Towards greater heights

PARAMOUNT®
CORPORATION BERHAD
(8578-A)

annual report 2012

30 YEARS
1983 – 2013
The KDU Education Group

Paramount Corporation Berhad's KDU Education Group is in the business of providing quality education. For 30 years, the Group has been doing it with distinction, going on to be an integral part of the Malaysian education landscape.

It all began in 1983 when the Group's flagship, KDU University College, a pioneer in the field of private higher education opened its doors to tertiary students following the establishment of the first purpose built campus in Damansara Jaya. It was a harbinger of great things to come. Following the establishment of another campus in Penang, the Group went the whole nine yards, by venturing into private primary and secondary education, both local and international, with the setting up of purpose-built smart schools, and the provision of executive education and professional development courses. Indeed, the KDU Education Group – with a 70,000 alumni, some of whom have gone on to become global success stories – has come full circle as an integral education specialist quite unlike any other in Malaysia.

In line with the Group's aspiration to take education to greater heights, construction has already commenced on the establishment of a new KDU University College campus. The 10-acre purpose-built, state-of-the-art campus when fully completed in 2015, will be a defining icon that will shape the way students live, study and play.

The KDU Education Group comprises:

- KDU University College
- KDU College, Penang
- Sri KDU School
  (Primary & Secondary)
- Sri KDU International Schools
  (Primary & Secondary)
- KDU Management Development Centre (KDMC)

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NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT SAUJANA BALLROOM, THE SAUJANA HOTEL KUALA LUMPUR, SAUJANA RESORT, JALAN LAPANGAN TERBANG SAAS, 40150 SHAH ALAM, SELANGOR DARUL EHSAN ON MONDAY, 10 JUNE 2013 AT 10.30 A.M. FOR THE FOLLOWING PURPOSES:

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To approve the declaration of a single-tier final dividend of 5 sen per share in respect of the year ended 31 December 2012. **Resolution 2**

3. To re-elect the following Directors who retire pursuant to Article 119(a) of the Company's Articles of Association:

   (a) YBhg Dato' Teo Chiang Quan **Resolution 3**

   (b) Mr Ong Keng Siew **Resolution 4**

4. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:

   (a) "That YBhg Dato' Md Taib bin Abdul Hamid, a Director who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 5**

   (b) "That YBhg Dato' Haji Azlan bin Hashim, a Director who retires in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 6**

   Mr Geh Cheng Hooi who retires in accordance with Section 129(6) of the Companies Act, 1965, has expressed his intention not to seek re-election. Hence, he will remain in office until the conclusion of the Forty-Third Annual General Meeting.

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   Authority to Directors to issue shares

   "That, subject to the Companies Act, 1965, Articles of Association of the Company and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965, to 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 issued pursuant to this resolution does not exceed ten percentum (10%) of the issued share capital of the Company for the time being." **Resolution 8**

7. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

   Proposed Amendments to the Articles of Association of the Company

   "That the proposed amendments to the Articles of Association of the Company as set out in Appendix I (**Proposed Amendments**) on pages 5 to 7 of the Annual Report 2012 be and are hereby approved.

   And that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities." **Resolution 9**

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a single-tier final dividend of 5 sen per share in respect of the year ended 31 December 2012, will be paid on 27 June 2013 to shareholders whose names appear in the Record of Depositors on 13 June 2013.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 13 June 2013 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

TAY LEE KONG
Secretary

Petaling Jaya
Selangor Darul Ehsan
17 May 2013

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

NOTES

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Third Annual General Meeting (**AGM**).

Appointment of Proxy

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the above meeting.

Explanatory Notes on Special Business

1. The Ordinary Resolution proposed under item 6, if passed, will renew the powers given to the Directors at the last AGM, authority to issue up to ten percentum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, 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-Second AGM held on 6 June 2012, which will lapse at the conclusion of the Forty-Third AGM.

   The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions without having to convene a general meeting.

2. The Special Resolution proposed under item 7, if passed, will amend the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act, 1965 with regards to members' right to demand for poll at general meetings.

