,296
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	99,981	91,619
Holders of PDS of the Company	12,051	13,468
Non-controlling interest	2,890	4,209
	114,922	109,296

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	12	42,935	682,552
Right-of-use assets	13	20,224	-
Inventories - land held for property development	14	873,440	649,961
Investment properties	16	514,626	206,016
Intangible assets	18	-	147,449
Investments in associates	20	29,242	9,116
Investment in a joint venture	21	235	2,904
Other investments	22	10,212	7,843
Deferred tax assets	33	47,533	41,611
		1,538,447	1,747,452
Current assets			
Inventories - property development costs	14	126,698	230,905
Inventories - completed properties and other inventories	14	105,209	25,441
Contract cost assets	15	64,657	66,760
Trade receivables	23	141,691	109,936
Other receivables	24	35,774	52,789
Other current assets	25	5,584	8,550
Contract assets	26	252,413	221,216
Tax recoverable		3,863	10,626
Cash and bank balances	28	134,739	136,962
		870,628	863,185
Assets of disposal group/Non-current assets held for sale	17	664,478	64,993
		1,535,106	928,178
Total assets		3,073,553	2,675,630
Current liabilities			
Borrowings	29	211,308	453,922
Lease liabilities	30	3,708	-
Trade payables	31	129,150	99,794
Other payables	32	160,738	184,037
Tax payable		6,718	6,060
Contract liabilities	26	53	60,990
		511,675	804,803
Liabilities directly associated with the assets held for sale	17	373,235	30,415
		884,910	835,218
Net current assets		650,196	92,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Non-current liabilities			
Borrowings	29	700,637	446,739
Lease liabilities	30	17,659	-
Deferred tax liabilities	33	6,198	47,388
		724,494	494,127
Total liabilities		1,609,404	1,329,345
Equity			
Share capital	34	316,945	310,315
Reserves		824,035	760,976
Private debt securities	35	248,972	199,787
Non-controlling interest		74,197	75,207
Total equity		1,464,149	1,346,285
Total equity and liabilities		3,073,553	2,675,630

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	← Non-distributable			→	Distributable			
	Share capital RM'000	Employee share reserve # RM'000	Fair value reserve RM'000	Translation reserve RM'000	Retained earnings (Note 37) RM'000	Non-controlling interest RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2019	310,315	8,125	-	(140)	752,991	75,207	199,787	1,346,285
Total comprehensive income	-	-	(3,957)	(111)	104,049	2,890	12,051	114,922
Transactions with owners								
Vesting of LTIP shares on 23 March 2019 (Note 36)	6,630	(6,630)	-	-	-	-	-	-
Award of LTIP shares to employees (Note 36)	-	7,842	-	-	-	-	-	7,842
Private debt securities distribution (Note 35)	-	-	-	-	-	-	(12,051)	(12,051)
Issuance of perpetual securities, net of transaction costs (Note 35)	-	-	-	-	-	-	149,185	149,185
Redemption of private debt securities (Note 35)	-	-	-	-	-	-	(100,000)	(100,000)
Dividends (Note 11)	-	-	-	-	(38,134)	-	-	(38,134)
Dividends paid to non-controlling interest	-	-	-	-	-	(3,900)	-	(3,900)
Total transactions with owners	6,630	1,212	-	-	(38,134)	(3,900)	37,134	2,942
At 31 December 2019	316,945	9,337	(3,957)	(251)	818,906	74,197	248,972	1,464,149

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019 (cont'd.)

	← Non-distributable		→	Distributable			
	Share capital RM'000	**Employee share reserve # RM'000**	**Translation reserve RM'000**	**Retained earnings (Note 37) RM'000 (Restated)**	**Non-controlling interest RM'000**	**Private debt securities RM'000**	**Total equity RM'000**
At 1 January 2018	305,215	7,139	55	724,384	74,995	199,787	1,311,575
Effect on adoption of MFRS	-	-	-	5,316	-	-	5,316
At 1 January 2018	305,215	7,139	55	729,700	74,995	199,787	1,316,891
Total comprehensive income	-	-	(195)	91,814	4,209	13,468	109,296
Transactions with owners							
Vesting of LTIP shares on 15 March 2018 (Note 36)	5,100	(5,100)	-	-	-	-	-
Award of LTIP shares to employees (Note 36)	-	6,086	-	-	-	-	6,086
Private debt securities distribution (Note 35)	-	-	-	-	-	(13,468)	(13,468)
Dividends (Note 11)	-	-	-	(68,523)	-	-	(68,523)
Dividends paid to non-controlling interest	-	-	-	-	(4,042)	-	(4,042)
Acquisition from dilution of equity interest in a subsidiary	-	-	-	-	45	-	45
Total transactions with owners	5,100	986	-	(68,523)	(3,997)	(13,468)	(79,902)
At 31 December 2018	310,315	8,125	(140)	752,991	75,207	199,787	1,346,285

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	88,838	110,182
Profit before tax from discontinued operations	74,624	41,089
Profit before tax	163,462	151,271
Adjustments for:		
Depreciation of property, plant and equipment	11,646	23,417
Depreciation of right-of-use assets	11,543	-
Depreciation of investment properties	8,105	1,951
Amortisation of student population	870	1,639
Property, plant and equipment written off	220	239
Impairment of right-of-use assets	1,457	-
Additions of allowance for impairment of receivables	875	670
Reversal of allowance for impairment of receivables	(656)	(258)
Share-based payment	7,842	6,086
Bad debts written off	380	155
Gain on disposal of assets held for sale	(25,412)	-
Gain on disposal of property, plant and equipment	(111)	(121)
Unrealised foreign exchange loss/(gain)	115	(1)
Share of (profit)/loss of associates	(2,405)	116
Share of loss of joint venture	104	66
Net derivative gain from interest rate swap	(10)	(53)
Interest expense	36,341	21,925
Interest income	(3,190)	(3,671)
Operating profit before working capital changes	211,176	203,431
Increase in receivables	(67,052)	(84,485)
Decrease in inventories - property development		
costs, completed properties and other inventories	119,724	69,428
Increase in payables	73,473	26,406
Cash generated from operations	337,321	214,780
Taxes paid	(52,673)	(46,414)
Interest paid	(45,813)	(44,267)
Net cash generated from operating activities	238,835	124,099

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd.)

	2019 RM'000	2018 RM'000
Cash flows from investing activities		
Dilution of a subsidiary	-	45
Addition in course development	(37)	-
Increase in land held for development	(256,951)	(54,799)
Purchase of property, plant and equipment	(83,500)	(59,745)
Purchase of investment properties	(18,497)	(760)
Proceeds from disposal of property, plant and equipment	5,006	270
Proceeds from disposal of asset held for sale	30,518	5,432
Movement in asset held for sale	(33,031)	(13,420)
Movement in other investments	(3,855)	2,210
Interest received	3,190	3,671
Investment in associates	-	(86)
Investment in a joint venture	-	(2,160)
Net cash used in investing activities	(357,157)	(119,342)
Cash flows from financing activities		
Dividends paid	(38,134)	(68,523)
Dividends paid to non-controlling interest	(3,900)	(4,042)
Issuance of PDS	150,000	-
Redemption of PDS	(100,000)	-
Payment of PDS distribution	(12,051)	(13,468)
Payment of PDS related expenses	(815)	-
Proceeds from issuance of Islamic Medium Term Notes ("iMTN")	127,500	24,890
Proceeds from issuance of Medium Term Notes ("MTN")	294,000	-
Drawdown of borrowings	-	175,656
Repayment of borrowings	(243,852)	(154,103)
Placements in banks restricted for use	11,111	(2,279)
Lease payments	(17,980)	-
Net cash generated from/(used in) financing activities	165,879	(41,869)
Net increase/(decrease) in cash and cash equivalents	47,557	(37,112)
Cash and cash equivalents at beginning of year	72,315	109,427
Cash and cash equivalents at end of year (Note 28)	119,872	72,315

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd.)

Note:

(a) Reconciliation of liabilities arising from financing activities:

	2019 RM'000	2018 RM'000
Borrowings (excluding overdraft)		
At 1 January	861,992	815,549
Proceeds from issuance of iMTN	127,500	24,890
Proceeds from issuance of MTN	294,000	-
Drawdown of borrowings	-	175,656
Repayment of borrowings	(243,852)	(154,103)
Transfer to asset held for sale	(127,452)	-
Disposal of a subsidiary	(243)	-
At 31 December	911,945	861,992

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

INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000
Revenue	4	148,859	113,772
Other income		31,756	12,207
Employee benefits expense	5	(24,004)	(18,614)
Depreciation		(1,236)	(467)
Other expenses		(30,479)	(25,637)
Finance costs	7	(12,446)	(10,926)
Profit before tax	8	112,450	70,335
Taxation	9	(3,374)	(3,267)
Profit net of tax, representing total comprehensive income for the year		109,076	67,068
Total comprehensive income attributable to:			
Ordinary equity holders of the Company		97,025	53,600
Holders of PDS of the Company		12,051	13,468
		109,076	67,068

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	12	727	1,050
Right-of-use assets	13	4,266	-
Investment properties	16	600	615
Investments in subsidiaries	19	479,589	815,199
Investments in associates	20	19,126	-
Investment in a joint venture	21	450	3,015
Due from subsidiaries	27	10,408	59,244
Other investments	22	142,680	165
Deferred tax assets	33	61	-
		657,907	879,288
Current assets			
Other receivables	24	5,202	584
Due from subsidiaries	27	672,440	499,077
Tax recoverable		1,172	-
Cash and bank balances	28	6,461	24,635
		685,275	524,296
Non-current asset held for sale	17	132,939	38,430
		818,214	562,726
Total assets		1,476,121	1,442,014
Current liabilities			
Borrowings	29	59,558	104,431
Lease liabilities	30	776	-
Other payables	32	24,623	25,155
Tax payable		-	970
Due to subsidiaries	27	99	10,192
		85,056	140,748
Net current assets		733,158	421,978
Non-current liabilities			
Borrowings	29	88,777	118,334
Lease liabilities	30	3,439	-
Deferred tax liabilities	33	-	1
		92,216	118,335
Total liabilities		177,272	259,083

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Equity			
Share capital	34	316,945	310,315
Reserves		732,932	672,829
Private debt securities	35	248,972	199,787
		1,298,849	1,182,931
Total equity and liabilities		1,476,121	1,442,014

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	← Non-distributable	→	Distributable		
	Share capital RM'000	Employee share reserve # RM'000	Retained earnings (Note 37) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2019	310,315	8,125	664,704	199,787	1,182,931
Total comprehensive income	-	-	97,025	12,051	109,076
Transactions with owners					
Vesting of LTIP shares on 23 March 2019 (Note 36)	6,630	(6,630)	-	-	-
Award of LTIP shares to employees (Note 36)	-	7,842	-	-	7,842
Private debt securities distribution (Note 35)	-	-	-	(12,051)	(12,051)
Issuance of perpetual securities, net of transaction costs (Note 35)	-	-	-	149,185	149,185
Redemption of private debt securities (Note 35)	-	-	-	(100,000)	(100,000)
Dividends (Note 11)	-	-	(38,134)	-	(38,134)
Total transactions with owners	6,630	1,212	(38,134)	37,134	6,842
At 31 December 2019	316,945	9,337	723,595	248,972	1,298,849
At 1 January 2018	305,215	7,139	679,627	199,787	1,191,768
Total comprehensive income	-	-	53,600	13,468	67,068
Transactions with owners					
Vesting of LTIP shares on 15 March 2018 (Note 36)	5,100	(5,100)	-	-	-
Award of LTIP shares to employees (Note 36)	-	6,086	-	-	6,086
Private debt securities distribution (Note 35)	-	-	-	(13,468)	(13,468)
Dividends (Note 11)	-	-	(68,523)	-	(68,523)
Total transactions with owners	5,100	986	(68,523)	(13,468)	(75,905)
At 31 December 2018	310,315	8,125	664,704	199,787	1,182,931

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

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

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before tax	112,450	70,335
Adjustments for:		
Depreciation of property, plant and equipment	354	452
Depreciation of right-of-use assets	867	-
Depreciation of investment properties	15	15
Reversal of advances to subsidiaries	-	(11,906)
Interest expense	12,446	10,926
Impairment of investment in subsidiaries	7,238	18,449
Impairment of non-current assets held for sale	-	2,091
Waiver of loan from a subsidiary	(19,337)	-
Loss on disposal of subsidiaries	12,314	-
Loss on disposal of property, plant and equipment	9	-
Unrealised foreign exchange loss	182	618
Share-based payment	5,929	3,141
Dividend income	(104,467)	(71,654)
Interest income	(39,580)	(24,667)
Operating loss before working capital changes	(11,580)	(2,200)
Increase in receivables	(4,618)	(150)
(Decrease)/Increase in payables	(8,485)	9,738
Cash (used in)/ generated from operations	(24,683)	7,388
Interest paid	(12,219)	(10,883)
Net tax paid	(4,054)	(1,517)
Real property gain tax paid	(1,524)	-
Net cash used in operating activities	(42,480)	(5,012)
Cash flows from investing activities		
Proceed from disposal of subsidiaries	33,888	-
Interest received	28,024	24,667
Dividends received	104,467	71,654
Investment in an other investment	(2,394)	-
Investment in a joint venture	-	(2,160)
Changes in subsidiaries balances	(50,895)	(136,303)
Subscription of ordinary shares in subsidiaries	(12,350)	(205)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	-	40,480
Redemption of other investments	-	10,046
Purchase of property, plant and equipment	(40)	(82)
Net cash generated from investing activities	100,700	8,097

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd.)

	2019 RM'000	2018 RM'000
Cash flows from financing activities		
Drawdown of borrowings	110,000	89,557
Repayment of borrowings	(159,557)	(40,000)
Distribution of PDS	(12,051)	(13,468)
Issuance of PDS	149,185	-
Redemption of PDS	(100,000)	-
Placement in banks restricted for use	(63)	(35)
Dividends paid	(38,134)	(68,523)
Lease payments	(964)	-
Net cash used in financing activities	(51,584)	(32,469)
Net increase/(decrease) in cash and cash equivalents	6,636	(29,384)
Cash and cash equivalents at beginning of year	(2,446)	26,938
Cash and cash equivalents at end of year (Note 28)	4,190	(2,446)

Note:

(a) Reconciliation of liabilities arising from financing activities:

	2019 RM'000	2018 RM'000
Borrowings (excluding overdraft)		
At 1 January	197,892	148,335
Drawdown of borrowings	110,000	89,557
Repayment of borrowings	(159,557)	(40,000)
At 31 December	148,335	197,892

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE INFORMATION

Paramount Corporation Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 19. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 May 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

On 1 January 2019, the Group and the Company adopted the following pronouncements mandatory for annual financial periods beginning on or after 1 January 2019:

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- Annual Improvements to MFRS Standards 2015–2017 Cycle - MFRS 3 Business Combinations
- Annual Improvements to MFRS Standards 2015–2017 Cycle - MFRS 11 Joint Arrangements
- Annual Improvements to MFRS Standards 2015–2017 Cycle - MFRS 112 Income taxes
- Annual Improvements to MFRS Standards 2015–2017 Cycle - MFRS 123 Borrowing costs
- MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 128 - Long Term Interest in Associates and Joint Ventures

Except for the new MFRS discussed below, adoption of the above pronouncements did not have any material effect on the financial performance or position of the Group and the Company.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases

MFRS 16 Leases 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.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets) and elected to apply the practical expedient not to apply the requirements of MFRS 16 for leases that ends within 12 months of the date of initial application and account for these leases the same as short-term lease. The Group and the Company have also applied paragraph C16 of MFRS 16 to not reassess sale and leaseback transaction entered into before the date of initial application.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The impact of changes to the statements of financial position of the Group and the Company resulting from the adoption of MFRS 16 Leases as at 1 January 2019 are as follows:

Group	As at 31 December 2018 RM'000	Effect of adoption of MFRS 16 RM'000	As at 1 January 2019 RM'000
Non-current asset			
Property, plant and equipment	682,552	(49,680)	632,872
Right-of-use assets	-	160,504	160,504
Current asset			
Assets of disposal group/Non-current assets held for sale	64,993	256	65,249
Current liabilities			
Lease liabilities	-	12,235	12,235
Other payables	184,037	(1,164)	182,873
Liabilities directly associated with the assets held for sale	30,415	256	30,671
Non-current liabilities			
Lease liabilities	-	99,753	99,753

Company	As at 31 December 2018 RM'000	Effect of adoption of MFRS 16 RM'000	As at 1 January 2019 RM'000
Non-current asset			
Right-of-use assets	-	5,133	5,133
Current liabilities			
Lease liabilities	-	738	738
Other payables	25,155	180	25,335
Non-current liabilities			
Lease liabilities	-	4,215	4,215

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

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000	Company RM'000
Operating lease commitment as at 31 December 2018	116,747	2,848
Less: Commitment related to short-term lease	(827)	(34)
Less: Commitment related to low-value lease	(364)	-
Less: Commitments relating to asset held for sale	(268)	-
Add: Lease payments for extension options certain to be exercised	20,585	2,894
Discounted using incremental borrowing rates at 1 January 2019	(23,885)	(755)
Lease liabilities as at 1 January 2019	111,988	4,953

The Group and the Company discounted lease payments using respective incremental borrowing rates at 1 January 2019 ranging from 4.65% to 5.18% per annum and 5.00% per annum respectively.

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 Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and amendments to standards, if applicable, when they become effective.

	Effective for annual periods beginning on or after
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
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2022
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

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

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

The revised MFRSs and amendments to MFRSs that are not yet effective are not expected to have a material impact on the Group and the Company in the current or future reporting periods.