APPENDIX I

Article Number	Existing Article	Proposed Amendments to Existing Article
Article 2	Authorised Nominee A person who is authorised to act as a nominee as specified under the Rules.	Authorised Nominee **An authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA).** **Exempt Authorised Nominee** **An authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.**
Article 5	Article 4 shall be subject to the following restrictions, that is to say: (a) No Director shall participate in an issue of shares to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in the Company in an executive capacity. (b) No issue of preferred share shall be made which would result in the total nominal value of issued preferred shares exceeding the total nominal value of the issued ordinary shares at the time of such issue. (c) The rights attaching to shares of a class other than ordinary shares shall be expressed at the time of issue.	Article 4 shall be subject to the following restrictions, that is to say: (a) No Director shall participate in **a Share Issuance Scheme** unless the shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in the Company in an executive capacity. (b) No issue of preferred share shall be made which would result in the total nominal value of issued preferred shares exceeding the total nominal value of the issued ordinary shares at the time of such issue. (c) The rights attaching to shares of a class other than ordinary shares shall be expressed at the time of issue.
Article 66	In every notice calling a meeting there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not also be a member. (a) Where a member of the Company is an 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 of the Company standing to the credit of the said securities account.	In every notice calling a meeting there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not also be a member. (a) Where a member of the Company is an authorised nominee, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Article Number	Existing Article	Proposed Amendments to Existing Article
		(b) Where a member of the Company is an exempt authorised nominee 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.
Article 76	At all general meetings, resolutions put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll be demanded in writing by the Chairman or by any person for the time being entitled to vote at the meeting, and unless a poll be so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.	**(1)** At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands **unless a poll is (before or on the declaration of the result of the show of hands) demanded:** **(a) by the Chairman;** **(b) by not less than five (5) members having the right to vote at the meeting;** **(c) by any member or members present in person or by proxy and representing not less than one-tenth (1/10) of the total voting rights of all the members having the right to vote at the meeting; or** **(d) by any member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.** **(2)** Unless a poll be so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

Article Number	Existing Article	Proposed Amendments to Existing Article
Article 82	Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, at meetings of members or classes of members, every member shall be entitled to be present and vote at any general meeting in respect of any share or shares upon which all calls to the Company have been paid. Such member shall be entitled to vote in person or by proxy or represented by attorney or other duly authorised representative, and on a show of hands, every person who is a member or proxy or attorney of a member or other duly authorised representative shall have one vote and upon a poll every such member present in person or by proxy or represented by attorney or other duly authorised representative shall have one vote for every share held by him. A proxy or attorney need not be a member of the Company.	Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, at meetings of members or classes of members, every member shall be entitled to be present and vote at any general meeting in respect of any share or shares upon which all calls to the Company have been paid. Such member shall be entitled to vote in person or by proxy or represented by attorney or other duly authorised representative, and on a show of hands, every person who is a member or proxy or attorney of a member or other duly authorised representative shall have one vote and upon a poll every such member present in person or by proxy or represented by attorney or other duly authorised representative shall have one vote for every share held by him. A proxy or attorney need not be a member of the Company. **There shall be no restriction as to the qualification of the proxy and a proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.**
	(a) Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such rights is exercisable.	(a) Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such rights is exercisable.

GROUP CORPORATE STRUCTURE

PROPERTY DEVELOPMENT

- **100%**
  Berkeley Sdn Bhd
- **100%**
  Paramount Property (Cjaya) Sdn Bhd
- **100%**
  Paramount Property Development Sdn Bhd
- **100%**
  Paramount Property (Glenmarie) Sdn Bhd
- **100%**
  Paramount Property (PG) Sdn Bhd
  (formerly known as Pearl Cove Development Sdn Bhd)
- **100%**
  Paramount Property (Shah Alam) Sdn Bhd
  (formerly known as Current Connection Sdn Bhd)
- **100%**
  Paramount Property (Utara) Sdn Bhd
  - **100%**
    Kelab Bandar Laguna Merbok Sdn Bhd
- **100%**
  Seleksi Megah Sdn Bhd

CONSTRUCTION & CIVIL ENGINEERING

- **100%**
  Paramount Engineering & Construction Sdn Bhd
  - **100%**
    Paramount Construction Sdn Bhd
  - **100%**
    Paramount Projects Sdn Bhd
  - **100%**
    Paramount Property Construction Sdn Bhd
  - **40%**
    Kane Paramount Sdn Bhd

EDUCATION

- **100%**
  KDU College (PG) Sdn Bhd
- **100%**
  KDU College (PJ) Sdn Bhd
- **100%**
  KDU Management Development Centre Sdn Bhd
- **100%**
  KDU Smart School Sdn Bhd
- **100%**
  KDU University College Sdn Bhd

OTHERS

- **100%**
  Berkeley Maju Sdn Bhd
- **100%**
  Broad Projects Sdn Bhd
  - **100%**
    Supreme Essence Sdn Bhd
- **100%**
  Janahasil Sdn Bhd
- **100%**
  Jasarim Bina Sdn Bhd
- **100%**
  Paramount Electronics Industries Sdn Bhd
- **100%**
  Paramount Global Assets Sdn Bhd
- **100%**
  Paramount Global Investments Pty Ltd
  - **100%**
    Paramount Investments & Properties Pty Ltd
    - **50%**
      VIP Paramount Pty Ltd
- **100%**
  Paramount Property Holdings Sdn Bhd
- **100%**
  Utropolis Sdn Bhd
  (formerly known as Fabulous Knowledge Sdn Bhd)

CORPORATE PROFILE

VISION

To be an innovative market leader in our businesses that benefit society

MISSION

To provide superior products and services that exceed our customers' expectations

To recognise our employees as our single most important asset and encourage them to realise their full potential in a caring and conducive environment

To enhance shareholder value by growing our businesses

CORE VALUES

EXCELLENCE

- We will be single-minded in our quest to be the best in our core businesses

INTEGRITY AND TRANSPARENCY

- We will maintain the highest standards of integrity, and continue to remain transparent in all facets of our operations

GOODWILL

- We will attach equal importance to building both human values and business values

COMMUNITY

- We are a responsible corporate citizen, sensitive to the needs of the community

ENVIRONMENT

- We are committed to protecting the environment

CORPORATE PROFILE

Paramount Corporation Berhad (**Paramount**) was incorporated on 15 April 1969 as a public limited company under the name of Malaysia Rice Industries Berhad. It was then principally involved in the business of rice milling.

Paramount successfully obtained listing on the Official List of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) on 15 July 1971.

In 1978, Paramount was restructured into a property development company following the acquisition of a real estate company.

The Company assumed its present name in 1980 to better reflect its business activities.

In 1982, Paramount acquired four property development companies and started its property development activities in Sungai Petani.

1983 marked Paramount's entry into the education business with the setting up of the first purpose-built campus in Malaysia in Damansara Jaya, Kolej Damansara Utama (KDU).

In 1984, Paramount ceased its rice milling operations.

Spurred by the success of the Damansara Jaya campus, Paramount opened another college in Penang in July 1991 to offer tertiary education.

Having established a reputation as a quality and reliable developer in Sungai Petani, Paramount increased its land bank in this Northern Growth Triangle with the acquisition of 476.98 acres of land in November 1994 for the Bandar Laguna Merbok development.

In October 1996, Paramount acquired a construction company, one of the major contractors for the Group’s property development to reap synergistic benefits.

In October 2001, Paramount expanded its education business by moving downstream to set up a private primary and secondary school, and the establishment of the Sri KDU brand.

In line with Paramount's strategy to expand its land bank in high growth areas, Paramount acquired 524.70336 acres of freehold development land located in the central corridor of Klang Valley in June 2003 for the Klang Valley, Kemuning Utama development.

In December 2006, Paramount added 515 acres of land in Sungai Petani to its land bank for the Bukit Banyan development.

In 2007, Paramount made a strategic decision to venture into commercial and industrial property development, by acquiring a 5.201 acres of industrial land located in Petaling Jaya for the proposed development of office buildings. This was followed by the acquisition of two parcels of industrial land measuring approximately 13.21 acres in January 2008 and the acquisition of another two parcels of industrial land measuring approximately 9.45 acres in February 2008, both located in Kota Damansara for the development of semi-detached showroom cum industrial buildings.

In June 2009, KDU received an invitation from the Ministry of Higher Education to convert its Damansara Jaya campus licence to that of a university college. KDU was upgraded to a university college on 30 August 2010.

In June 2010, the Group added another 50 acres of residential land located in Cyberjaya to its landbank for the Sejati Residences development.