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

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

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Investment in subsidiaries

A subsidiary is an entity over which the Company controls and the Company has the following:

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

2.6 Investment in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition, the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in the associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136: *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint venture are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

2.7 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of annual impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group’s cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Brand names

Brand names acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, brand names are carried at cost less any accumulated impairment losses. Brand names, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of brand names are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(c) Student population

Student population acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, the acquired student population are carried at cost less accumulated amortisation and any accumulated impairment losses. The student population with finite lives are amortised on a straight-line basis over their economic lives of 11 years, and assessed for impairment whenever there is an indication that the student population may be impaired.

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

2.7 Intangible assets (cont'd.)

(d) Course development

All research costs and development costs are recognised as an expense when incurred, except for development cost that is part of the cost of a recognised asset, in which case, the cost is capitalised in that recognised asset.

Following initial recognition, the development costs are carried at cost less accumulated amortisation and any accumulated impairment losses. Development costs considered to have finite lives are amortised on a straight-line basis over their economic lives of 5 to 10 years, and assessed for impairment whenever there is an indication that the development costs may be impaired.

2.8 Property, plant and equipment

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings:	50 years
Plant and equipment:	10 years
Furniture and fittings:	10 years
Motor vehicles:	3 to 10 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.9 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right-of-use assets are initially recognised as the amount of lease liabilities recognised adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset, as follows:

Building	2 - 50 years
Other equipment	5 years

Long term leasehold land is depreciated over the remaining period of their respective leases, ranging from 50 to 99 years.

The right-of-use assets are also subject to impairment as disclosed in Note 2.15.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

2.9 Leases (cont'd.)

(a) As lessee (cont'd.)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d).

When the assets are leased out under an operating lease, the assets are included in the statement of financial position based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.10 Disposal groups and non-current assets held for sale

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

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

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

2.11 Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

The Group's education component is classified as discontinued operation as disclosed in Note 17. All other notes to the financial statements include amounts for continuing operations, unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

2.12 Inventories

(a) Property inventories

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

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

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

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

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

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

(b) Stationery and consumables

Inventories of stationery and consumables are stated at lower of cost and net realisable value. Stationery and consumables comprise purchase price and directly attributable costs of bringing the inventories to their present location and condition and the cost is determined by using weighted average cost method.

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

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

2.13 Contract cost assets

(a) Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as contract cost assets when the Group expects those costs to be recoverable.

(b) Costs to fulfill a contract

The costs incurred in fulfilling a contract with a customer which are not within the scope of other MFRSs, such as MFRS 102: *Inventories*, MFRS 116: *Property, Plant and Equipment* or MFRS 138: *Intangible Assets*, are recognised as contract cost assets when all of the following criteria are met:

(i) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

Contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108: *Accounting Policies, Changes in Accounting Estimate and Errors*.

Impairment loss is recognised in profit or loss to the extent that the carrying amount of the contract cost assets exceeds:

(i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

(ii) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract cost assets, the Group shall recognise any impairment loss for assets related to the contract that are recognised in accordance with other MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group shall include the resulting carrying amount of the contract cost assets in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136: *Impairment of Assets* to that cash-generating unit.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

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

2.14 Contract assets and contract liabilities

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

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

2.15 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

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

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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

2.15 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. Impairment loss on goodwill is not reversed in a subsequent period.

2.16 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, 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 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 and 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 Group and the Company commit to purchase or sell the asset.

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

2.16 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement

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

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

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

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

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

The Group’s and Company’s financial assets at amortised cost include other investment in cumulative redeemable non-convertible preference shares ("CRNCPS"), cash and bank balances, trade receivables, other receivables and amounts due from subsidiaries.

(ii) Financial assets at fair value through profit or loss

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

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

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

The Group's and the Company's financial assets at fair value through profit or loss include derivative instruments.

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

2.16 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

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

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

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

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

(iv) Financial assets at fair value through other comprehensive income (with recycling) (debt instruments)

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company have elected to classify its investments in debt instruments included under other investments under this category.

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

2.16 Financial instruments (cont'd.)

(a) 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) and the Company's statement of financial position when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred the 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 and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have 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 and the Company could be required to repay.

Impairment of financial assets

The Group and the Company recognise 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 and the Company expect 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).

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

2.16 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

Impairment of financial assets (cont'd.)

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have 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 and the Company consider a financial asset in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and 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 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 loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

2.16 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

Subsequent measurement (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

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

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

The Group's and the Company's financial liabilities carried at fair value through profit or loss include derivative liabilities.

(ii) Financial liabilities at amortised cost

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

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of the financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

2.17 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, deposits with licensed banks and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.18 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.

2.19 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.

2.20 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.21 Revenue and other income recognition

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

(a) Revenue from property development

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

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

This is generally established when:

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

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

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

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

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

(b) Sale of goods

Sales are recognised upon delivery of goods, net of returns and trade discount. These includes sale of educational aids, books and other materials.

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

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

(c) Revenue from educational fees

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

(g) Membership fees

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

(h) Management fees

Management fees are recognised when services are rendered.

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.

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

2.23 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

2.23 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2.24 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group and the Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(c) Employee share scheme

Employees of the Group and of the Company receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of shares that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

2.24 Employee benefits (cont'd.)

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

No expense is recognised for shares that do not ultimately vest, except for shares where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the shares do not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group, the Company or the employee, this is accounted for as a cancellation.

In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share reserve is transferred to retained earnings upon expiry of the shares. When the shares are vested, the employee share reserve is transferred to share capital if new shares are issued, or to treasury shares if the shares are satisfied by the reissuance of treasury shares.

2.25 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each company in the Group are measured using the currency of the primary economic environment in which the Company operates (“functional currency”). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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

2.25 Foreign currencies (cont'd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.26 Financial guarantee contracts

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

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

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.29 Fair value measurement

The Group and the Company measure financial instruments such as derivative and certain non-financial assets such as other investments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group’s management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

2.29 Fair value measurement (cont'd.)

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

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

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

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

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

2.30 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land and building are depreciated over the remaining period of their leases of 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). When assessing whether the fair value of IPUC can be determined reliably the company considers, among other things:

(a) Is the asset being constructed in a developed liquid market?
(b) Has a construction contract with the contractor been signed?
(c) Have the required building and letting permits been obtained?
(d) What percentage of rentable area has been pre-leased to tenants?

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

IPUC are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group and the Company have developed certain criteria based on MFRS 140: *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Useful life of brand names and student population

The brand names consist of brand name of R.E.A.L. Education Group Sdn. Bhd. and Cambridge English For Life Sdn. Bhd.

The Group considers that the brand names have indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely.

The acquired student population is recognised separable from goodwill on acquisition of a subsidiary company. The useful life of the acquired student population is estimated to be 11 years, determined based on students' study duration covering both primary and secondary education. The estimated useful life of the student population is reviewed periodically. During the year, the balances have been reclassified to disposal group held for sale as disclosed in Note 17.

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

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

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the guarantor to make specified payments to reimburse the holder of a guarantee for a loss it incurs because a specified guaranteed debtor fails to make payment when due. The Company initially recognised the financial guarantee contracts at its fair value, net of transaction costs. Subsequently, the financial guarantee contracts are measured at the higher of (i) the amount determined in accordance with MFRS 137: *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with MFRS 115: *Revenue on Contracts with Customers*.

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Property development costs

The Group recognises property development revenue and costs in the income statement by using the stage of completion method. The stage of completion is determined by the proportion of property development costs incurred for work performed to date to the estimated total property development costs.

Significant estimate is required in determining the stage of completion, the extent of the construction or property development costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction or property development projects. In making the estimate, the Group evaluates based on past experience and by relying on the work of specialists.

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

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Impairment of goodwill and brand names

Goodwill and brand names are tested for impairment annually and at other times when indicators exists. This requires an estimation of the fair value less cost to sell ("FVLCTS") or value in use ("VIU") of the cash generating unit ("CGU") to which goodwill and brand names are allocated.

Fair value less cost to sell are undertaken for the impairment assessment. Fair value is obtained from valuation reports performed by an independent third party valuer based on best information available. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, the balances have been reclassified to disposal group held for sale as disclosed in Note 17.

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

The Group assesses whether there are any indicators of impairment for PPE at each reporting date. PPE are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group carried out the impairment test based on the fair value less cost to sell the PPE. Fair value is obtained from valuation reports performed by independent third party valuers based on best information available. Significant estimate is involved in deriving at the fair value as there are possible variations in the basis and assumptions used by the valuers. The details of the PPE are disclosed in Note 12.

(d) Undiscounted potential future rental payments relating to extension options that are not included in the lease term

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group’s business needs. Significant estimate is involved in determining whether these extension options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term, excluding rights-of-use assets classified as held for sale:

	Within five years RM'000	More than five years RM'000	Total RM'000
Extension options expected not to be exercised	-	3,635	3,635

4. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers				
Sale of completed properties	63,270	10,580	-	-
Sale of properties under construction	634,066	616,386	-	-
Educational fees	767	908	-	-
Club membership fee	500	679	-	-
Interest income from advances to subsidiaries	-	-	27,822	24,414
Management fees from subsidiaries	-	-	16,570	17,704
	698,603	628,553	44,392	42,118
Other revenue				
Dividends from subsidiaries	-	-	104,467	71,654
Rental income on investment properties	7,371	3,941	-	-
	7,371	3,941	104,467	71,654
Total revenue	705,974	632,494	148,859	113,772
Timing of revenue recognition				
Goods transferred at a point in time	63,270	10,580	-	-
Goods and services transferred over time	635,333	617,973	44,392	42,118
	698,603	628,553	44,392	42,118

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	53,112	41,968	14,708	12,573
Contributions to defined contribution plan	6,401	5,624	1,838	1,502
Share-based payment*	7,842	4,575	5,929	3,141
Other benefits	933	5,459	1,529	1,398
	68,288	57,626	24,004	18,614

5. EMPLOYEE BENEFITS EXPENSE (CONT'D.)

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM10,616,000 (2018: RM8,655,000) and RMRM7,847,000 (2018: RM6,740,000) respectively.

* During the financial year, the Group granted up to 5,399,900 (2018: 6,247,700) shares to employees and executive directors of the Group under the long term incentive plan (''LTIP''), that comprises the restricted share incentive plan and performance-based share incentive plan. Further details are disclosed in Note 36.

6. DIRECTORS' REMUNERATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive:				
Salaries	3,810	3,325	2,562	2,438
Fees	210	185	210	185
Bonus and other benefits	5,692	4,396	4,465	3,573
Defined contribution plan	904	749	610	544
Executive directors' remuneration excluding benefits-in-kind	10,616	8,655	7,847	6,740
Estimated monetary value of benefits-in-kind	338	205	194	197
	10,954	8,860	8,041	6,937
Non-executive:				
Fees	597	633	597	633
Other emoluments	50	33	50	33
	647	666	647	666
Total	11,601	9,526	8,688	7,603
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	10,616	8,655	7,847	6,740
Total non-executive directors' remuneration excluding benefits-in-kind (Note 8)	647	666	647	666
Total directors' remuneration excluding benefits-in-kind	11,263	9,321	8,494	7,406

6. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration paid by the Group and the Company to each director who served during the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	Salaries, bonus and EPF RM'000	Fees RM'000	Other emoluments* RM'000	Total RM'000
2019				
Directors of the Group				
Executive:				
Dato' Teo Chiang Quan	5,130	115	85	5,330
Chew Sun Teong	2,973	70	2,191	5,234
Benjamin Teo Jong Hian	431	25	196	652
	8,534	210	2,472	11,216
Non-executive:				
Fatimah Binti Merican	-	90	7	97
Dato' Rohana Tan Sri Mahmood^	-	87	5	92
Datuk Seri Yam Kong Choy	-	97	8	105
Tan Sri Foong Cheng Yuen^	-	37	5	42
Ong Keng Siew	-	110	11	121
Quah Chek Tin^	-	45	5	50
Quah Poh Keat	-	107	8	115
Foong Pik Yee	-	31	2	33
	-	604	51	655
Directors of the Company				
Executive:				
Dato' Teo Chiang Quan	2,600	115	67	2,782
Chew Sun Teong	2,973	70	2,191	5,234
Benjamin Teo Jong Hian	-	25	-	25
	5,573	210	2,258	8,041
Non-executive:				
Fatimah Binti Merican	-	90	7	97
Dato' Rohana Tan Sri Mahmood^	-	80	4	84
Datuk Seri Yam Kong Choy	-	97	8	105
Tan Sri Foong Cheng Yuen^	-	37	5	42
Ong Keng Siew	-	110	11	121
Quah Chek Tin^	-	45	5	50
Quah Poh Keat	-	107	8	115
Foong Pik Yee	-	31	2	33
	-	597	50	647

6. DIRECTORS' REMUNERATION (CONT'D.)

The details of the remuneration paid by the Group and the Company to each director who served during the financial years ended 31 December 2019 and 31 December 2018 are as follows (cont'd.):

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

* Included in other emoluments are allowances and benefits-in-kind

^ This represents the remuneration paid to these Directors until the expiry of their tenure as a Director on 29 May 2019 and 16 December 2019.

7. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
- Term loans	18,342	29,382	7,081	7,257
- Islamic Medium Term Notes (iMTN)	5,980	-	-	-
- Medium Term Notes	5,770	-	-	-
- Other borrowings	6,021	3,461	4,996	2,553
- Lease liabilities	880	-	227	-
- Advances from subsidiaries	-	-	142	1,116
	36,993	32,843	12,446	10,926
Less: Interest expense capitalised in:				
- Investment properties (Note 16)	(1,994)	(2,172)	-	-
- Land held for property development (Note 14(a))	(8,183)	(10,242)	-	-
- Property development costs (Note 14(b))	(687)	(2,501)	-	-
- Contract cost asset (Note 15(b))	(4,219)	(5,128)	-	-
	21,910	12,800	12,446	10,926

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-executive directors' remuneration (Note 6)	647	666	647	666
Auditors' remuneration - statutory audit	429	370	120	110
Lease expense relating to short-term leases	655	-	-	-
Lease expense relating to leases of low value assets	54	-	7	-
Rental of premises	-	18,499	-	921
Rental of equipment	-	1,165	-	-

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (CONT'D.)

Profit before tax from continuing operations are derived after charging/(crediting) (cont'd.):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Direct operating expenses of investment properties	451	18	-	-
Impairment of non-current assets held for sale (Note 17)	-	-	-	2,091
Impairment of right-of-use asset (Note 13)	1,457	-	-	-
Depreciation of:				
- property, plant and equipment (Note 12)	7,247	6,883	354	452
- right-of-use asset (Note 13)	3,919	-	867	-
- investment properties (Note 16)	8,105	1,951	15	15
Property, plant and equipment written off	205	39	-	-
(Gain)/loss on disposal of property, plant and equipment	(111)	(142)	9	-
(Gain)/loss on disposal of subsidiaries	(25,412)	-	12,314	-
Reversal of impairment on advances to subsidiaries (Note 27)	-	-	-	(11,906)
Additions of allowance for impairment of receivables (Notes 23 and 24)	118	9	-	-
Impairment of investment in subsidiaries	-	-	7,238	18,449
Deemed distribution from a subsidiary	-	-	(19,337)	-
Accretion of investment income	-	-	(11,556)	-
Interest income from:				
- deposits with licensed banks	(2,557)	(2,707)	(202)	(253)
- advances to subsidiaries	-	-	(27,822)	(24,414)
Rental income	(710)	(318)	-	-
Net unrealised foreign exchange loss	-	-	182	618
Net derivative gain on interest rate swaps	(10)	(53)	-	-

During the financial year, the Group recognised a net gain of RM10,000 (2018: RM53,000) arising from fair value changes of interest rate swaps. The fair value changes are attributable to changes in interest rate yield.

9. TAXATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current income tax:				
Malaysian income tax	40,670	32,072	1,946	2,411
(Over)/under provision in prior years	(1,393)	899	(34)	812
Real property gains tax	2,170	-	1,524	-
	41,447	32,971	3,436	3,223
Deferred tax (Note 33):				
Relating to origination and reversal of temporary differences	(6,188)	(3,197)	(48)	(47)
(Over)/under provision in prior years	(931)	2,029	(14)	91
	(7,119)	(1,168)	(62)	44
Taxation	34,328	31,803	3,374	3,267

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

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

9. TAXATION (CONT'D.)

A reconciliation of tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	2019 RM'000	2018 RM'000
Group		
Profit before tax from continuing operations	88,838	110,182
Profit before tax from discontinued operations (Note 17)	74,624	41,089
Total profit before tax	163,462	151,271
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	39,231	36,305
Effect of share of results of associates and a joint venture	(552)	44
Income not subject to tax	(3,081)	(4,633)
Effect of PDS's distribution deductible for tax purposes	(2,892)	(3,232)
Effect of income subject to real property gains tax	(1,860)	-
Expenses not deductible for tax purposes	15,964	15,561
Deferred tax assets recognised on temporary differences	(2,422)	(6,367)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	2,911	411
(Over)/under provision of deferred tax in prior years	(1,328)	2,870
(Over)/under provision of income tax in prior years	(1,499)	821
Taxation	44,472	41,780
Taxation reported in income statement	34,328	31,803
Taxation attributable to discontinued operations (Note 17)	10,144	9,977
	44,472	41,780

	2019 RM'000	2018 RM'000
Company		
Profit before tax	112,450	70,335
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	26,988	16,880
Income not subject to tax	(32,645)	(20,054)
Effect of PDS's distribution deductible for tax purposes	(2,892)	(3,232)
Effect of income subject to real property gains tax	(1,499)	-
Expenses not deductible for tax purposes	13,470	8,770
(Over)/under provision of deferred tax in prior years	(14)	91
(Over)/under provision of current income tax in prior years	(34)	812
Taxation	3,374	3,267

10. EARNINGS PER SHARE

(a) Basic

	Group 2019	Group 2018
Profit attributable to ordinary equity holders of the Company (RM'000)	104,049	91,814
Issued ordinary shares at beginning of the year ('000)	428,272	424,296
Effect of vesting of LTIP shares ('000)	4,227	3,313
Effect of bonus issue ('000)	173,338	171,044
Weighted average number of ordinary shares in issue ('000)	605,837	598,653
Basic earnings per share (sen)	17.17	15.34

(b) Diluted

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the dilutive instruments of the Group.