In June 2011, Paramount entered into a 50-50 joint venture with an Australian company to acquire and develop a 54.22-acre land known as Crown Allotments 4A and 4B, Leakes Road, Rockbank, Victoria, Australia.

In response to the growing preference for an international school, Sri KDU expanded its operation to set up an international secondary school in September 2011.

In December 2011, Paramount completed the acquisition of a 29.16-acre commercial land located in the centre of Klang Town for the proposed development of an integrated commercial hub.

In February 2012, Paramount completed the acquisition of 21.7 acres of freehold land comprising 11.7 acres commercial and 10.0 acres institutional in Glenmarie, Shah Alam. Within a year the master plan for this live-and-learn integrated development, Utropolis, a university metropolis was unveiled. Anchored by the 10-acre purpose-built KDU University College campus, this development will comprise serviced apartments, SOHO and retail space. This marks the coming together for the very first time Paramount's two businesses in one place, a perfect synergies the Company's two businesses can enjoy.

The Group added another 30 acres of industrial land strategically located in Shah Alam's Hicom Industrial Park in 2012 to further bolster its land bank.

Over the years, Paramount has been pursuing a vision of value creation for its customers, shareholders, business partners and employees. Today, this vision has shaped Paramount into a progressive and successful group of companies. Paramount now focuses on two core businesses, i.e. property development and education, in order to capitalise on the Group's resources and expertise.

Paramount's property development arm in Sungai Petani has earned an excellent reputation as a reliable and quality-focused developer – an indisputable fact that has been reaffirmed by its award of the prestigious 12th FIABCI Property Award of Distinction 2004, RESIDENTIAL DEVELOPMENT CATEGORY for its Bandar Laguna Merbok development.

Kemuning Utama, the Group's maiden property development in the Klang Valley, has experienced overwhelming success to its product launches. Paramount achieved another major milestone when for the second consecutive year at the FIABCI-MALAYSIA, MALAYSIA PROPERTY AWARDS 2005, Sekolah Sri KDU was adjudged the winner in the Specialised Project category for its first purpose-built private smart primary and secondary school. Sekolah Sri KDU was also named the first runner-up in the Specialised Category of FIABCI International Prix d'Excellence 2006.

Leveraging on its proven track record, Paramount will continue to grow its land bank in high growth areas in the Klang Valley, Penang and Johor.

Having established the vertical integration of the education division comprising primary and secondary school as well as tertiary and post executive education, Paramount will continue to strengthen its position in the education sector. The division is proud to have had 70,000 students since its inception, some of whom include corporate leaders, entrepreneurs and celebrities around the globe.

With a strict adherence to excellence and a firm commitment to future growth, Paramount will continue to expand its core businesses in order to provide good returns on investment for shareholders and enhance revenue from business operations. Backed by its sound fundamentals of quality management, strong corporate values, business dynamism and strong financial standing, Paramount has a key competitive advantage as it embarks on an exciting journey of adding value to nation-building.

Seamless integration

OUR DISTINCT STRENGTH LIES IN OUR ABILITY TO PROVIDE SEAMLESS INTEGRATION OF EDUCATION SERVICES, FROM PRIMARY AND SECONDARY, BOTH NATIONAL AND INTERNATIONAL, THROUGH TO UNDERGRADUATE AND POST-GRADUATE LEVELS AND EXECUTIVE AND PROFESSIONAL DEVELOPMENT PROGRAMMES.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Dato' Md Taib bin Abdul Hamid*
DSDK

Executive Deputy Chairman
Dato' Teo Chiang Quan
DPTJ

Senior Independent Non-Executive Director
Dato' Haji Azlan bin Hashim*
DSNS, DSSA
Mobile : 012-6398578
Email : ahashim@pcb.com.my

Members
Ong Keng Siew

Dato' Rohana Tan Sri Mahmood*
DPMP

Geh Cheng Hooi*

Quah Chek Tin*

Datuk Seri Michael Yam Kong Choy*
SMW, DSNS

** Independent Non-Executive Directors*

SECRETARY

Tay Lee Kong (MAICSA 772833)

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.com.my
Website : www.pcb.com.my

REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower, Mid Valley City
Lingkaran Syed Putra, 59200 Kuala Lumpur
Telephone : 03-2264 3883
Facsimile : 03-2282 1886
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

AUDITORS

Ernst & Young, Chartered Accountants

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

OTHER INFORMATION
required by the listing requirements of Bursa Malaysia Securities Berhad

1. NON-AUDIT FEES

The amount of non-audit fee paid to the external auditors by the Group and Company for the financial year is reflected in Note 8, page 95 of the financial statements.

2. MATERIAL CONTRACTS

None of the directors and/or major shareholders has any material contract with the Company and/or its subsidiaries during the financial year.

BOARD OF DIRECTORS

Geh Cheng Hooi

Dato' Rohana Tan Sri Mahmood

Ong Keng Siew

Dato' Md Taib Bin Abdul Hamid

Dato' Teo Chiang Quan

Dato' Haji Azlan Bin Hashim

Datuk Seri Michael Yam Kong Choy

Quah Chek Tin

BOARD OF DIRECTORS' PROFILE

DATO' MD TAIB BIN ABDUL HAMID

Chairman, Independent Non-Executive Director
B.A. (Hons.) Econs.
74 years of age – Malaysian

Dato' Taib, who is the Chairman of the Board of Directors of Paramount Corporation Berhad (**Paramount**), brings to the Group a wealth of experience gained through an impressive career spanning both the private and public sectors. He first served with Bank Negara Malaysia from 1960 to 1975. Following this, he was the Executive Director of a commercial bank and, was also actively involved with several financial institutions including as Chairman of a commercial bank. Dato' Taib joined Paramount on 14 November 1994 and was appointed the Chairman on 20 July 2001.

Dato' Taib also serves as the Chairman of the Nominating and Remuneration Committees and is also a member of both the Audit and Board Risk Management Committees.

Dato' Taib attended all the 4 board meetings.

DATO' TEO CHIANG QUAN

Executive Deputy Chairman
Hon Doc Middlesex University, United Kingdom
64 years of age – Malaysian

Dato' Teo, who joined Paramount as a Director on 19 January 1977, played an active role in the management of Paramount when he first served as the Chief Executive of the Group's insurance division from 1981 to 1991. Under his stewardship, the insurance business grew from a company with a single branch to a respectable and well-capitalised insurance company with 11 branches before it was merged with Jerneh Insurance Bhd and subsequently disposed of in 2010 for a significant profit. In 1989, Dato' Teo assumed the position of Group Managing Director & Group Chief Executive Officer of Paramount and has since then, transformed Paramount into a reputable and financially sound diversified Group. He is widely acknowledged as the driving force behind the Group's growth and success in its core businesses of education and property development.

On 1 December 2008, Dato' Teo relinquished his position as Group Managing Director & Group Chief Executive Officer of Paramount and assumed the post of Executive Deputy Chairman.

Current directorship in a public company includes ECS ICT Berhad.

Dato' Teo is a substantial shareholder of Paramount. The details of his interest in Paramount is reflected in the analysis of shareholdings on pages 57 to 58.

Dato' Teo attended all the 4 board meetings.

ONG KENG SIEW

Non-Independent Non-Executive Director
C.A (M) FCCA
56 years of age – Malaysian

Ong, who joined the Board of Paramount on 14 November 1994, started his career with the Group as an Accountant in 1981 before he was promoted to the position of Finance and Administration Manager in 1984. In 1989, he was appointed General Manager to oversee the operations of the property development and construction division.

Ong assumed the post of Deputy Group Managing Director & Deputy Group Chief Executive Officer in 1997 before succeeding Dato' Teo as the Managing Director & Chief Executive Officer of Paramount on 1 December 2008.

After serving the Group with distinction for more than 30 years and ensuring that it was on a stronger footing, Ong retired as the Managing Director & Chief Executive Officer of Paramount on 18 June 2012. Mr Ong is a Non-Independent Non-Executive Director of Paramount.

Ong attended all the 4 board meetings.

DATO' HAJI AZLAN BIN HASHIM

Senior Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants, Ireland
Fellow of the Economic Development Institute (World Bank, Washington)
Fellow of the Institute of Bankers Malaysia
71 years of age – Malaysian

Dato' Azlan joined the Board of Paramount on 7 May 1982. Dato' Azlan began his career with the Malayan Railways in 1966 and prior to his departure, held the position of Chief Accountant for a period of two years. In 1972, he became a partner of a public accounting firm, Azman, Wong, Salleh & Co. He stayed as an active partner in the firm for twelve years before joining Arab-Malaysian Development Bhd. From 1985 to September 1991, he held the post of Managing Director. Dato' Azlan had also served as the President of the Federation of Public Listed Companies from 1994 to 1998. Dato' Azlan is currently the Deputy Chairman of AMMB Holdings Berhad.