	Group 2019	Group 2018
Profit attributable to ordinary equity holders of the Company (RM'000)	104,049	91,814
Weighted average number of ordinary shares in issue ('000)	605,837	598,653
Dilutive effect on shares issued from the LTIP ('000)	22,897	17,193
Adjusted weighted average number of ordinary shares ('000)	628,734	615,846
Diluted earnings per share (sen)	16.55	14.91

The comparatives for the EPS have been restated to reflect the effect of the Company's bonus issue during the year.

At the reporting date, the Company's warrants do not have dilutive effects to the Group's earnings per share as the warrants' exercise price is higher than the market price.

11. DIVIDENDS

	Amount		Net dividends paid per ordinary share	
	2019 RM'000	2018 RM'000	2019 Sen	2018 Sen
Recognised during the year:				
For the financial year ended 31 December 2019				
Single tier interim dividend of 2.0 sen	12,133	-	2.00	-
For the financial year ended 31 December 2018				
Single tier interim dividend of 2.5 sen	-	10,707	-	2.50
Single tier final dividend of 6.0 sen	26,001	-	6.00	-
For the financial year ended 31 December 2017				
Single tier special interim dividend of 7.5 sen	-	32,120	-	7.50
Single tier final dividend of 6.0 sen	-	25,696	-	6.00
	38,134	68,523	8.00	16.00

At the forthcoming Annual General Meeting, a single tier final dividend of 4.50 sen, in respect of the financial year ended 31 December 2019 on 614,443,966 ordinary shares, amounting to a dividend payable of RM27,649,978 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Group			
Cost			
At 1 January 2018	605,503	199,921	805,424
Additions	45,111	16,933	62,044
Transfer from land held for development (Note 14)	40,231	-	40,231
Disposals	(203)	(1,817)	(2,020)
Write-off	-	(2,172)	(2,172)
Reclassified to held for sale (Note 17)	-	(79,722)	(79,722)
Reclassified from held for sale (Note 17)	300	-	300
At 31 December 2018	690,942	133,143	824,085
Effect of adoption of MFRS 16 (Note 13)	(58,564)	-	(58,564)
Additions	60,740	19,685	80,425
Transfer to investment properties (Note 16)	(375,435)	(11,069)	(386,504)
Disposals	(4,548)	(852)	(5,400)
Write-off	-	(3,022)	(3,022)
Reclassified to held for sale (Note 17)	(287,869)	(97,480)	(385,349)
At 31 December 2019	25,266	40,405	65,671
Accumulated depreciation and impairment			
At 1 January 2018	41,716	138,784	180,500
Depreciation charge for the year (Notes 8 and 17)	8,506	14,911	23,417
Disposals	(153)	(1,718)	(1,871)
Write-off	-	(1,933)	(1,933)
Reclassified to held for sale (Note 17)	-	(58,580)	(58,580)
At 31 December 2018	50,069	91,464	141,533
Effect of adoption of MFRS 16 (Note 13)	(8,884)	-	(8,884)
Depreciation charge for the year (Notes 8 and 17)	4,326	7,320	11,646
Transfer to investment properties (Note 16)	(28,236)	(6,802)	(35,038)
Disposals	-	(505)	(505)
Write-off	-	(2,802)	(2,802)
Reclassified to held for sale (Note 17)	(14,196)	(69,018)	(83,214)
At 31 December 2019	3,079	19,657	22,736
Net carrying amount			
At 31 December 2019	22,187	20,748	42,935
At 31 December 2018	640,873	41,679	682,552

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

*** Land and building**

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold buildings RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost					
At 1 January 2018	124,389	58,767	339,257	83,090	605,503
Additions	-	-	3,692	41,419	45,111
Transfer from land held for development (Note 14)	40,231	-	-	-	40,231
Disposal	-	(203)	-	-	(203)
Reclassified from held for sale (Note 17)	-	-	300	-	300
At 31 December 2018	164,620	58,564	343,249	124,509	690,942
Effect of adoption of MFRS 16 (Note 13)	-	(58,564)	-	-	(58,564)
Additions	-	-	4,050	56,690	60,740
Transfer to investment properties (Note 16)	(40,203)	-	(214,033)	(121,199)	(375,435)
Disposal	(4,491)	-	-	(57)	(4,548)
Reclassified to asset held for sale (Note 17)	(115,493)	-	(112,433)	(59,943)	(287,869)
At 31 December 2019	4,433	-	20,833	-	25,266

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

*** Land and building**

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold buildings RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Accumulated depreciation					
At 1 January 2018	-	8,142	33,574	-	41,716
Depreciation charge for the year	-	895	7,611	-	8,506
Disposals	-	(153)	-	-	(153)
At 31 December 2018	-	8,884	41,185	-	50,069
Effect of adoption of MFRS 16 (Note 13)	-	(8,884)	-	-	(8,884)
Transfer to investment properties (Note 16)	-	-	(28,236)	-	(28,236)
Depreciation charge for the year	-	-	4,326	-	4,326
Reclassified to asset held for sale (Note 17)	-	-	(14,196)	-	(14,196)
At 31 December 2019	-	-	3,079	-	3,079
Net carrying amount					
At 31 December 2019	4,433	-	17,754	-	22,187
At 31 December 2018	164,620	49,680	302,064	124,509	640,873

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

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Company	
Cost	
At 1 January 2018	4,117
Additions	82
At 31 December 2018	4,199
Additions	40
Disposal	(11)
At 31 December 2019	4,228
Accumulated depreciation	
At 1 January 2018	2,697
Depreciation charge for the year (Note 8)	452
At 31 December 2018	3,149
Depreciation charge for the year (Note 8)	354
Disposal	(2)
At 31 December 2019	3,501
Net carrying amount	
At 31 December 2019	727
At 31 December 2018	1,050

(a) In the previous financial year, freehold land and building with carrying value of RM354,670,000 has been pledged as security for borrowings as disclosed in Note 29.

(b) The Group's capital work-in-progress includes borrowing costs capitalised arising from borrowings drawdown specifically for the purpose of the construction of the building. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RMNil (2018: RM2,299,000).

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

13. RIGHT-OF-USE ASSETS

	Leasehold land and building RM'000	Office equipments RM'000	Building RM'000	Total RM'000
Group				
Cost				
At 1 January 2019	-	-	-	-
Effects of adoption of MFRS 16	58,564	756	110,068	169,388
Additions during the year	-	234	44,317	44,551
Disposal of subsidiaries (Note 19)	-	-	(26,570)	(26,570)
Reclassification to held for sale (Note 17)	(58,564)	(990)	(102,298)	(161,852)
At 31 December 2019	-	-	25,517	25,517
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Effects of adoption of MFRS 16	8,884	-	-	8,884
Depreciation charge for the year (Notes 8 and 17)	448	168	10,927	11,543
Impairment losses (Note 8)	-	-	1,457	1,457
Disposal of subsidiaries (Note 19)	-	-	(727)	(727)
Reclassification to held for sale (Note 17)	(9,332)	(168)	(6,364)	(15,864)
At 31 December 2019	-	-	5,293	5,293
Net carrying amount				
At 31 December 2019	-	-	20,224	20,224

	Building RM'000
Company	
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	5,133
At 31 December 2019	5,133
Accumulated depreciation	
At 1 January 2019	-
Depreciation charge for the year (Note 8)	867
At 31 December 2019	867
Net carrying amount	
At 31 December 2019	4,266

14. INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
Non-current		
At cost:		
Land held for property development (Note a)	873,440	649,961
Current		
At cost:		
- Property development costs (Note b)	126,698	230,905
At cost:		
- Completed properties	105,195	22,881
- Stationery and consumables	14	2,560
	105,209	25,441
Total current inventories	231,907	256,346
Total inventories	1,105,347	906,307

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM45,735,000 (2018: RM7,546,000).

14. INVENTORIES (CONT'D.)

(a) Land held for property development

	Group	
	2019	**2018**
	RM'000	**RM'000**
Freehold land		
At 1 January	443,019	518,196
Additions	190,947	20,897
Transfer from investment properties (Note 16)	33,000	-
Transfer to property development costs (Note b)	(51,682)	(69,792)
Transfer to property, plant and equipment (Note 12)	-	(26,282)
At 31 December	615,284	443,019
Leasehold land		
At 1 January	18,964	63,840
Additions	-	17,695
Transfer to property development costs (Note b)	(2,219)	(22,837)
Disposal	(789)	(39,734)
At 31 December	15,956	18,964
Development costs		
At 1 January	187,978	216,948
Costs incurred during the financial year	74,187	73,498
Transfer from/(to) investment properties (Note 16)	22,242	(248)
Transfer to property development costs (Note b)	(41,915)	(80,956)
Transfer to property, plant and equipment (Note 12)	-	(13,949)
Disposal	(292)	(7,315)
At 31 December	242,200	187,978
Carrying amount at 31 December	873,440	649,961

The freehold land held for property development with carrying value of RM445,695,000 (2018: RM406,245,000) has been pledged as security for term loans as disclosed in Note 29.

The Group's land held for property development include borrowing costs arising from borrowings drawdown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under land held for property development amounted to RM8,183,000 (2018: RM10,242,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. INVENTORIES (CONT'D.)

(b) Property development costs, at cost

	Group 2019 RM'000	Group 2018 RM'000
Property development costs as at 1 January:		
Freehold land	42,310	42,381
Development costs	188,595	106,166
	230,905	148,547
Cost incurred during the year:		
Development costs	73,653	100,457
Transfer from land held for property development (Note a)		
Freehold land	53,901	92,629
Development costs	41,915	80,956
At 31 December	95,816	173,585
To contract cost assets (Note 15(b))		
Freehold land	(55,494)	(92,092)
Development costs	(93,416)	(94,116)
	(148,910)	(186,208)
To inventory - completed properties		
Freehold land	(24,947)	(608)
Development costs	(99,819)	(4,868)
	(124,766)	(5,476)
Property development costs at 31 December	126,698	230,905

The Group's property development costs include borrowing costs arising from borrowings drawdown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under property development costs amounted to RM687,000 (2018: RM2,501,000).

15. CONTRACT COST ASSETS

	Group 2019 RM'000	Group 2018 RM'000
Costs to obtain contracts with customers (Note a)	14,823	17,839
Costs to fulfill contract with customers (Note b)	49,834	48,921
	64,657	66,760

(a) Costs to obtain contracts with customers

	2019 RM'000	2018 RM'000
At 1 January	17,839	10,468
Additions	11,309	19,304
Amortisation	(14,325)	(11,933)
At 31 December	14,823	17,839

15. CONTRACT COST ASSETS (CONT'D.)

(b) Costs to fulfill contracts with customers

	2019 RM'000	2018 RM'000
Property development activities:		
At cost:		
At 1 January		
Freehold land	124,079	48,835
Development costs	321,895	155,808
	445,974	204,643
Costs incurred during the financial year:		
Development costs	267,547	188,272
Transferred during the financial year from property development costs		
Freehold land (Note 14(b))	55,494	92,092
Development costs (Note 14(b))	93,416	94,116
	148,910	186,208
Costs eliminated during the financial year due to completion of project:		
Freehold land	(40,073)	(16,848)
Development costs	(359,953)	(116,301)
	(400,026)	(133,149)
At 31 December	462,405	445,974
Costs recognised in profit or loss:		
At 1 January	(397,053)	(178,749)
Recognised during the financial year	(415,544)	(351,453)
Eliminated during the financial year due to completion of project	400,026	133,149
At 31 December	(412,571)	(397,053)
Carrying amount as at 31 December	49,834	48,921

15. CONTRACT COST ASSETS (CONT'D.)

The Group's contract cost assets include borrowing costs arising from borrowings drawdown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under contract cost assets amounted to RM4,219,000 (2018: RM5,218,000).

16. INVESTMENT PROPERTIES

	Buildings RM'000	Freehold land RM'000	Investment properties under construction RM'000	Total RM'000
Group				
Cost				
At 1 January 2018	97,733	9,271	101,027	208,031
Additions	1,245	-	1,687	2,932
Transfer from land held for property development (Note 14)	-	-	248	248
At 31 December 2018/1 January 2019	98,978	9,271	102,962	211,211
Additions	2,952	-	17,539	20,491
Transfer from property, plant and equipment (Note 12)	346,301	40,203	-	386,504
Transfer to land held for property development (Note 14)	-	-	(55,242)	(55,242)
At 31 December 2019	448,231	49,474	65,259	562,964
Accumulated depreciation and impairment losses				
At 1 January 2018	3,244	-	-	3,244
Depreciation charge for the year (Note 8)	1,951	-	-	1,951
At 31 December 2018/1 January 2019	5,195	-	-	5,195
Transfer from property, plant and equipment (Note 12)	35,038	-	-	35,038
Depreciation charge for the year (Note 8)	8,105	-	-	8,105
At 31 December 2019	48,338	-	-	48,338
Net carrying amount				
At 31 December 2019	399,893	49,474	65,259	514,626
At 31 December 2018	93,783	9,271	102,962	206,016

16. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
Cost	
At 1 January 2018/31 December 2018	
At 1 January 2019/31 December 2019	750
Accumulated depreciation	
At 1 January 2018	120
Depreciation charge for the year (Note 8)	15
At 31 December 2018/1 January 2019	135
Depreciation charge for the year (Note 8)	15
At 31 December 2019	150
Net carrying amount	
At 31 December 2019	600
At 31 December 2018	615

The freehold land and buildings of the Group with carrying value of RM464,473,000 (2018: RM117,101,000) has been pledged as security for borrowings as disclosed in Note 29.

The fair value of the investment properties of the Group and of the Company were estimated based on valuation performed by independent third party valuers. Details of the fair value, valuation techniques and inputs used are disclosed in Note 42.

The Group's investment properties under construction include borrowing costs arising from borrowings drawndown specifically for the purpose of the construction of the investment properties. During the financial year, the borrowing costs capitalised amounted to RM1,994,000 (2018: RM2,172,000). The Group ceased to capitalise the borrowing costs upon substantial completion of the construction of the investment properties.

17. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Included in disposal group classified as held for sale on the statements of financial position of the Group and of the Company as at 31 December 2019 are the following:

Group
The assets and liabilities of the disposal group classified as held for sale comprise the assets and liabilities of subsidiary companies, namely Sri KDU Sdn. Bhd. ("Sri KDU"), Paramount Education (Klang) Sdn. Bhd. ("PEKSB"), Paramount Education Sdn. Bhd. ("PESB") and R.E.A.L Education Group Sdn. Bhd. ("REAL Education"). Details of the proposed disposal are disclosed in Note 19.

In previous financial year, the assets and liabilities of the disposal group held for sale comprise the assets and liabilities of subsidiaries companies, namely UOW Malaysia KDU University College Sdn. Bhd. (formerly known as KDU University College Sdn. Bhd.) ("KDUUC"), UOW Malaysia KDU Penang University College Sdn. Bhd. (formerly known as KDU University College (PG) Sdn. Bhd.) ("KDUPG") and UOW Malaysia KDU College Sdn. Bhd. (formerly known as KDU College (PJ) Sdn. Bhd.) ("KDUPJ"). Details of the disposal are disclosed in Note 19.

Accordingly, the Group's interests in these disposal group held for sale have been valued at lower of carrying amount and fair value less cost to sell.

Company
The non-current assets held for sale comprise the carrying amounts of investment in subsidiaries, Sri KDU, PEKSB and PESB of RM132,939,000 as disclosed in Note 19.

In previous financial year, the non-current assets held for sale comprise the carrying amounts of investment in subsidiaries, KDUUC, KDUPJ and KDUPG of RM40,521,000 as disclosed in Note 19.

	Group RM'000	Company RM'000
Carrying amount		
At 1 January 2018	5,732	-
Reclassified to property, plant and equipment (Note 12)	(300)	-
Disposals	(5,432)	-
Assets reclassified to held for sale	64,993	40,521
Impairment loss (Note 8)	-	(2,091)
Liabilities reclassified to held for sale	(30,415)	-
At 31 December 2018/1 January 2019	34,578	38,430
Disposals	(34,578)	(38,430)
Assets reclassified to held for sale	664,478	132,939
Liabilities reclassified to held for sale	(373,235)	-
At 31 December 2019	291,243	132,939

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17. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT'D.)

Following the classification of Sri KDU, PEKSB, PESB, REAL Education, KDUUC, KDUPJ and KDUPG as disposal group classified as held for sale, the financial results of these entities have been reclassified as discontinued operations.

The comparative consolidated income statement has been re-presented to show the discontinued operations separately from continued operations, in accordance with the requirements of MFRS 5: *Non-current assets held for sale and discontinued operations*.

In presenting the discontinued operations, the Group continues to apply MFRS 10: *Consolidated financial statements* which requires elimination of the intra-group transactions.

(i) The results of the discontinued operations, net of related eliminations are presented below:

	2019 RM'000	2018 RM'000
Consolidated income statement:		
Revenue	249,906	275,176
Other income	17,328	21,437
Gain on disposal of disposal group constituting discontinued operations	25,412	-
Employee benefits expense	(121,058)	(137,552)
Depreciation and amortisation	(19,044)	(21,857)
Other expenses	(63,489)	(86,990)
Finance costs	(14,431)	(9,125)
Profit before tax from discontinued operations	74,624	41,089
Taxation	(10,144)	(9,977)
Profit after tax from discontinued operations	64,480	31,112

Included in employee benefits expense of the discontinued operation are executive and non-executive directors' remuneration receivable/received by directors of the Company amounting to RM262,000 (2018: RM674,000) and RM8,000 (2018: RM19,000) respectively.

17. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT'D.)

(i) The results of the discontinued operations, net of related eliminations are presented below: (cont'd.)

Profit before tax from discontinued operations:

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

	2019 RM'000	2018 RM'000
Auditors' remuneration		
- statutory audit	216	269
Lease expense relating to short-term leases	323	-
Lease expense relating to leases of low value assets	908	-
Rental of premises	-	15,891
Rental of equipment	-	956
Depreciation of:		
- property, plant and equipment (Note 12)	4,399	16,534
- right-of-use asset (Note 13)	7,624	-
Amortisation of intangible assets (Note 18)	870	1,639
Property, plant and equipment written off	15	200
Loss on disposal of property, plant and equipment	-	21
Additions of allowance for impairment of receivables (Notes 23 and 24)	757	661
Reversal of allowance for impairment of receivables (Notes 23 and 24)	(656)	(258)
Bad debts written off	380	155
Bad debts recovered	-	(3)
Interest income from deposits with licensed banks	(633)	(964)
Rental income	(4,269)	(6,771)
Net foreign exchange loss/(gain):		
- realised	(641)	(481)
- unrealised	115	(1)

17. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT'D.)

(ii) Details of assets and liabilities classified as disposal groups and non-current assets held for sale are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets				
Property, plant and equipment (Note 12)	302,135	21,142	-	-
Right-of-use assets (Note 13)	145,988	-	-	-
Intangible asset (Note 18)	146,616	14,734	-	-
Investment in associate	14	-	-	-
Other investments	88	304	-	-
Deferred tax assets	11,044	9,800	-	-
Inventories	2,299	-	-	-
Trade and other receivables	4,897	2,398	-	-
Other current assets	1,518	1,749	-	-
Tax recoverable	3,428	1,446	-	-
Cash and bank balances	46,451	13,420	-	-
Assets of disposal groups classified as held for sale	664,478	64,993	-	-
Investment in subsidiary companies (Note 19)	-	-	132,939	40,521
Impairment loss (Note 8)	-	-	-	(2,091)
Non-current assets classified as held for sale	-	-	132,939	38,430
Assets of disposal group/Non-current assets classified held for sale	664,478	64,993	132,939	38,430
Liabilities				
Deferred tax liabilities	40,611	685	-	-
Borrowings	127,452	-	-	-
Lease liabilities (Note 30)	93,657	-	-	-
Other payables	49,002	3,047	-	-
Other current liabilities	62,325	26,683	-	-
Tax payable	188	-	-	-
Liabilities of disposal groups classified as held for sale	373,235	30,415	-	-

17. ASSETS OF DISPOSAL GROUP/NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONT'D.)

(iii) The net cashflow incurred by discontinued operations are as follows:

	2019 RM'000	2018 RM'000
Operating activities	60,413	52,245
Investing activities	(45,686)	(54,752)
Financing activities	23,918	49,328
Net cash inflow from discontinued operations	38,645	46,821

18. INTANGIBLE ASSETS

Group

	Goodwill RM'000	Brand names RM'000	Student population RM'000	Course development RM'000	Total RM'000
2019					
At 1 January 2019	58,239	73,863	15,040	307	147,449
Addition	-	-	-	37	37
Amortisation for the year (Note 17)	-	-	(813)	(57)	(870)
Reclassified to held for sale (Note 17)	(58,239)	(73,863)	(14,227)	(287)	(146,616)
At 31 December 2019	-	-	-	-	-
2018					
At 1 January 2018	72,973	73,863	16,666	320	163,822
Amortisation for the year (Note 17)	-	-	(1,626)	(13)	(1,639)
Reclassified to held for sale (Note 17)	(14,734)	-	-	-	(14,734)
At 31 December 2018	58,239	73,863	15,040	307	147,449

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 **RM'000**	**2018** **RM'000**
Unquoted shares, at cost	409,900	279,154
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	295,050	661,750
Less: Accumulated impairment losses	(92,422)	(85,184)
Less: Reclassified to non-current assets held for sale (Note 17)	(132,939)	(40,521)
	479,589	815,199

The salient terms of the NCRCPS subscribed are summarised below:

(i) Preferential non-cumulative dividends are payable at a rate to be mutually agreed and are payable on a date determined by the issuer subject to availability of profits.

(ii) The NCRCPS are redeemable at the issuer's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the issuer's option at any time into ordinary shares in the issuer at a conversion rate to be determined by the issuer.

During the current financial year, the Company performed an impairment review of its investments in certain subsidiaries, where the carrying amount of investments exceeded its share of net assets in the respective subsidiary companies at the reporting date. The review gave rise to the recognition of an impairment loss of investment in subsidiaries of RM7,238,000 (2018: RM18,449,000) as disclosed in Note 8.

The unquoted shares held by the Company with carrying value of RM192,000,000 (2018: RM 192,000,000) has been pledged as security for term loan as disclosed in Note 29.

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Effective interest 2019 %	Effective interest 2018 %	Share capital '000	Principal activities
Incorporated in Malaysia				
Berkeley Sdn. Bhd.	100	100	RM5,000	Property development
Berkeley Maju Sdn. Bhd.	100	100	RM5,000	Property investment
Paramount Engineering & Construction Sdn. Bhd.	100	100	RM5,000	In the process of winding-up
Paramount Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Property Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Seleksi Megah Sdn. Bhd.	100	100	RM5,000	In the process of winding-up
Paramount Projects Sdn. Bhd.	-	100	RM1,000	Liquidated
Paramount Property (Sekitar 26 Enterprise) Sdn. Bhd. (formerly known as Paramount Property (Shah Alam) Sdn. Bhd.)	100	100	RM5,000	Property development
Janahasil Sdn. Bhd.	100	100	RM5,000	Property investment
Sri KDU Sdn. Bhd.	100	100	RM2,250	Educational services
Paramount Property Holdings Sdn. Bhd.	100	100	RM10,000	Inactive
Paramount Property (Utara) Sdn. Bhd.	100	100	RM5,000	Property development
Kelab Bandar Laguna Merbok Sdn. Bhd.	100	100	*	Operator of club house
Paramount Global Assets Sdn. Bhd.	-	100	RM35,360	Liquidated
Paramount Utropolis Retail Sdn. Bhd.	100	100	RM5,000	Property investment and management
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management of educational services
Paramount Property Development Sdn. Bhd	100	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	100	100	RM5,000	Inactive
Broad Projects Sdn. Bhd.	100	100	RM5,000	Investment holding and car park operator
UOW Malaysia KDU University College Sdn. Bhd. (formerly known as KDU University College Sdn. Bhd.) @	-	100	RM15,000	Educational services
UOW Malaysia KDU Penang University College Sdn. Bhd. (formerly known as KDU University College (PG) Sdn. Bhd.) @	-	100	RM15,000	Educational services
UOW Malaysia KDU College Sdn. Bhd. (formerly known as KDU College (PJ) Sdn. Bhd.)	-	100	RM5,000	Educational services
Paramount Property (Glenmarie) Sdn. Bhd.	100	100	RM5,000	Property development
Paramount Property (Cjaya) Sdn. Bhd.	100	100	RM5,000	Property development
Utropolis Sdn. Bhd.	100	100	RM1	Inactive
Paramount Property (PG) Sdn. Bhd.	100	100	RM5,000	Property development
Carp Legacy Sdn. Bhd.	100	100	RM5,000	Investment holding and car park operator

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19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Effective interest 2019 %	Effective interest 2018 %	Share capital '000	Principal activities
Paramount Property (PW) Sdn. Bhd.	100	100	RM5,000	Property development and investment holding
Paramount Construction (PG) Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Property (Sepang) Sdn. Bhd.	100	100	RM5,000	Property development
Paramount Education (Klang) Sdn. Bhd.	100	100	RM1,000	Inactive
Paramount Coworking Sdn. Bhd.	100	100	RM5,000	Providing coworking spaces and incubator-related services
Paramount Property (Lakeside) Sdn. Bhd.	99	70	RM4,500	Property development
Paramount Education Sdn. Bhd.	100	100	RM187,000	Investment holding
Aneka Sepakat Sdn. Bhd.	100	100	RM5,000	Property development
Paramount Capital Resources Sdn. Bhd.	100	100	RM5,000	In house treasury management
Paramount Greencity Sdn. Bhd. ^	100	100	RM5,000	Property investment
Magna Intelligent Sdn. Bhd.	100	100	RM1,000	Investment holding
Paramount Property (Seaview) Sdn. Bhd. (formerly known as Success Pridecity Sdn. Bhd.)	100	-	****	Inactive
Paramount Property (Cityview) Sdn. Bhd.	100	-	***	Inactive
Paramount FoodPrint Sdn. Bhd.	100	-	RM5,000	Provision of food & beverage services
Paramount Global Sdn. Bhd.	100	-	***	Investment holding
R.E.A.L. Education Group Sdn. Bhd.	66	66	RM10,813	Educational services
R.E.A.L. Kids (Ampang) Sdn. Bhd.	66	66	RM200	Educational services
R.E.A.L. Education Corporation Sdn. Bhd.	66	66	RM350	Educational services
Cambridge Education For Life Sdn. Bhd.	53	53	RM1,000	Educational services
R.E.A.L. Education International Sdn. Bhd.	66	66	RM1,500	Inactive
Cambridge Children's House Sdn. Bhd.	66	66	*	Inactive
Cambridge English For Life Sdn. Bhd.	53	53	RM100	Educational services
Incorporated in Commonwealth of Australia				
Paramount Global Investments Pty. Ltd. #	100	100	**	Investment holding
Paramount Investments & Properties Pty. Ltd. #	100	100	**	Investment holding

* Share capital of RM2
** Share capital of AUD2
*** Share capital of RM100
**** Share capital of RM1
AUD Represents currency denoted in Australian Dollars
@ Subsidiaries with 65% equity interest disposed during the year, with remaining equity interest accounted for as investment in associates (Note 20).
^ Subsidiary audited by other firm of chartered accountants
# Subsidiaries not audited in accordance with requirements of respective countries

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

19.1 Acquisition or incorporation of subsidiary companies

Current financial year

(i) On 21 February 2019, the Company incorporated Paramount FoodPrint Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares.

(ii) On 5 March 2019, the Company acquired Paramount Property (Seaview) Sdn. Bhd. (formerly known as Success Pridecity Sdn. Bhd.) with a share capital of RM1 represented by 1 ordinary share.

(iii) On 31 October 2019, the Company incorporated Paramount Property (Cityview) Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares.

(iv) On 5 December 2019, the Company incorporated Paramount Global Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares.

19.2 Disposal of subsidiary companies

On 3 September 2019, the Company completed the disposal of the Company's controlling equity interest in KDUUC, KDUPG and KDUPJ to UOWM Sdn. Bhd. Consequently, the remaining equity interests owned by the Company in KDUUC and KDUPG is 35%.

The carrying amount of the assets and liabilities of the subsidiaries at the date of disposal were as follow:

Group	RM'000
Non-current assets	61,511
- Property, plant and equipment	24,217
- Right-of-use assets (Note 13)	25,843
- Deferred tax assets	11,451
Current assets	13,682
- Trade and other receivables	8,076
- Tax recoverable	1,264
- Other current assets	662
- Other investment	310
- Cash and bank balances	3,370

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19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

19.2 Disposal of subsidiary companies (cont'd.)

	RM'000
Non-current liabilities	(35,826)
- Lease liabilities	(28,620)
- Deferred tax liabilities	(7,206)
Current liabilities	(35,319)
- Borrowings	(243)
- Lease liabilities	(3,180)
- Trade and other payables	(25,288)
- Other current liabilities	(6,497)
- Tax payables	(111)
Net assets disposed	4,048
Goodwill on consolidation	14,734
Fair value of remaining equity interest retained	(17,978)
Consideration payable	7,672
Gain on disposal (Note 8)	25,412
Proceeds on disposal - net	33,888
Proceeds satisfied by cash	38,500
Adjustment on working capital	(4,612)
	33,888
Cash and cash equivalent of subsidiaries disposed	(3,370)
Net cash inflow from disposal of subsidiaries	30,518

Company	**RM'000**
Investment in subsidiaries, net of impairment (Note 17)	38,430
Consideration payable	7,672
Transaction cost	100
Loss on disposal (Note 8)	(12,314)
Proceeds on disposal - net	33,888

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

19.3 Planned disposal of subsidiary companies

On 19 June 2019, the Company and Character First Sdn. Bhd. ("CFSB") entered into a conditional Share Sale and Purchase Agreement ("SPA") with Prestigion Education Sdn. Bhd. ("Prestigion") (formerly known as Two Horses Capital Sdn. Bhd.) for the proposed disposal of the Company's controlling equity interest in Sri KDU, PEKSB and PESB (collectively referred to as "disposal group") to Prestigion for an indicative sale consideration of RM540,500,000 through the disposal of:

(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 in accordance with the terms of the SPA, for an indicative cash consideration of RM385,000,000.

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

Accordingly, the Group's interest in the subsidiaries and the assets and liabilities associated with the disposal group have been reclassified to non-current assets/ disposal group held for sale as disclosed in Note 17.

19.4 Subsidiary with non-controlling interest

The equity interests held by non-controlling interest are as follows:

	Equity interest held by non-controlling interest	
	2019	**2018**
	%	**%**
REAL Education	34	34
Paramount Property (Lakeside) Sdn. Bhd.	1	30

On 19 September 2019, the Company has further subscribed for 4,350,000 ordinary shares in Paramount Property (Lakeside) Sdn. Bhd., out of the total issued shares of 4,500,000. As a result, the Company's shareholding in Paramount Property (Lakeside) Sdn. Bhd. was increased to 99%.

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

19.4 Subsidiary with non-controlling interest (cont'd.)

Summarised financial information of the subsidiary which has material non-controlling interest to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination and after modifying for fair value adjustments arising from business combination.

Group	**2019 RM'000**	**2018 RM'000**
Non-current assets	357,914	340,439
Current assets	29,209	35,394
Non-current liabilities	(117,473)	(105,082)
Current liabilities	(62,068)	(60,561)
Net assets	207,582	210,190
Equity attributable to equity holder of parent	133,414	135,026
Non-controlling interest	74,168	75,164
Total equity	207,582	210,190
Year ended 31 December		
Revenue	104,225	104,758
Total comprehensive income for the year	14,407	11,788
Total comprehensive income attributable to:		
- Owners of the parent	11,504	7,577
- Non-controlling interest	2,903	4,211
	14,407	11,788

Group	**2019 RM'000**	**2018 RM'000**
Net cash generated from/(used in):		
Operating activities	27,864	9,056
Investing activities	(4,365)	(3,594)
Financing activities	(16,390)	(7,657)
Net change in cash and cash equivalents	7,109	(2,195)
Dividends paid to non-controlling interest	(3,900)	(4,042)

20. INVESTMENTS IN ASSOCIATES

Effective 3 September 2019, upon completion of the disposal of the Group's controlling interest in KDUUC and KDUPG, KDUUC and KDUPG became the Group's associates. The Group has accounted for the share of results and net assets of KDUUC and KDUPG using the equity method from 3 September 2019.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	28,956	11,064	19,126	-
Share of post-acquisition reserves	286	(1,948)	-	-
	29,242	9,116	19,126	-

The summarised financial information of material associates, KDUUC, KDUPG and VIP Paramount Unit Trust ("VIP"), not adjusted for the proportion of ownership interest held by the Group, are as follows:

Group	KDUUC RM'000	KDUPG RM'000	VIP RM'000
2019			
Assets and liabilities			
Total assets	67,932	25,420	24,516
Total liabilities	(51,473)	(20,654)	(6,788)
Results			
Revenue	16,184	10,375	10
Profit/(Loss) for the period/year	2,021	5,422	(399)

Group	VIP RM'000
2018	
Assets and liabilities	
Total assets	24,836
Total liabilities	(6,604)
Results	
Revenue	19
Loss for the year	(233)

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20. INVESTMENTS IN ASSOCIATES (CONT'D.)

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation loss of RM171,000 (2018: foreign currency translation loss of RM761,000).

Reconciliation of net assets to carrying amount as at 31 December:

Group	KDUUC RM'000	KDUPG RM'000	VIP RM'000	Total RM'000
2019				
Net assets	16,459	4,766	17,728	
Interest in associates	35%	35%	50%	
Group's share of net assets	5,761	1,668	8,864	16,293
Goodwill	688	12,261	-	12,949
Carrying amount of investment in associates	6,449	13,929	8,864	29,242

Group	VIP, representing total RM'000
2018	
Net assets	18,232
Interest in associates	50%
Group's share of net assets, representing carrying amount of investment in associates	9,116

Details of the associates are as follows:

Name of associates	Effective Interest 2019 %	Effective Interest 2018 %	Share capital '000	Principal activities
Incorporated in Malaysia				
UOW Malaysia KDU University College Sdn. Bhd. (formerly known as KDU University College Sdn. Bhd.)	35	-	RM15,000	Educational services
UOW Malaysia KDU Penang University College Sdn. Bhd. (formerly known as KDU University College (PG) Sdn. Bhd.)	35	-	RM15,000	Educational services
Pusat Bahasa Cambridge English For Life Sdn. Bhd.	20	20	RM50	Educational services

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

Details of the associates are as follows: (cont'd.)