Dato' Azlan is the Chairman of the Audit Committee and is also a member of both the Nominating and Remuneration Committees.

Other directorships in public companies include AMMB Holdings Berhad, Kesas Holdings Berhad, Metrod Holdings Berhad and Sapura Industrial Berhad.

Dato' Azlan attended 2 out of 4 board meetings.

DATO' ROHANA TAN SRI MAHMOOD

Independent Non-Executive Director
B.A. (Hons) in Politics, University of Essex, UK
Masters in International Relations, University of Sussex, UK
58 years of age – Malaysian

Dato' Rohana Tan Sri Mahmood joined the Board on 28 July 1997. Dato' Rohana has an extensive political and business network in Malaysia and the Asia Pacific Region. She is the Chairman and co-founder of Ethos Capital Sdn Bhd, a Malaysian private equity fund which has a proven track record since 2007. Dato' Rohana is also the Chairman of Dijaya

Corporation Berhad. She is the President Emeritus and Founding Member of the Kuala Lumpur Business Club, and a Member of Board Trustees, The Asia Society, New York. Dato' Rohana is a distinguished Fellow of the Institute of Strategic and International Studies Malaysia, Member of the Malaysian Committee of the Council for Security Cooperation in the Asia Pacific. She is also the Founding Board Member of the Malaysian Strategic Research Centre, an independent policy think tank focused on national politics and economic issues under the Chairmanship of YBhg Datuk Seri Mohd Najib bin Tun Haji Abdul Razak, the Prime Minister of Malaysia. In addition, she also sits on the board of various private companies.

Dato' Rohana also serves on the Board Risk Management Committee.

Current directorships in public companies include Dijaya Corporation Berhad and AMMB Holdings Berhad.

Dato' Rohana attended 2 out of 4 board meetings.

GEH CHENG HOOI

Independent Non-Executive Director
Fellow of the Institute of Chartered Accountants, England and Wales
78 years of age – Malaysian

Geh has carved a name for himself in the field of accounting and consulting. After qualifying as a Chartered Accountant, he worked for Price Waterhouse, London, before returning to Malaysia to join KPMG Peat Marwick in 1961. He was admitted as a partner in 1964 and retired as the senior partner of KPMG Peat Marwick in 1989. Geh was a Director of Paramount from 3 March 1998 to 7 March 2006. He was re-appointed as a Director of Paramount on 23 May 2006.

Geh also serves on the Audit, Nominating, Remuneration and Board Risk Management Committees.

Current directorships in public companies include The Bank of Nova Scotia Berhad, Malayan Flour Mills Berhad and Wawasan TKH Holdings Berhad.

Geh attended 3 out of 4 board meetings.

QUAH CHEK TIN

Independent Non-Executive Director
Bachelor of Science (Honours) Degree in Economics, the London School of Economics & Political Science
Fellow of the Institute of Chartered Accountants, England and Wales
Member of the Malaysian Institute of Accountants
61 years of age – Malaysian

Quah joined Paramount as a Director on 6 February 2007. He began his career with Coopers & Lybrand, London, before returning to Malaysia. He joined the Genting Group in 1979 and was the Executive Director of Genting Berhad as well as the Executive Director and Chief Operating Officer of Genting Malaysia Berhad upon his retirement in 2006.

Quah is the Chairman of the Board Risk Management Committee and is also a member of the Audit Committee.

Current directorships in public companies include Genting Malaysia Berhad, Genting Plantations Berhad, Batu Kawan Berhad and ECS ICT Berhad.

Quah attended all the 4 board meetings.

DATUK SERI MICHAEL YAM KONG CHOY

Independent Non-Executive Director
Fellow of the Royal Institution of Chartered Surveyors
Fellow of the Chartered Institute of Building
59 years of age – Malaysian

Datuk Seri Michael Yam joined Paramount as a Director on 18 February 2010. He had an illustrious career spanning more than 30 years in the construction, real estate and corporate sectors, the last 12 years helming two public listed companies as the Managing Director and Chief Executive Officer until his early retirement in 2008. Datuk Seri Yam was voted the "CEO of the Year 2002" for Malaysia by American Express Corporate Services and Business Times.