Name of associates	Effective Interest 2019 %	Effective Interest 2018 %	Share capital '000	Principal activities
Incorporated in Commonwealth of Australia				
VIP Paramount Pty. Ltd.	50	50	*	Trustee
VIP Paramount Unit Trust	50	50	AUD6,000	Inactive

* Share capital of AUD2
AUD Represents currency denoted in Australian Dollars

21. INVESTMENT IN A JOINT VENTURE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	450	450	450	450
Redeemable non-cumulative non-convertible preference shares ("RNCNCPS")	-	2,565	-	2,565
Share of post-acquisition reserves	(215)	(111)	-	-
	235	2,904	450	3,015

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

Assets and liabilities	2019 RM'000	2018 RM'000
Total assets	42,769	21,712
Total liabilities	(40,595)	(20,958)
Results		
Revenue	-	-
(Loss)/profit for the year	(145)	4

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21. Investment in a joint venture (cont'd.)

Reconciliation of net assets to carrying amount as at 31 December:

	2019 RM'000	2018 RM'000
Net assets	2,174	754
Interest in joint venture	45%	45%
Group's share of net assets	978	339
Add: Intragroup adjustments	(743)	2,565
Carrying amount of investment in joint venture	235	2,904

Details of the joint venture are as follows:

Name of joint venture	Effective Interest 2019 %	Effective Interest 2018 %	Share capital '000	Principal activities
Incorporated in Malaysia				
Super Ace Resources Sdn. Bhd.	45	45	RM1,000	Inactive

22. OTHER INVESTMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current:				
At fair value:				
Quoted investment:				
Ordinary shares outside Malaysia	5,061	-	-	-
Unquoted investments:				
Ordinary shares outside Malaysia	-	7,563	-	-
Redeemable non-cumulative non-convertible preference shares ("RNCNCPS")	4,959	-	4,959	-
Club memberships	192	280	165	165
At amortised cost:				
Unquoted investments:				
Cumulative redeemable non-convertible preference shares ("CRNCPS")	-	-	137,556	-
	10,212	7,843	142,680	165

23. TRADE RECEIVABLES

	Group	
	2019 RM'000	**2018 RM'000**
Third parties	90,985	69,956
Stakeholders' sum	50,824	40,347
	141,809	110,303
Less: Allowance for impairment	(118)	(367)
Trade receivables, net	141,691	109,936

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2018: 14 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Neither past due nor impaired	68,687	67,768
1 to 30 days past due not impaired	27,381	18,294
31 to 60 days past due not impaired	11,901	11,040
61 to 90 days past due not impaired	14,223	3,363
91 to 120 days past due not impaired	11,815	7,252
More than 121 days past due not impaired	7,684	2,219
	73,004	42,168
Impaired	118	367
	141,809	110,303

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

23. TRADE RECEIVABLES (CONT'D.)

Receivables that are past due but not impaired

The receivables that are past due but not impaired amounted to RM73,004,000 (2018: RM42,168,000). There is no concern on the credit worthiness of the counter parties and the recoverability of these debts.

Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2019 RM'000	2018 RM'000
Trade receivables - nominal amount	118	367
Less: Allowance for impairment	(118)	(367)
	-	-

Movement in allowance accounts:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	367	685
Addition during the year (Notes 8 and 17)	875	667
Reversal for the year (Notes 8 and 17)	(656)	(243)
Written off during the year	(251)	(236)
Transferred to held for sale	(217)	(506)
At 31 December	118	367

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.

24. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits	16,479	44,034	442	524
Sundry receivables	19,295	8,755	4,760	60
	35,774	52,789	5,202	584

Movement in allowance accounts:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	-	29
Addition during the year (Note 17)	-	3
Reversal during the year (Note 17)	-	(15)
Written off during the year	-	(4)
Transfer to held for sale	-	(13)
At 31 December	-	-

25. OTHER CURRENT ASSETS

	Group	
	2019 RM'000	2018 RM'000
Prepaid expenses	5,584	8,550

26. CONTRACT ASSET/(LIABILITIES)

	Group	
	2019 RM'000	2018 RM'000
Contract assets		
Accrued billings in respect of contract costs (Note a)	252,413	221,216
Contract liabilities		
Fees in advance (Note b)	-	(60,893)
Deferred income	(53)	(97)
	(53)	(60,990)

26. CONTRACT ASSET/(LIABILITIES) (CONT'D.)

Set out below is the amount of revenue recognised from:

	2019 RM'000	2018 RM'000
Amounts included in contract liabilities at the beginning of the year	(60,990)	(65,131)

(a) Revenue from property development

Revenue from property development activities are recognised over time using the input method, which is based on the actual cost incurred to date on the property development project as compared to the total budgeted cost for the respective development projects.

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2019 is RM650,147,000 (2018: RM747,091,000). The remaining performance obligations expected to be recognised over years as follows:

	2019 RM'000	2018 RM'000
Within one year	397,604	390,367
More than one year but not later than five years	252,543	356,724
	650,147	747,091

(b) Revenue from education

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

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2019 is RM Nil (2018: RM60,893,000). The remaining performance obligations expected to be recognised over years are as follows:

	2019 RM'000	2018 RM'000
Within one year	-	60,893

27. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest of 4.70% to 6.50% (2018: 4.70% to 6.50%) per annum.

	Company	
	2019	2018
	RM'000	RM'000
Non-current		
Due from subsidiaries	10,408	59,244
Current		
Due from subsidiaries	672,440	499,077
Total	682,848	558,321
Current		
Due to subsidiaries	99	10,192

Movement in allowance accounts:

	Company	
	2019	2018
	RM'000	RM'000
At 1 January	-	11,906
Reversal during the year (Note 8)	-	(11,906)
At 31 December	-	-

In the previous financial year, all amount due from subsidiaries have been novated to Paramount Capital Resources Sdn. Bhd. As a result, an impairment of RM11,906,000 had been reversed.

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31 December 2019

28. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash on hand and at banks	117,952	100,628	3,595	3,500
Deposits with licensed banks	16,787	36,334	2,866	21,135
Cash and bank balances	134,739	136,962	6,461	24,635
Cash and bank balances restricted for use	(14,803)	(19,686)	(2,235)	(2,173)
Deposits maturing more than 3 months from reporting date	(64)	(6,292)	(36)	(35)
Bank overdraft (Note 29)	-	(38,669)	-	(24,873)
Cash and cash equivalents	119,872	72,315	4,190	(2,446)

Included in cash and cash equivalents of the Group are amounts of RM86,441,000 (2018: RM50,408,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966. Also, included in cash and bank balances of the Group are amount of RM244,000 (2018: RM350,000) in relation to sinking fund held in trust until the formation of Joint Management Body ("JMB"), which are restricted in usage.

Included in cash and bank balances restricted for use of the Group and the Company are amounts of RM11,570,000 and RM2,205,000 respectively (2018: RM7,839,000 and RM2,173,000) in the Financial Service Reserve Account ("FSRA"), Debt Service Reserve Account ("DSRA") and Profit Service Reserve Account ("PSRA") which are restricted in usage and do not form part of cash and cash equivalents. The PSRA, FSRA and DSRA are secured against the Sukuk Programmes and term loans as disclosed in Note 29.

Included also in cash and bank balances restricted for use of the Group are amount of RM2,957,000 (2018: RM11,497,000) in the Project Development Account ("PDA") and Redemption Account ("RA") which are restricted in usage and do not form part of cash and cash equivalents.

Included in cash and bank balances restricted for use of the Group and Company are amounts of RM32,000 and RM30,000 respectively (2018: RMNil and RMNil) in the Trustees' Reimbursement Account ("TRA") which are restricted in usage and do not form part of cash and cash equivalents.

Included in cash on hand and at banks of the Group and of the Company are interest-bearing bank balances amounting to RM22,611,000 (2018: RM26,742,000) and RM3,151,000 (2018: RM3,430,000) which bear interest ranging from 1.25% to 3% (2018: 1.23% to 3%) per annum.

Deposits with licensed banks are made for varying periods of between 3 days and 6 months (2018: 1 day and 12 months) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2019 for the Group and the Company were 2.40% to 3.00% (2018: 1.95% to 4.20%) per annum and 2.85% to 2.90% (2018: 2.90% to 3.20%) per annum respectively.

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

29. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Unsecured:				
Bank overdraft - Floating rate (Note 28)	-	24,873	-	24,873
Revolving credit - Floating rate	30,000	50,000	30,000	50,000
	30,000	74,873	30,000	74,873
Secured:				
Bank overdraft - Floating rate (Note 28)	-	13,796	-	-
Revolving credit - Floating rate	45,618	44,250	-	-
Term loans - Floating rate	135,690	167,250	29,558	29,558
iMTN Sukuk programmes - Floating rate	-	153,753	-	-
	181,308	379,049	29,558	29,558
	211,308	453,922	59,558	104,431
Non-current				
Secured:				
Term loans - Floating rate	281,921	446,739	88,777	118,334
iMTN Sukuk programmes - Floating rate	126,108	-	-	-
MTN programmes - Floating rate	292,608	-	-	-
	700,637	446,739	88,777	118,334
Total	911,945	900,661	148,335	222,765

The maturities of the borrowings as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	211,308	453,922	59,558	104,431
More than 1 year but not later than 2 years	148,666	55,559	29,558	29,558
More than 2 years but not later than 5 years	175,901	315,927	59,219	88,776
More than 5 years	376,070	75,253	-	-
	911,945	900,661	148,335	222,765

29. BORROWINGS (CONT'D.)

(i) RM800 Million Sukuk Murabahah Programme ("Sukuk Programme")

On 25 February 2019 and 26 March 2019, Paramount Capital Resources Sdn. Bhd., a wholly owned subsidiary of the Company, made the first and second issuance of RM121,168,000 and RM6,332,000 in nominal value of Sukuk Murabahah respectively, with a ten (10) years tenure under the Sukuk Murabahah Programme.

The Sukuk Programmes bear interest ("Sukuk Profit") at the prevailing cost of funds of the Sukuk holder ("Cost of Funds") plus 1.00% per annum. The average effective Sukuk Profit rate is 4.74% to 4.94% per annum during the financial year.

The Sukuk Programmes are secured by the following:

(a) Third party legal charge over the land held for development as disclosed in Note 14(a);

(b) A debenture incorporating a fixed and floating charge on the assets of Paramount Property (Lakeside) Sdn. Bhd. ("PPLSB") both present and future;

(c) Irrevocable Letter of Undertaking from PPLSB to transfer the redemption sum received and such other monies under Housing Development Account to the Proceeds Account;

(d) A legal charge and assignment of the Proceeds Account and PSRA as disclosed in Note 28; and

(e) Corporate guarantee by the Company and PPLSB.

(ii) RM300 Million Medium Term Notes Programme ("MTN Programme")

On 19 July and 22 August 2019, Dynamic Gates Sdn Bhd, a special purpose vehicle incorporated to undertake the Asset-Backed Securitisation exercise, made the first and second issuance of RM185,130,000 and RM108,870,000 in nominal value of Medium Term Notes respectively, with a tenure of seven (7) years under the MTN Programme.

The MTN Programme bears interest at the prevailing cost of funds of the MTN holder ("Cost of Funds") plus 1.00% per annum for the first two years since the first drawdown date and Cost of Funds plus 1.15% per annum from the third up to the seventh year. The average effective interest rate is 4.70% per annum during the financial year.

The MTN Programme is secured by the following:

(a) First party legal charge over the investment properties as disclosed in Note 16;

(b) Assignment of rights, benefits and interests of the Master Lease Agreement, including the security provided or to be provided to the Issuer thereunder and the guarantee of the Company in respect of the lease payments;

(c) Irrevocable Power of Attorney for disposal of the investment properties in favour of the Security Trustee;

(d) Assignment of the Put Option; and

29. BORROWINGS (CONT'D.)

The MTN Programme is secured by the following (cont'd.):

(e) Assignment of the CRNCPS Subscription Agreement

The term loans and revolving credit of the Group and the Company are secured by the following:

(a) Fixed charge and deposit of unquoted shares held by the Company as disclosed in Note 19;

(b) Fixed charge and deposit of land titles over the leasehold land and buildings and land held for property development of the Group as disclosed in Notes 12 and 14 respectively;

(c) Fixed charge and deposit of land titles over the investment properties of the Group as disclosed in Note 16; and

(d) A legal charge and assignment of the Proceeds Account and DSRA as disclosed in Note 28.

The effective interest rates of the borrowings (other than Sukuk Programmes and MTN Programme) as at 31 December 2019 and 31 December 2018 are as follows:

	2019 per annum	2018 per annum
- Term loans	4.5% - 5.2%	4.4% - 5.5%
- Revolving credit	4.6% - 4.9%	4.8% - 5.2%
- Bank overdraft	-	5.0%

The management of the interest rate risk of the Group is disclosed in Note 43(c).

30. LEASE LIABILITIES

	Group 2019 RM'000	Company 2019 RM'000
Non-current		
Lease liabilities	17,659	3,439
Current		
Lease liabilities	3,708	776
Total lease liabilities	21,367	4,215

30. LEASE LIABILITIES (CONT'D.)

The movement of lease liabilities during the year is as follows:

	Group 2019 RM'000	Company 2019 RM'000
Effects of MFRS 16 Leases as at 1 January 2019	111,988	4,952
Additions	15,405	-
Payments	(17,980)	(964)
Reclassified to held for sale (Note 17)	(93,657)	
Interest expense	5,611	227
As at 31 December	21,367	4,215

The maturities of the lease liabilities as at 31 December 2019 are as follows:

	Group 2019 RM'000	Company 2019 RM'000
Within one year	3,708	776
More than 1 year but not later than 2 years	5,740	1,672
More than 2 years but not later than 5 years	9,103	1,767
More than 5 years	2,816	-
	21,367	4,215

31. TRADE PAYABLES

	Group	
	2019 RM'000	2018 RM'000
Trade payables	92,791	78,849
Retention sums on contracts	36,359	20,945
	129,150	99,794

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2018: 30 to 90 days). The retention sums are payable upon expiry of the defect liability period of 18 to 24 months (2018: 18 to 24 months).

32. OTHER PAYABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Sundry payables	153,765	146,367	24,623	21,266
Refundable deposits	6,973	33,766	-	-
Earnest deposits received	-	3,889	-	3,889
Derivative liability from interest rate swap	-	15	-	-
	160,738	184,037	24,623	25,155

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2018: 30 to 90 days).

33. DEFERRED TAX (ASSETS)/LIABILITIES

	2019 RM'000	2018 RM'000
Group		
At 1 January	5,777	(1,597)
Recognised in the income statement		
- attributable to continuing operations (Note 9)	(7,119)	(1,168)
- attributable to discontinued operations	(5,554)	(573)
Transfer to disposal group held for sale	(34,439)	9,115
At 31 December	(41,335)	5,777
Presented after appropriate offsetting as follows:		
Deferred tax assets	(47,533)	(41,611)
Deferred tax liabilities	6,198	47,388
	(41,335)	5,777

	At 1 January 2019 RM'000	Recognised in the income statement RM'000	Arising from transfer to disposal group held for sale RM'000	At 31 December 2019 RM'000
Deferred tax liabilities of the Group:				
Property, plant and equipment	11,591	(5,859)	(22,683)	(16,951)
Intangible assets	21,044	(195)	(20,849)	-
	32,635	(6,054)	(43,532)	(16,951)
Deferred tax assets of the Group:				
Unutilised tax losses and unabsorbed capital allowances	(14,225)	4,352	(4,077)	(13,950)
Deferred development expenditure	(2,515)	(5,971)	-	(8,486)
Lease liabilities	-	(2,677)	2,314	(363)
Others	(10,118)	(2,323)	10,856	(1,585)
	(26,858)	(6,619)	9,093	(24,384)
	5,777	(12,673)	(34,439)	(41,335)

33. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2018 RM'000	Recognised in the income statement RM'000	Arising from transfer to disposal group held for sale RM'000	At 31 December 2018 RM'000
Deferred tax liabilities of the Group:				
Property, plant and equipment	18,309	172	(6,890)	11,591
Intangible assets	21,434	(390)	-	21,044
	39,743	(218)	(6,890)	32,635
Deferred tax assets of the Group:				
Unutilised tax losses and unabsorbed capital allowances	(23,171)	(5,583)	14,529	(14,225)
Deferred development expenditure	(6,917)	4,402	-	(2,515)
Others	(11,252)	(342)	1,476	(10,118)
	(41,340)	(1,523)	16,005	(26,858)
	(1,597)	(1,741)	9,115	5,777

	2019 RM'000	2018 RM'000
Company		
At 1 January	1	(43)
Recognised in the income statement (Note 9)	(62)	44
At 31 December	(61)	1
Presented after appropriate offsetting as follows:		
Deferred tax assets	(1,112)	(58)
Deferred tax liabilities	1,051	59
	(61)	1

	At 1 January 2019 RM'000	Recognised in the income statement RM'000	At 31 December 2019 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	59	(31)	28
Right-of-use assets	-	1,023	1,023
	59	992	1,051
Deferred tax assets of the Company:			
Others	(58)	(1,054)	(1,112)
	(58)	(1,054)	(1,112)
	1	(62)	(61)

33. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2018 RM'000	Recognised in the income statement RM'000	At 31 December 2018 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	61	(2)	59
Deferred tax assets of the Company:			
Unabsorbed capital allowances	(40)	40	-
Others	(64)	6	(58)
	(104)	46	(58)
	(43)	44	1

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

	Group 2019 RM'000	2018 RM'000
Unutilised tax losses	39,349	27,220
Unabsorbed capital allowances	10,408	10,408
Other deductible temporary differences	10	10
	49,767	37,638

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group are available for offsetting against future taxable profits of the respective subsidiaries within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Effective from year of assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the Group as at 31 December 2019 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed losses will be disregarded.

Deferred tax assets have not been recognised in respect of these items because it is not probable that they may be used to offset taxable profits of respective subsidiaries of the Group.

34. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid				
At 1 January	428,272	424,296	310,315	305,215
Ordinary shares issued pursuant to LTIP	5,073	3,976	6,630	5,100
Bonus issue	173,338	-	-	-
At 31 December	606,683	428,272	316,945	310,315

During the financial year, the Company issued 2,231,500 ordinary shares to its eligible employees, pursuant to the vesting of the restricted shares under the 2016, 2017 and 2018 RS Grants of LTIP, that were awarded on 14 March 2016, 13 March 2017 and 11 June 2018, respectively. The Company also issued another 2,841,300 ordinary shares to its eligible employess, pursuant to the vesting of the performance-based shares under the 2016 PS Grant of LTIP, awarded on 14 March 2016.

On 25 July 2019, 173,337,846 new ordinary shares in the Company were alloted and issued pursuant to the Company's bonus issue, on the basis of 2 new shares for every 5 existing ordinary shares held in the Company on 25 July 2019.

On 29 July 2019, the Company issued 173,337,846 new Warrants on the basis of 2 Warrants for every 5 existing ordinary shares held in the Company on 25 July 2019, exercisable at an exercise price of RM1.79 per Warrant for a period of 5 years from its issue date and will expire on 28 July 2024. As at the reporting date, 173,337,846 Warrants remained unexercised.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares ranked pari passu with regard to the Company's residual assets.

35. PRIVATE DEBT SECURITIES

	Group and Company	
	2019 RM'000	2018 RM'000
Private debt securities	99,787	199,787
Perpetual securities	149,185	-
	248,972	199,787

35. PRIVATE DEBT SECURITIES (CONT'D.)

Private debt securities ("PDS")

The salient terms of PDS are as follows:

The PDS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rates of 2.75% and 3.00% above the cost of fund ("COF") per annum and a rate of 6.50% per annum, subject to a yearly step-up rate after the first call date.

The PDS have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on or after 21 September 2020 and 21 September 2022 in the amount of RM50,000,000 each, together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

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

On 7 February 2019 and 1 October 2019, the Group has redeemed RM50,000,000 each in nominal value of the PDS.

Perpetual securities

The salient terms of perpetual securities are as follows:

The perpetual securities holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 6.35% per annum, subject to a yearly step-up rate after the first call date.

The perpetual securities have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on or after 13 August 2024 and 23 October 2024 in the amount of RM100,000,000 and RM50,000,000, respectively, together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 13 August 2019 and 23 October 2019, the Company issued RM100,000,000 and RM50,000,000, respectively, in nominal value of perpetual securities pursuant to the RM500 million Perpetual Securities Programme.

36. EMPLOYEE SHARE SCHEME

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

The details of the LTIP shares are as below:

2015 LTIP

(a) On 13 March 2015, the Company made its first award of up to 5,444,300 LTIP shares, comprising the following:

- (i) 2,200,100 restricted shares ("RS") under the 2015 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2016; and
- (ii) up to 3,244,200 performance-based shares ("PS") under the 2015 PS Grant and vested on 13 March 2018.

2016 LTIP

(b) On 14 March 2016, the Company made its second award of up to 6,063,200 LTIP shares, comprising:

- (i) 2,362,600 RS under the 2016 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 14 March 2017; and
- (ii) up to 3,700,600 PS under the 2016 PS Grant to be vested on 14 March 2019.

2017 LTIP

(c) On 13 March 2017, the Company made its third award of up to 7,456,600 LTIP shares, comprising:

- (i) 2,440,400 RS under the 2017 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2018; and
- (ii) up to 5,016,200 PS under the 2017 PS Grant to be vested on 13 March 2020.

2018 LTIP

(d) On 11 June 2018, the Company made its fourth award of up to 6,247,700 LTIP shares, comprising:

- (i) 2,138,900 RS under the 2018 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2019; and
- (ii) up to 4,108,800 PS under the 2018 PS Grant to be vested on 13 March 2021.

36. EMPLOYEE SHARE SCHEME (CONT'D.)

2019 LTIP

(e) On 13 March 2019, the Company made its fifth award of up to 5,399,900 LTIP shares, comprising:

(i) 2,091,500 RS under the 2019 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2020; and

(ii) up to 3,308,400 PS under the 2019 PS Grant to be vested on 13 March 2022.

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

LTIP movement

	Group and Company	
	2019 RM'000	**2018 RM'000**
At 1 January	8,125	7,139
First award of up to 5,444,300 LTIP shares	-	686
Second award of up to 6,063,200 LTIP shares	1,554	1,072
Third award of up to 7,456,600 LTIP shares	1,351	2,186
Fourth award of up to 6,247,700 LTIP shares	2,383	2,142
Fifth award of up to 5,399,900 LTIP shares	2,554	-
Vesting of RS under the 2015 RS Grant	-	(817)
Vesting of PS under the 2015 PS Grant	-	(1,962)
Vesting of RS under the 2016 RS Grant	(967)	(1,037)
Vesting of PS under the 2016 PS Grant	(3,172)	-
Vesting of RS under the 2017 RS Grant	(1,190)	(1,284)
Vesting of RS under the 2018 RS Grant	(1,301)	-
At 31 December	9,337	8,125

36. EMPLOYEE SHARE SCHEME (CONT'D.)

On 20 March 2019, 737,400, 803,800 and 690,300 new ordinary shares in the Company were allotted and issued at the issue prices of RM1.312, RM1.480 and RM1.885 per share pursuant to the third vesting of RS under the 2016 RS Grant, the second vesting of RS under the 2017 RS Grant and the first vesting of RS under 2018 RS Grant, respectively. Pursuant to the final vesting of PS under 2016 PS Grant, 1,236,000 and 1,605,300 new ordinary shares in the Company were alloted and issued at the issue price of RM0.862 and RM1.312 respectively.

Fair value of shares granted

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

The following table lists out the relevant input to the share scheme pricing model:

	2019 LTIP	2018 LTIP	2017 LTIP	2016 LTIP
Fair value per share				
- Restricted shares				
- 1st vesting	RM2.044	RM1.885	RM1.581	RM1.459
- 2nd vesting	RM1.936	RM1.786	RM1.480	RM1.383
- 3rd vesting	RM1.842	RM1.697	RM1.386	RM1.312
- Performance-based shares				
- Total shareholder return	RM1.240	RM1.245	RM1.023	RM0.862
- Profit before tax	RM1.845	RM1.696	RM1.382	RM1.312
Dividend yield (%)	5.00%	5.35%	6.90%	5.50%
Expected volatility (%)	21.32%	22.61%	25.63%	24.77%
Risk-free interest rate (% p.a)	3.48%	3.59%	3.65%	3.27%
Expected life of the scheme (Years)	Annually for	Annually for	Annually for	Annually for
- Restricted shares	3 years	3 years	3 years	3 years
- Performance-based shares	3 years	3 years	3 years	3 years
Underlying share price	RM2.14	RM1.96	RM1.69	RM1.54

The expected life of the share scheme is based on the contractual life of the scheme. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the scheme, is indicative of future trends, which may not necessarily be the actual outcome.

37. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2019 and 31 December 2018 under the single tier system.

38. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between 1 and 7 years.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	8,401	4,103
Later than 1 year and not later than 5 years	26,696	2,754
More than 5 years	11,531	-
	46,628	6,857

39. COMMITMENTS

	Group	
	2019 RM'000	2018 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	36,715	112,068
- Investment properties	7,067	9,284
- Land held for future development	-	134,732
- Development right value	113,000	132,541
Approved but not contracted for:		
- Property, plant and equipment	7,787	12,585
	164,569	401,210

40. RELATED PARTY DISCLOSURES

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Sale of properties to Ms Tay Lee Kong, Mr Wang Chong Hwa, Mr Ooi Hun Peng, Mr Beh Chun Chong, Datin Teh Geok Lian, directors of subsidiaries	-	3,018	-	-
Sale of properties to Mr Benjamin Teo Jong Hian and Ms Eunice Teo Wan Tien, the children of Dato' Teo Chiang Quan	-	1,422	-	-
Sale of a property to Ms Lim Lai Bee and Mr Yam Jia Wei, the spouse and son of Datuk Seri Yam Kong Choy	-	786	-	-
Sale of a property to Ms Teh Say Yan, the sister of Datin Teh Geok Lian	-	801	-	-
Sale of a property to Mr Chew Sun Teong, a director of the Company	-	780	-	-
Sale of motor vehicle to Dato' Teo Chiang Quan, a director of the Company	-	87	-	-
Rental income received from Peoplender Sdn. Bhd., a company in which Dato' Teo Chiang Quan and Mr Chew Sun Teong have financial interests	134	66	-	-
Rental charges paid to Mr Chew Sun Teong, a director of the Company	40	-	-	-

40. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	965	880	965	880
Rental charges paid to Damansara Uptown Car Parks Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	241	109	75	65
Rental charges paid to Damansara Uptown Retail Centre Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	600	277	-	-
Rental charges paid to Damansara Uptown Seven Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	111	-	-	-
Rental income received from Damansara Uptown Retail Centre Sdn. Bhd.	-	8	-	-
Rental charges paid to CNS Corporation Sdn. Bhd., a company in which Mr Sim Quan Seng a director of subsidiaries, has a financial interest	-	150	-	-
Rental charges paid to CF Land Sdn. Bhd., a company in which Mr Sim Quan Seng and Mr Ee Ching Wah directors of subsidiaries, have financial interests	277	252	-	-
License fees paid to Damansara Uptown Retail Centre Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has a financial interest	29	21	-	-
Management fees received from subsidiaries	-	-	16,570	17,704
Interest income received from subsidiaries	-	-	27,822	24,414

(b) Compensation of key management personnel

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term employee benefits	22,236	21,623	15,052	11,787
Defined contribution plan	1,890	1,925	1,217	1,003
	24,126	23,548	16,269	12,790

40. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel (cont'd.)

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company.

Included in key management personnel are directors' remuneration as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors of the Company				
Executive	10,954	8,860	8,041	6,937
Non-executive	647	666	647	666
	11,601	9,526	8,688	7,603

41. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies in Note 2.16 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group **2019**	**Note**	**At amortised cost** **RM'000**	**At fair value through profit or loss** **RM'000**	**At fair value through other comprehensive income** **RM'000**	**Total** **RM'000**
Financial assets:					
Other investments	22	-	-	10,212	10,212
Trade receivables	23	141,691	-	-	141,691
Other receivables	24	35,774	-	-	35,774
Cash and bank balances	28	134,739	-	-	134,739
Total financial assets		312,204	-	10,212	322,416
Financial liabilities:					
Trade payables	31	129,150	-	-	129,150
Other payables (other than derivative liability and provision)	*	159,729	-	-	159,729
Borrowings	29	911,945	-	-	911,945
Total financial liabilities		1,200,824	-	-	1,200,824
2018					
Financial assets:					
Other investments	22	-	-	7,843	7,843
Trade receivables	23	109,936	-	-	109,936
Other receivables	24	52,789	-	-	52,789
Cash and bank balances	28	136,962	-	-	136,962
Total financial assets		299,687	-	7,843	307,530
Financial liabilities:					
Derivative liability, included in other payables	32	-	15	-	15
Trade payables	31	99,794	-	-	99,794
Other payables (other than derivative liability and provision)	*	183,022	-	-	183,022
Borrowings	29	900,661	-	-	900,661
Total financial liabilities		1,183,477	15	-	1,183,492

41. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D.)

Company	**Note**	**At amortised cost RM'000**	**At fair value through other comprehensive income RM'000**	**Total RM'000**
2019				
Financial assets:				
Other investment	22	137,556	5,124	142,680
Other receivables	24	5,202	-	5,202
Amounts due from subsidiaries	27	682,848	-	682,848
Cash and bank balances	28	6,461	-	6,461
Total financial assets		832,067	5,124	837,191
Financial liabilities:				
Other payables (other than provision)	*	24,383	-	24,383
Amounts due to subsidiaries	27	99	-	99
Borrowings	29	148,335	-	148,335
Total financial liabilities		172,817	-	172,817
2018				
Financial assets:				
Other investment	22	-	165	165
Other receivables	24	584	-	584
Amount due from subsidiaries	27	558,321	-	558,321
Cash and bank balances	28	24,635	-	24,635
Total financial assets		583,540	165	583,705
Financial liabilities:				
Other payables (other than provision)	*	24,912	-	24,912
Amount due to subsidiaries	27	10,192	-	10,192
Borrowings	29	222,765	-	222,765
Total financial liabilities		257,869	-	257,869

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

42. FAIR VALUE OF ASSETS AND LIABILITIES

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	636,690	636,690
Assets and liabilities measured at fair value				
Other investments - quoted	5,061	-	-	5,061
Other investments - unquoted	-	5,151	-	5,151
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800
Assets measured at fair value				
Other investment - unquoted	-	5,124	-	5,124
31 December 2018				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	113,900	113,900
Assets and liabilities measured at fair value				
Other investment - assets	-	7,843	-	7,843
Interest rate swap - liabilities	-	(15)	-	(15)
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800
Assets measured at fair value				
Other investments	-	165	-	165

During the year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

Level 1 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 1 of the fair value hierarchy:

Other investment

Fair value is determined directly by reference to their published market bid price at the reporting date.

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The valuation technique applied is swap model, using present value calculation. The model incorporates various inputs including credit quality of counterparties and interest rate yield.

Other investments

Other investments are measured at the acquisition price agreed at arm's length which represents fair values due to either the acquisition date was close to reporting date or it reflects the fair value of the rights to access.

Level 3 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

Investment properties

The valuation of investment properties which comprise the freehold land and buildings, are performed by independent third party valuers which are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

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

42. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D.)

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade receivables (current)	23
Other receivables (current)	24
Trade and other payables (current)	31 & 32
Borrowings (current & non-current)	29
Lease liabilities (current & non-current)	30

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

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

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, other receivables and due from subsidiaries. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with reputable licensed banks.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM777,695,000 (2018: RM1,026,164,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2019		2018	
	RM'000	**% of total**	**RM'000**	**% of total**
Group				
Property	141,691	100%	106,965	97%
Education	-	0%	2,971	3%
	141,691	100%	109,936	100%

The Group and the Company do not have any major concentration of credit risk related to any major customer.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with several banks.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group’s and the Company’s liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
2019				
Group				
Financial liabilities:				
Trade and other payables	289,888	-	-	289,888
Lease liabilities	16,003	64,301	37,610	117,914
Borrowings	255,890	437,009	425,805	1,118,704
Total undiscounted financial liabilities	561,781	501,310	463,415	1,526,506
2019				
Company				
Financial liabilities:				
Other payables	24,623	-	-	24,623
Due to subsidiaries	99	-	-	99
Lease liabilities	965	3,779	-	4,744
Borrowings	67,308	102,864	-	170,172
Total undiscounted financial liabilities	92,995	106,643	-	199,638
2018				
Group				
Financial liabilities:				
Trade and other payables	283,831	-	-	283,831
Borrowings	499,424	445,577	106,448	1,051,449
Total undiscounted financial liabilities	783,255	445,577	106,448	1,335,280
2018				
Company				
Financial liabilities:				
Other payables	25,155	-	-	25,155
Due to subsidiaries	10,192	-	-	10,192
Borrowings	115,766	142,711	-	258,477
Total undiscounted financial liabilities	151,113	142,711	-	293,824

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s financial instruments will fluctuate because of changes in market interest rates.

The Group’s exposure to interest rate risk arises primarily from their floating rate borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group entered into interest rate swap to effectively convert its floating rate term loan to a fixed rate term loan.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rate had been 50 basis points lower/higher with all other variables held constant, the Group's property, plant and equipment, investment properties, land held for development, property development costs, contract cost assets, profit before tax and the Company's profit before tax would have been RM4,456,000 and RM1,244,000 (2018: RM4,432,000 and RM1,614,000) lower/higher respectively arising mainly as a result of lower/higher interest expense on floating rate term loans (including portion capitalised in property, plant and equipment, investment properties, land held for development, property development costs and contract cost assets). The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in accordance to changes in economic condition. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using debt to equity ratio, which is total debts divided by total equity.

		Group	
	Note	**2019**	**2018**
Total debts (RM'000)	29	911,945	900,661
Total equity (RM'000)		1,464,149	1,346,285
Debts to equity ratio		62%	67%

45. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Property - the development and construction of residential and commercial properties and property investment of retail and car parks;
(ii) Coworking - the operation of coworking spaces and incubator-related services;
(iii) Education - the operation of private educational institutions; and
(iv) Investment and others - investment holding, provision of Group-level corporate services and property investment of campus buildings.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments took place at terms agreed between the parties.