Trained as a building engineer in the United Kingdom (UK) with various companies and the British Civil Service, Datuk Seri Yam is a Fellow of the Royal Institution of Chartered Surveyors and also qualified as a Fellow of the Chartered Institute of Building after his graduation in 1979 from the University of Westminster, London. He was actively involved in the development of hotels, resorts, shopping malls, golf courses, international schools, residential and mixed developments not only in Malaysia but also in Australia, UK and South Africa.

Datuk Seri Yam has been the President of the Real Estate and Housing Developers' Association, Malaysia since June 2010. He was appointed by the Government as a member of the Steering Committee for the transformation of Greater Kuala Lumpur/Klang Valley and also serves as a member of the Advisory Board of the City of Kuala Lumpur. Until recently, Datuk Seri Yam was one of two Asians elected onto the Board of Trustees of the UK headquartered Chartered Institute of Building which sets standards for education and the management of building and construction.

He is the current Chairman of InvestKL Corporation and also serves as independent non executive director of Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad, CLAB Berhad and MoF initiative Malaysia Property Incorporated.

Datuk Seri Yam is also a member of the Board Risk Management Committee.

Datuk Seri Yam has attended all the 4 board meetings.

Saved as disclosed, none of the Directors have any family relationship with any Directors and/or major shareholders nor conflict of interest with Paramount.

None of the Directors have been charged for any offence.

SENIOR MANAGEMENT

1. Dato' Teo Chiang Quan
   Executive Deputy Chairman/
   Acting Group Chief
   Executive Officer

2. Tay Lee Kong
   Corporate Affairs Director

3. Foong Poh Seng
   Group Financial Controller

4. Oh Keng Kooi
   Audit Director

5. Patricia Chua Put Moy
   Group Corporate Planner &
   Human Resource Director

6. Cheng Ai Ngoh
   Chief Investment Officer

7. Eugene Yeoh Oon Hock
   Group IT Manager

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8. Dato' Liew Yin Chew
Chief Executive Officer,
Property Division

9. Datin Teh Geok Lian
Chief Executive Officer,
Education Division

10. Khor Soo Beng
Chief Operating Officer,
Property Division

11. Professor Khong Yoon Loong
Vice Chancellor,
KDU University College

12. Chuan Yeong Ming
Chief Executive Officer,
Construction

13. Dr Chong Beng Keok
Chief Executive Officer,
KDU College (Penang)

Our interlocking strengths

OUR INTERLOCKING STRENGTHS – OUR PEOPLE, PROGRAMMES AND PARTNERS – ARE THE MOST TELLING FACTORS THAT DISTINGUISH US FROM OTHERS IN THE DELIVERY OF QUALITY EDUCATION.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

AT THE OUTSET, WE WISH TO TOUCH ON A SUBJECT THAT IS CLOSE TO OUR HEARTS, EDUCATION - ONE OF THE MAINSTAYS OF OUR BUSINESS - AS A FITTING TRIBUTE TO THE KDU EDUCATION GROUP THAT TURNED 30 THIS YEAR. WHERE SOME SEE EDUCATION AS A BUSINESS, WE HAVE ALWAYS SEEN IT AS A CALLING. AND IT IS BORNE OUT IN THE QUALITY OF EDUCATION THAT THE GROUP CONTINUES TO PROVIDE, THE SPIRIT AND ENTHUSIASM OF OUR TEACHING FACULTY AND THE INVOLVEMENT OF INTERNATIONALLY RENOWNED UNIVERSITIES WHO WORK IN PARTNERSHIP WITH US TO DEVELOP ACADEMIC PROGRAMS THAT TRANSLATE INTO MEANINGFUL CAREERS FOR OUR STUDENTS – INDISPUTABLE FACTS THAT UNDERPIN THE GROUP'S SUCCESS, THUS FAR, IN HAVING GROOMED 70,000 STUDENTS SINCE ITS INCEPTION. NEEDLESS TO SAY, MANY HAVE GONE ON TO BECOME SUCCESS STORIES IN THEIR OWN RIGHT. HAVING CHALKED UP NUMEROUS MILESTONES IN ITS 30-YEAR JOURNEY, THE GROUP, BACKED BY A SLEW OF STRATEGIC INITIATIVES, IS CLEARLY HEADING TOWARDS GREATER HEIGHTS IN ITS QUEST TO REMAIN THE PROVIDER OF CHOICE THROUGHOUT THE ENTIRE EDUCATION VALUE CHAIN – FROM PRIMARY TO SECONDARY, AND FROM UNDERGRADUATE TO POSTGRADUATE AND EXECUTIVE & PROFESSIONAL DEVELOPMENT.