	Continuing Operations						Discontinued Operations	
31 December 2019	Property RM'000	Coworking RM'000	Investment and others RM'000	Adjustments and eliminations RM'000	Note	Subtotal RM'000	Education RM'000	Consolidated RM'000
Revenue :								
External customers	700,337	3,307	2,330	-		705,974	249,906	955,880
Inter-segment sales	303,119	-	188,714	(491,833)	A	-	-	-
Total revenue	1,003,456	3,307	191,044	(491,833)		705,974	249,906	955,880
Results:								
Interest income	5,380	256	60,222	(63,301)	A	2,557	633	3,190
Interest expense	6,997	855	46,387	(32,329)	A	21,910	14,431	36,341
Depreciation and amortisation	6,286	2,929	10,651	(6,748)		13,118	19,044	32,162
Share of results of associates and joint venture	-	-	2,301	-		2,301	-	2,301
Segment profit	116,829	(4,095)	134,049	(157,945)	B	88,838	74,624	163,462

45. SEGMENT INFORMATION (CONT'D.)

31 December 2018	Property RM'000	Coworking RM'000	Investment and others RM'000	Adjustments and eliminations RM'000	Note	Subtotal RM'000	Education RM'000	Consolidated RM'000
	Continuing Operations						Discontinued Operations	
Revenue :								
External customers	630,989	597	908	-		632,494	275,176	907,670
Inter-segment sales	315,794	-	128,914	(444,708)	A	-	-	-
Total revenue	946,783	597	129,822	(444,708)		632,494	275,176	907,670
Results:								
Interest income	6,299	3	39,660	(43,255)	A	2,707	964	3,671
Interest expense	3,747	107	25,167	(16,221)	A	12,800	9,125	21,925
Depreciation and amortisation	4,339	321	490	-		5,150	21,857	27,007
Share of results of associates and joint venture	-	-	(182)	-		(182)	-	(182)
Segment profit	127,134	(1,577)	76,588	(91,963)	B	110,182	41,089	151,271

31 December 2019	Property RM'000	Coworking RM'000	Investment and others RM'000	Education RM'000	Adjustments and eliminations RM'000	Note	Consolidated RM'000
Assets:							
Investment in associates and joint venture	-	-	29,477	-	-		29,477
Additions to non-current assets	289,787	6,081	4,734	65,448	-	C	366,050
Segment assets	2,278,346	21,278	2,070,213	871,038	(2,167,322)	D	3,073,553
Segment liabilities	1,534,568	22,362	1,498,980	409,125	(1,855,631)	E	1,609,404

31 December 2018	Property RM'000	Coworking RM'000	Investment and others RM'000	Education RM'000	Adjustments and eliminations RM'000	Note	Consolidated RM'000
Assets:							
Investment in associates and joint venture	-	-	12,020	-	-		12,020
Additions to non-current assets	122,043	3,227	84	51,712	-	C	177,066
Segment assets	1,975,009	4,294	937,837	1,178,547	(1,420,057)	D	2,675,630
Segment liabilities	1,325,553	5,282	722,346	466,970	(1,190,806)	E	1,329,345

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

45. SEGMENT INFORMATION (CONT'D.)

A Inter-segment revenues and expenses are eliminated on consolidation.

B The following items are (deducted from)/added to segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	2019 RM'000	2018 RM'000
Inter-segment dividends	(104,467)	(71,654)
Inter-segment interests	(30,971)	(27,034)
Other inter-segment transactions	(22,507)	6,725
	(157,945)	(91,963)

C Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	80,425	62,044
Inventories	265,134	112,090
Investment properties	20,491	2,932
	366,050	177,066

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

	2019 RM'000	2018 RM'000
Investment in associates	(1,077)	(1,973)
Inter-segment assets	(2,150,299)	(1,290,879)
Unrealised gains from inter-segment transactions	(15,946)	(127,205)
	(2,167,322)	(1,420,057)

E Inter-segment liabilities are eliminated on consolidation.

The revenue and non-current assets of the Group based on geographical location of customers and assets are attributed to Malaysia.

As at 31 December 2019 and 2018, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) On 7 February 2019 and 1 October 2019, the Company has redeemed RM100,000,000 in total, in the amount of RM50,000,000 each in nominal value of the Private Debt Securities.

(b) On 25 February 2019 and 26 March 2019, Paramount Capital Resources Sdn. Bhd. made the first and second issuance of RM121,168,000 and RM6,332,000 in nominal value of Sukuk Murabahah respectively, with a ten (10) years tenure under the Sukuk Murabahah Programme of up to RM800 million.

(c) On 13 March 2019, the Company made its fifth award of up to 5,399,900 LTIP shares, comprising:

(i) 2,091,500 RS under the 2019 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2020; and

(ii) up to 3,308,400 PS under the 2018 PS Grant to be vested on 13 March 2022.

(d) On 19 June 2019, the Company had entered into a conditional Share Sale and Purchase Agreement ("SPA") with Character First Sdn. Bhd. ("CFSB") and Prestigion Education Sdn. Bhd. (formerly known as Two Horses Capital Sdn. Bhd.) for the disposal by the Company of the following controlling equity interests in Paramount Education Sdn. Bhd. ("PESB"), Paramount Education (Klang) Sdn. Bhd. ("PEKSB") and Sri KDU Sdn. Bhd. ("Sri KDU") (together, the "disposal group") to Prestigion Education Sdn. Bhd. for an indicative total cash consideration of RM540,500,000, subject to adjustments which may be made to the cash consideration as set out in the SPA ("Proposed Disposal"):

(i) 130,339,000 ordinary shares in PESB, representing 69.7% equity interest in PESB, for an indicative cash consideration of RM134.5 million

(ii) 800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB, for an indicative cash consideration of RM21.0 million; and

(iii) 1,800,000 ordinary shares in Sri KDU, representing 80.0% equity interest in Sri KDU after the internal restructuring in accordance with the terms of the SPA, for an indicative cash consideration of RM385.0 million.

The disposal was completed when the last condition precedent was fulfilled on 28 January 2020 and the total consideration received on 20 February 2020 amounted to RM569,198,750.

(e) On 19 July 2019 and 22 August 2019, Dynamic Gates Sdn. Bhd., a special purpose vehicle incorporated to undertake the Asset-Backed Securitisation exercise, made the first and second issuance of RM185,130,000 and RM108,870,000 in nominal value of Medium Term Notes respectively, with a tenure of seven (7) years under the MTN Programme of up to RM300 million.

(f) On 25 July 2019, the Company increased its issued ordinary share capital from 433,344,720 to 606,682,566 through a bonus issue of 173,337,846 new ordinary shares in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company.

On 5 August 2019, the Company completed the issuance of free warrants with the listing of and the quotation for 173,337,846 warrants on the Main Market of Bursa Securities.

(g) On 13 August 2019 and 23 October 2019, the Company issued RM100,000,000 and RM50,000,000, respectively, in nominal value of Perpetual Securities pursuant to the Perpetual Securities Programme of up to RM500.0 million.

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR (CONT'D.)

(h) On 3 September 2019, the Company completed the disposal its controlling equity interest in KDUUC, KDUPG and KDUPJ to UOWM Sdn. Bhd. Consequently, the remaining equity interests owned by the Company in KDUUC and KDUPG is 35%.

(i) On 22 January 2020, Paramount Global Sdn. Bhd., a wholly-owned subsidiary of the Company, has entered into a Share Purchase Agreement with Navarang Asset Co. Ltd. for the acquisition of 49% equity interest in Navarang Charoennakhon Company Limited (“NCCL”) for total purchase consideration of THB60,270,000 (RM8,437,800). On the same date, Paramount Global Sdn. Bhd. has entered into a Shareholder Loan Agreement with NCCL to provide shareholder loan of THB63,859,740 (RM8,940,364) to NCCL. The acquisition of equity interest in NCCL was completed on 3 February 2020.

(j) On 28 February 2020, the Company declared a single tier special interim dividend of 29.00 sen, in respect of the financial year ending 31 December 2020 on 614,443,966 ordinary shares to be paid on 23 April 2020.

(k) On 4 March 2020, the Company incorporated Paramount Globalcom Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares.

(l) On 11 March 2020, Paramount Globalcom Sdn. Bhd., a wholly owned subsidiary of the Company, incorporated Gardens of Hope Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares. Paramount Globalcom Sdn. Bhd. has 70% equity interest in Gardens of Hope Sdn. Bhd.

(m) On 13 March 2020, the Company made its sixth award of up to 6,568,300 LTIP shares, comprising:

    (i) 2,754,500 RS under the 2020 RS Grant to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2021; and

    (ii) up to 3,813,800 PS under the 2020 PS Grant to be vested on 13 March 2023.

(n) The Group has seen macro-economic uncertainty and challenges with regards to the disruptions to the global supply chains and reduced demand of commodities as well as the reduced consumer activities through social distancing as a result of the COVID-19 pandemic. This potentially can escalate to credit and liquidity constraints of the businesses and households. While the Economic Stimulus Package announced by the Malaysian Government could help to lessen the impact of this crisis, the scale and duration of the economic effects arising remain uncertain and could significantly affect the demand of the Group’s products and services as well as its construction progress and hence the Group’s earnings and cashflow going forward.

OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS

As at 24 April 2020

Issued share capital of the Company: 614,443,966 ordinary shares which confer the right to one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares Held	%
1 - 99	135	1.97	4,940	0.00
100 - 1,000	455	6.65	288,907	0.05
1,001 - 10,000	3,425	50.01	18,613,486	3.03
10,001 - 100,000	2,382	34.78	74,039,036	12.05
100,001 - 30,722,197*	449	6.56	315,114,497	51.28
30,722,198 and above**	2	0.03	206,383,100	33.59
Total	6,848	100.00	614,443,966	100.00

* Less than 5% of issued shares
** 5% and above of issued shares

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholder	No. of Shares Held	%
1.	Paramount Equities Sdn Bhd	154,252,000	25.104
2.	Southern Palm Industries Sdn Bhd	52,131,100	8.484
3.	Southern Acids (M) Berhad	27,043,100	4.401
4.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd (SFS-PB)	18,833,500	3.065
5.	Bunga Indah (M) Sdn Bhd	16,216,200	2.639
6.	Southern Realty (Malaya) Sdn Bhd	14,695,100	2.391
7.	Eliyezer Resources Sdn Bhd	8,741,600	1.422
8.	Teo Chiang Quan	7,472,500	1.216
9.	Chew Sun Teong	6,817,940	1.109
10.	Amanahraya Trustees Berhad Public Smallcap Fund	6,805,400	1.107
11.	Ong Keng Siew	5,582,780	0.908
12.	Kenanga Nominees (Asing) Sdn Bhd RHB Securities Singapore Pte. Ltd. For Teo Pek Swan (6Q-31037)	4,991,000	0.812
13.	CIMB Group Nominees (Tempatan) Sdn Bhd Aiiman Asset Management Sdn Bhd For Lembaga Tabung Haji	3,949,400	0.642

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D.)

	Name of Shareholder	No. of Shares Held	%
14.	Eunice Teo Wan Tien	3,691,800	0.600
15.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Teh Wao Kheng (PBCL-0G0168)	3,238,100	0.526
16.	Gan Peoy Hong	2,960,880	0.481
17.	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	2,896,780	0.471
18.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment-HW Shariah Flexi Fund	2,589,580	0.421
19.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	2,453,655	0.399
20.	Teh Geok Lian	2,389,240	0.388
21.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Takaful Berhad (Credit Takaful PIA)	2,372,620	0.386
22.	Mikdavid Sdn Bhd	2,123,100	0.345
23.	Gemas Bahru Estates Sdn. Bhd.	2,111,900	0.343
24.	Yeo Khee Huat	2,107,000	0.342
25.	Amanahraya Trustees Berhad Public Optimal Growth Fund	2,047,860	0.333
26.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	2,046,040	0.332
27.	UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Neoh Choo Ee & Company, Sdn. Berhad	1,960,000	0.318
28.	Universal Trustee (Malaysia) Berhad Kenanga Islamic Fund	1,786,400	0.290
29.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	1,754,130	0.285
30.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	1,689,020	0.274

ANALYSIS OF SHAREHOLDINGS

As at 24 April 2020

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Paramount Equities Sdn Bhd	154,252,000	25.10	-	-
Dato' Teo Chiang Quan	7,854,700	1.28	159,159,180 (1)	25.90
Southern Palm Industries Sdn Bhd	52,131,100	8.48	27,043,100 (2)	4.40
Southern Edible Oil Industries (M) Sdn Bhd	1,631,700	0.27	79,174,200 (3)	12.89
Southern Realty (Malaya) Sdn Bhd	14,695,100	2.39	80,805,900 (4)	13.15
Banting Hock Hin Estate Co Sdn Bhd	901,600	0.15	95,501,000 (5)	15.54

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares Held	%	No. of Shares Held	%
Dato' Teo Chiang Quan	7,854,700	1.28	159,159,180 (1)	25.90
Ong Keng Siew	5,582,780	0.91	-	-
Chew Sun Teong	6,817,940	1.11	-	-
Datuk Seri Yam Kong Choy	185,500	0.03	-	-
Quah Poh Keat	-	-	1,339,520 (6)	0.22
Benjamin Teo Jong Hian	957,080	0.16	-	-

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

Notes:

(1) By virtue of his deemed interest in Paramount Equities Sdn Bhd and the shareholdings of his family members.
(2) By virtue of its deemed interest in Southern Acids (M) Berhad.
(3) By virtue of its deemed interest in Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(4) By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(5) By virtue of its deemed interest in Southern Realty (Malaya) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(6) By virtue of his deemed interest in the shareholding of his spouse.

ANALYSIS OF WARRANT HOLDINGS

As at 24 April 2020

Warrants 2019/2024

No. of warrants issued : 173,337,846
No. of warrants outstanding : 173,337,846
Exercise price of warrants : RM1.79 each
Expiry date of warrants : 28 July 2024

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holding	No. of Warrant Holders	%	No. of Warrants Held	%
1 – 99	238	5.40	7,723	0.00
100 – 1,000	633	14.35	365,991	0.21
1,001 – 10,000	2,656	60.21	9,215,597	5.32
10,001 – 100,000	734	16.64	22,575,049	13.02
100,001 – 8,666,891*	148	3.36	82,206,886	47.43
8,666,892 and above**	2	0.04	58,966,600	34.02
Total	4,411	100.00	173,337,846	100.00

* Less than 5% of issued warrants
** 5% and above of issued warrants

THIRTY (30) LARGEST WARRANT HOLDERS

	Name of Warrant Holder	No. of Warrants Held	%
1.	Paramount Equities Sdn Bhd	44,072,000	25.425
2.	Southern Palm Industries Sdn Bhd	14,894,600	8.592
3.	Southern Acids (M) Berhad	7,726,600	4.457
4.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd For Wong Ah Kum	6,200,000	3.576
5.	Wong Ah Kum	5,656,000	3.262
6.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd (SFS-PB)	5,381,000	3.104
7.	Bunga Indah (M) Sdn Bhd	4,633,200	2.672
8.	Southern Realty (Malaya) Sdn Bhd	4,198,600	2.422
9.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Shin Kong Kew @ Chin Kong Kew (R25 Margin)	4,150,000	2.394
10.	Eliyezer Resources Sdn Bhd	2,497,600	1.440
11.	Teo Chiang Quan	2,135,000	1.231
12.	Amanahraya Trustees Berhad Public Optimal Growth Fund	1,813,560	1.046
13.	Ong Keng Siew	1,595,080	0.920
14.	Chew Sun Teong	1,351,440	0.779
15.	Ho Huey Chuin	1,286,800	0.742

ANALYSIS OF WARRANT HOLDINGS

As at 24 April 2020

THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D.)

	Name of Warrant Holder	No. of Warrants Held	%
16.	Chan Wai Mun	1,105,000	0.637
17.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Siang Ping	1,055,900	0.609
18.	Eunice Teo Wan Tien	964,200	0.556
19.	Maybank Nominees (Tempatan) Sdn Bhd Chua Eng Ho Wa'a @ Chua Eng Wah	895,000	0.516
20.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LGF)	864,960	0.499
21.	Teh Wao Kheng	858,200	0.495
22.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LPF)	803,040	0.463
23.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Teh Wao Kheng (PB)	684,800	0.395
24.	Mikdavid Sdn Bhd	606,600	0.349
25.	Gemas Bahru Estates Sdn. Bhd.	603,400	0.348
26.	Teh Geok Lian	508,840	0.293
27.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (BNP Najmah EQ)	473,960	0.273
28.	Southern Edible Oil Industries (M) Sdn Bhd	466,200	0.268
29.	Ghee Thong Sdn Bhd	449,400	0.259
30.	Yeo Khee Nam	444,600	0.256

DIRECTORS' WARRANT HOLDINGS

Name of Director	Direct Interest		Deemed Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Teo Chiang Quan	2,244,200	1.29	45,383,080 [(1)]	26.18
Ong Keng Siew	1,595,080	0.92	-	-
Chew Sun Teong	1,351,440	0.78	-	-
Datuk Seri Yam Kong Choy	53,000	0.03	-	-
Quah Poh Keat	-	-	382,720 [(2)]	0.22
Benjamin Teo Jong Hian	222,480	0.13	-	-

Notes:

(1) By virtue of his deemed interest in Paramount Equities Sdn Bhd and the warrant holdings of his family members.

(2) By virtue of his deemed interest in the warrant holding of his spouse.

LIST OF TOP 10 PROPERTIES

Held by the Group

SCHEDULE OF PROPERTIES HELD BY THE GROUP

	Location of Property	Date of Acquisition	Description & Existing Use	Age of Building	Tenure	Land Area (Sq.Ft.)	NBV (RM'000) As at 31.12.2019
1	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Utropolis Glenmarie Campus - Rented to UOW Malaysia KDU University College Sdn Bhd	5 years	Freehold	435,626	**203,156**
2	Lots 17171-17176, 17182, 17184-17185 PT 56231-56327, 56556-56557 Mukim Dengkil, Daerah Sepang Selangor Darul Ehsan	2.01.2015	Land approved for commercial and residential use - Greenwoods	-	Freehold	6,141,960	**198,543**
3	Lots 75, 164, 203-206, 932-935, 1873-1875, 2518 & 2519 Mukim Kapar, District of Klang Selangor Darul Ehsan	2.12.2011 and 24.09.2012	Land approved for commercial and residential use - Berkeley Uptown	-	Freehold	670,824	**134,724**
4	Lot 115102, Mukim Dengkil Daerah Sepang Selangor Darul Ehsan	01.12.2018	Land approved for residential use - Sejati Lakeside	-	Freehold	1,372,140	**126,694**
5	Lot 21590 & Lot PT 5828 Mukim 13, Seberang Prai Selatan, Penang	5.12.2014	Utropolis Batu Kawan Campus - Rented to UOW Malaysia KDU Penang University College Sdn Bhd	-	Freehold	672,657	**104,544**
6	Lot 21608, 21609 & 21610; PT 5954 Mukim 13, Seberang Prai Selatan, Penang	5.12.2014	Land approved for commercial and residential use - Utropolis Batu Kawan	-	Freehold	1,106,424	**98,681**
7	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Retail mall and car-park - Paramount Utropolis Marketplace	-	Freehold	257,004	**96,814**
8	Lot PT 510, Pekan Hicom District of Petaling Selangor Darul Ehsan	7.06.2012	Land approved for industrial and commercial development - Sekitar26	-	Freehold	505,296	**74,605**
9	Lots 557-558, 560, 565-566, 570-572, 575, 1652-1653, 1657-1658, 1660-1661, 1663-1664, 1860, 1952-1954 Mukim 17, Daerah Prai Tengah, Penang	8.04.2013, 21.06.2013, 9.08.2014, 18.08.2014, 19.08.2014, 3.12.2014, 27.07.2016	Agriculture lands (Held for future development)	-	Freehold	3,014,352	**64,396**
10	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	23.06.2006	Land approved for commercial and residential development - Bukit Banyan	-	Freehold	7,753,680	**57,187**

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Relation to the Financial Statements

This statement is prepared as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements:

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

NOTICE OF FIFTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fiftieth Annual General Meeting of Paramount Corporation Berhad (**Paramount** or **the Company**) will be held at Co-labs Coworking The Starling, Lot 4-401 & 4-402, Level 4, The Starling mall, No. 6, Jalan SS21/37, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan (**Broadcast Venue**) on Thursday, 25 June 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. **(Please see Explanatory Note A)**

2. To approve the declaration of a single-tier final dividend of 4.5 sen per share in respect of the year ended 31 December 2019. **Resolution 1**

3. To approve the payment of Directors' fees and meeting allowances not exceeding an aggregate amount of RM1,500,000.00 for the period from 1 January 2020 to 30 June 2021. **Resolution 2** **(Please see Explanatory Note B)**

4. To re-elect the following Directors who are retiring pursuant to Clause 85 of the Company's Constitution:

   (a) Mr Quah Poh Keat **Resolution 3**
   (b) Mr Ong Keng Siew **Resolution 4**
   (Please see Explanatory Note C)

5. To re-elect the following Directors who are retiring pursuant to Clause 86 of the Company's Constitution:

   (a) Mr Benjamin Teo Jong Hian **Resolution 5**
   (b) Ms Foong Pik Yee **Resolution 6**
   (Please see Explanatory Note D)

6. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

7. **Authority for Datuk Seri Michael Yam Kong Choy to continue in office as an Independent Non-Executive Director** **Resolution 8**

   "That authority be and is hereby given to Datuk Seri Michael Yam Kong Choy who has served as an Independent Non-Executive Director of the Company for a term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note E)

NOTICE OF FIFTIETH ANNUAL GENERAL MEETING

8. **Authority to Directors to allot and issue shares** **Resolution 9**

"That, subject always to the Companies Act, 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 75 of the Companies Act, 2016, to allot and issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital of the Company as at the date of such allotment, and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note F)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a single-tier final dividend of 4.5 sen per share in respect of the year ended 31 December 2019 will be paid on 23 July 2020 to shareholders whose names appear in the Record of Depositors on 9 July 2020.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the depositor's securities account before 4.30 p.m. on 9 July 2020 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG WAI PENG
Secretary

Petaling Jaya
Selangor Darul Ehsan
28 May 2020

NOTES

In view of the COVID-19 outbreak, the Securities Commission Malaysia had, in its Guidance Note dated 18 April 2020 on the Conduct of General Meetings For Listed Issuers, encouraged the use of technology to conduct general meetings even beyond the Movement Control Order (**MCO**) period. The Prime Minister of Malaysia had, in his speech to the nation on 1 May 2020, also encouraged online meetings and to limit the number of people in a gathering to not more than 10 even after the lifting of the MCO.

Premised on the above directives and as part of Paramount's safety measures, the Fiftieth Annual General Meeting (**AGM**) of the Company will be convened on a **full virtual basis with live streaming of the meeting proceedings from the Broadcast Venue and online remote voting** via Tricor Investor & Issuing House Services Sdn Bhd (**Tricor**)'s TIIH Online website at **https://tiih.online**.

The Broadcast Venue of the AGM is strictly for compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be at the main venue of the meeting. **Hence, no shareholder from the public shall be allowed to attend the AGM in person or by proxy at the Broadcast Venue.**

Therefore, kindly refer to the procedures provided in the Administrative Guide for remote participation and voting at the AGM via https://tiih.online.

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2020 (General Meeting Record of Depositors) shall be entitled to participate and vote at the AGM via https://tiih.online.

Appointment of Proxy

1. A member entitled to participate and vote at the AGM via https://tiih.online is entitled to appoint more than one (1) proxy to participate 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 it holds.

4. The instrument appointing a proxy (**Proxy Form**) must be in writing under the hand of the member or his/her attorney duly authorised in writing, or if the member is a corporation, must be executed under its common seal or under the hand of two (2) authorised officers, one (1) of whom shall be its director or its attorney duly authorised in writing, or if the corporation has only one (1) director, by that sole director in the presence of a witness who attests the director's signature in accordance with the provisions of Section 66 of the Companies Act, 2016. The power of attorney or a duly certified copy thereof must be deposited at the office of the Company's Share Registrar within the period stated below.

5. The appointment of proxy may be made in a hardcopy form or by electronic means not less than 24 hours before the time appointed for the AGM or any adjournment thereof in the following manner:
   i) deposit the Proxy Form with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; or
   ii) submit the Proxy Form electronically to the Share Registrar of the Company via https://tiih.online (Please refer to Steps for Electronic Lodgement of Proxy Form).

Explanatory Note A

Item 1 on the Agenda is meant for discussion only as the Audited Financial Statements do not require the formal approval of the shareholders pursuant to Sections 248(2) and 340(1)(a) of the Companies Act, 2016. Hence, the matter will not be put forward for voting.

NOTICE OF FIFTIETH ANNUAL GENERAL MEETING

Explanatory Note B

The aggregate amount not exceeding RM1,500,000.00 proposed in Resolution 2 represents an estimated provision for Directors' fees and meeting allowances payable for the period from 1 January 2020 to 30 June 2021 to the Company's Directors, including new Directors as may be appointed by the Board from time to time during the same period.

Explanatory Note C

Resolution 3

Mr Quah Poh Keat, a Malaysian, aged 67, is a fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants, and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He joined the Board of Paramount on 8 June 2016 as an Independent Non-Executive Director (**INED**). He is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and Board Risk Management Committee of the Company. Mr Quah was a partner of KPMG Malaysia since 1 October 1982 before rising through the ranks to become the firm's Senior Partner (currently referred to as Managing Partner) from 1 October 2000 until 30 September 2007, retiring on 31 December 2007. He was also an INED of Public Bank Berhad from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer (**CEO**) of Public Bank Berhad, a post he held until 31 December 2015.

Resolution 4

Mr Ong Keng Siew, a Malaysian, aged 63, is a fellow of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Malaysian Institute of Accountants. He joined the Board of Paramount on 14 November 1994 and was re-designated as an INED on 14 August 2014. He is also the Chairman of the Board Risk Management Committee and a member of the Nominating Committee of the Company. Mr Ong has served Paramount Group with distinction in various roles for more than 30 years. Starting as an Accountant in 1981, Mr Ong rose through the ranks to assume the post of Deputy Group Managing Director and Deputy Group CEO in 1997 before succeeding Dato' Teo Chiang Quan as the Managing Director and CEO of Paramount on 1 December 2008 until his retirement on 18 June 2012.

Explanatory Note D

Resolution 5

Mr Benjamin Teo Jong Hian, a Malaysian, aged 31, graduated from University of Nottingham, United Kingdom in 2010 with a Bachelor's Degree in Politics and Sociology (with Honours). He joined the Board of Paramount as an Executive Director on 22 August 2019. Mr Teo started his career at Paramount as a management trainee in 2012, and then as Director of Innovation at Paramount Property in 2015 before assuming the position as CEO of Paramount Property Development Sdn Bhd in March 2018. He is the son of Dato' Teo Chiang Quan, the Chairman and Executive Director as well as a substantial shareholder of Paramount.

Resolution 6

Ms Foong Pik Yee, a Malaysian, aged 60, is a member of Chartered Accountants Australia and New Zealand, an accredited Chartered Banker by the Asian Institute of Chartered Bankers, and she holds a Master of Business Administration (majoring in Finance) Degree from Monash University, Australia. She joined the Board of Paramount on 22 August 2019 as an INED, and is also a member of the Audit Committee and Remuneration Committee of the Company. Ms Foong began her career as an auditor at KPMG Singapore and moved to Australia in 1983 to pursue her professional qualification. She stayed on in Australia for another nine years, working at various organisations including PricewaterhouseCoopers, J.P. Morgan, HSBC and ANZ Banking Group. She joined Standard Chartered Bank (**SCB**) in 1993 after returning to Malaysia and in her 19 years at SCB, she took on various leadership roles and across many geographies including as Group Head of Credit Operations, Head of Sales for Corporate Banking Hong Kong, Chief Operating Officer for Wholesale Banking and Chief Financial Officer of SCB Malaysia. She was the CEO of SCB Lebanon from 2008 to 2012. She returned to Malaysia under the Talentcorp Returning Expert programme in 2013 and became the Chief Financial Officer of Hong Leong Bank Berhad, where she served up to her retirement in June 2019.

Explanatory Note E

The Board had, through the Nominating Committee, conducted an assessment on the independence of Datuk Seri Michael Yam Kong Choy who has served as an INED for more than nine (9) years, and had recommended that Datuk Seri Michael Yam Kong Choy be allowed to remain as an INED of the Company based on the justifications as set out in the Statement on Corporate Governance on page 87 of the Company's annual report 2019.

Datuk Seri Michael Yam Kong Choy, a Malaysian, aged 66, is a fellow of the Royal Institution of Chartered Surveyors, United Kingdom and the Chartered Institute of Building, United Kingdom. He joined the Board of Paramount on 18 February 2010 and was designated as the Senior INED on 27 February 2014. He is also the Chairman of both the Nominating Committee and Remuneration Committee of the Company. Datuk Seri Michael Yam Kong Choy had an illustrious career of more than 35 years in the construction, real estate and corporate sectors, and had helmed two award-winning public listed property companies as their Managing Director and CEO before retiring in 2008. He received his early training as a building engineer in the United Kingdom with various companies and the British Civil Service after graduating from the University of Westminster, London.

Explanatory Note F

The Ordinary Resolution proposed under item 8, if passed, will renew the powers given to the Directors at the last AGM, to allot and issue up to ten per centum (10%) of the issued share capital of the Company as at the date of such allotment for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a meeting of members, will expire at the conclusion of the next AGM. As at the date of this notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Forty-Ninth AGM held on 29 May 2019, which will lapse at the conclusion of the Fiftieth AGM. The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions without having to convene a meeting of members.

Voting by poll

All resolutions set out in this Notice shall be voted by poll via https://tiih.online.

ADMINISTRATIVE GUIDE

for the Fiftieth Annual General Meeting of Paramount Corporation Berhad

In efforts to adhere to the government's directives to curb the spread of the deadly COVID-19 in Malaysia, Paramount Corporation Berhad (**Paramount**) will be conducting its Fiftieth Annual General Meeting (**AGM**) on Thursday, 25 June 2020 at 10.00 a.m. on a **full virtual basis with live streaming of the meeting proceedings from the Broadcast Venue and online remote voting** via Tricor Investor & Issuing House Services Sdn Bhd (**Tricor**)'s TIIH Online website at **https://tiih.online**.

The Broadcast Venue of the AGM is strictly for compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be at the main venue of the meeting. **Hence, no shareholder from the public shall be allowed to attend the AGM in person or by proxy at the Broadcast Venue.** Therefore, kindly refer to the procedures provided in this Administrative Guide for participation and voting at the AGM via https://tiih.online.

Shareholders who appoint proxies to participate and vote at the AGM via https://tiih.online must ensure that the duly executed Proxy Forms are deposited in a hard copy form or by electronic means to Tricor not later than Wednesday, 24 June 2020 at 10.00 a.m.

Corporate representatives of corporate members must deposit their original certificates of appointment of corporate representative to Tricor not later than Wednesday, 24 June 2020 at 10.00 a.m. to participate and vote at the AGM via https://tiih.online.

Attorneys appointed by power of attorney are to deposit their powers of attorney with Tricor not later than Wednesday, 24 June 2020 at 10.00 a.m. to participate and vote at the AGM via https://tiih.online.

A shareholder who has appointed a proxy or attorney or authorised representative to participate and vote at the AGM must request his/her proxy to register himself/herself for online remote voting via TIIH Online website at https://tiih.online.

PROCEDURES FOR REMOTE PARTICIPATION AND VOTING VIA https://tiih.online

Before the AGM

Procedure	Action
1. Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • If you are already a user of TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available at TIIH Online.
2. Submit your request	• Registration is open and will continue to be opened until 10.00 a.m. on Wednesday, 24 June 2020. • Login with your user ID and password and select the corporate event: **(REGISTRATION) PARAMOUNT 50th AGM.** • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • The system will send an e-mail to notify you that your registration for remote participation has been received and will be verified. • After verification of your registration against the Record of Depositors as at 18 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation.

On the AGM Day

Procedure	Action
1. Login to https://tiih.online	• Login with your user ID and password at any time from 9.40 a.m. i.e. 20 minutes before the commencement of meeting at 10.00 a.m. on Thursday, 25 June 2020.
2. Participate through live streaming	• Select the corporate event: **(LIVE STREAMING MEETING) PARAMOUNT 50th AGM**. • If you have any question on the agenda items of the AGM, you may use the query box to transmit your question. The Chairman and/or Group Chief Executive Officer will respond to the questions during the meeting. • The quality of the live streaming will depend on the bandwidth and stability of the internet connection at the location of the remote participants.
3. Online remote voting	• The Voting session will open at 10.00 a.m. on Thursday, 25 June 2020 until such time when the Chairman announces the closure thereof at the meeting. • Select the corporate event: **(REMOTE VOTING) PARAMOUNT 50th AGM.** • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
4. End of remote participation	• The Live Streaming will end when the Chairman announces the closure of the meeting.

STEPS FOR ELECTRONIC LODGEMENT OF PROXY FORM

Procedure	Action
1. Register as a user with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
2. Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: **SUBMISSION OF PROXY FORM**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. • Indicate your voting instructions - **FOR** or **AGAINST**, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print the Proxy Form for your own record.

For enquiries on https://tiih.online, please contact:

Tricor Investor & Issuing House Services Sdn Bhd
Contact Person : Mr Cheng Kang Shaun/ Mr Eric Low
Email : Kang.Shaun.Cheng@my.tricorglobal.com/ Eric.Low@my.tricorglobal.com
Tel : 03 2783 9241/ 03 2783 9267
Fax : 03 2783 9222

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PROXY FORM

PARAMOUNT CORPORATION BERHAD

Registration No: 196901000222 (8578-A)

PARAMOUNT

I/We ____

(name of shareholder as per NRIC or name of company, in capital letters)

NRIC No./Passport No./Company No. ____________________ (New) ____________________ (Old)

Contact No. ____________________ of ______________________________

____

(full address)

being a member of Paramount Corporation Berhad (**the Company**) hereby appoint

Name	Address	NRIC 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 Fiftieth Annual General Meeting of the Company to be held at Co-labs Coworking The Starling, Lot 4-401 & 4-402, Level 4, The Starling mall, No. 6, Jalan SS21/37, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan (**Broadcast Venue**) on Thursday, 25 June 2020 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 5) for or against the resolutions to be proposed at the meeting as indicated hereunder.

		For	Against
Resolution 1	Final Dividend		
Resolution 2	Directors' fees and meeting allowances for the period from 1 January 2020 to 30 June 2021		
Resolution 3	Re-election of Mr Quah Poh Keat as a Director		
Resolution 4	Re-election of Mr Ong Keng Siew as a Director		
Resolution 5	Re-election of Mr Benjamin Teo Jong Hian as a Director		
Resolution 6	Re-election of Ms Foong Pik Yee as a Director		
Resolution 7	Re-appointment of Auditors and to fix their remuneration		
Resolution 8	Datuk Seri Michael Yam Kong Choy to continue in office as an Independent Non-Executive Director		
Resolution 9	Authority to Directors to allot and issue shares		

Dated this ________ day ____________________ 2020

____

Signature/Common Seal

CDS ACCOUNT NO.	NO. OF SHARES HELD

NOTES

1. A member entitled to participate and vote at the AGM via https://tiih.online is entitled to appoint more than one (1) proxy to participate 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 it holds.
4. The instrument appointing a proxy (**Proxy Form**) must be in writing under the hand of the member or his/her attorney duly authorised in writing, or if the member is a corporation, must be executed under its common seal or under the hand of two (2) authorised officers, one (1) of whom shall be its director or its attorney duly authorised in writing, or if the corporation has only one (1) director, by that sole director in the presence of a witness who attests the director's signature in accordance with the provisions of Section 66 of the Companies Act, 2016. The power of attorney or a duly certified copy thereof must be deposited at the office of the Company's Share Registrar within the period stated below.
5. Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
6. The appointment of proxy may be made in a hardcopy form or by electronic means not less than 24 hours before the time appointed for the AGM or any adjournment thereof in the following manner:
   i) deposit the Proxy Form with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur; or
   ii) submit the Proxy Form electronically to the Share Registrar of the Company via https://tiih.online (Please refer to Steps for Electronic Lodgement of Proxy Form).
7. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 June 2020 (General Meeting Record of Depositors) shall be entitled to participate and vote at this meeting.

1. Fold along this line first

Please Affix Stamp

The Share Registrar of
PARAMOUNT CORPORATION BERHAD
Registration No: 196901000222 (8578-A)

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

2. Then fold along this line

www.pcb.my

PARAMOUNT CORPORATION BERHAD
Registration No: 196901000222 (8578-A)
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