LETTER TO SHAREHOLDERS

To the entire teaching faculty across the KDU Education Group – both present and past, and our various partners, on behalf of the Board, management and staff of Paramount Corporation Berhad (**Paramount**), we would like to place on record our sincere thanks and deepest appreciation for your untiring efforts in helping to grow the KDU brand. Indeed with your unfailing dedication and commitment, we remain confident that our brand, which is an integral component of the Malaysian education landscape, will continue to grow from strength to strength.

We are pleased to report that Paramount and its subsidiary companies (**the Group**) recorded a respectable set of results for the year ended 31 December 2012, albeit mixed, with the Education Division showing steady growth mitigating the lower contribution from the Property Division.

FINANCIAL PERFORMANCE

Group revenue declined marginally by 5% in 2012 to RM450.0 million (2011: RM473.8 million) while profit before tax (**PBT**) declined by 31% to RM76.2 million (2011: RM110.4 million). Net Profit and Earnings per share declined by 21% to RM56.4 million and 16.71 sen, respectively (2011: RM71.8 million and 21.24 sen). Return on equity was lower at 8% as at 31 December 2012 (2011: 11%).

Shareholders' fund increased to RM699.9 million as at 31 December 2012 (2011: RM672.0 million) while Net Assets per share increased to RM2.07 (2011: RM1.99).

Net debt equity ratio increased to 0.4 times due to additional borrowings procured to finance the purchase of land (2011: 0.2 times).

Property Division

The property division comprising property development and construction continued to be the main source of revenue and earnings for the Group contributing to 75% and 72%, respectively, of the Group's total turnover and PBT for 2012. Revenue for the division was RM338.0 million (2011: RM370.7 million) and PBT was RM55.1 million (2011: RM87.8 million).

Revenue for property development decreased by 16% to RM207.1 million in 2012 (2011: RM247.1 million) due to lower progressive billings from the Surian Industrial Park (**SIP**) and the Kemuning Utama (**KU**) projects. The SIP project, which was completed in June 2011 recorded lower revenue of RM5.1 million (2011: RM20.3 milion), while the KU project recorded lower revenue of RM130.3 million (2011: RM180.6 million) due to the near completion stage of development. The lower progressive billings from these two developments were, however, mitigated by higher progressive billings from the Bandar Laguna Merbok (**BLM**) project and the newly launched Bukit Banyan (**BB**) project, which recorded higher revenue of RM71.1 million (2011: RM45.6 million). BB was launched in the second half of 2012 to encouraging response from both its loyal repeat customers as well as new purchasers.

PBT for property development decreased by 34% to RM54.6 million (2011: RM83.1 million) due to lower revenue and margins, the latter stemming from a high composition in sales of low medium cost apartments. The PBT's for SIP and KU decreased by 62% and 42%, respectively, to RM4.3 million and RM34.6 million (2011: RM11.2 million and

RM60.1 million). The improved performance from the BLM and the newly launched BB projects, which registered a combined PBT of RM16.0 million (2011: RM11.7 million), helped ameliorate the performance of the property division.

Revenue for the construction sector decreased marginally by 4% to RM221.1 million in 2012 (2011: RM230.3 million). PBT, however, decreased by 89% to RM0.5 million (2011: RM4.7 million) due to lower gross profit margins from external projects that bore the brunt of escalating construction costs.

Education Division

The education division, on the other hand, spearheaded by an excellent performance by the primary and secondary school sector, registered growth. That said, the tertiary education sector, despite having to operate in an intensely competitive environment, was able to hold its own by delivering a similar set of results as that of the previous year.

For 2012, revenue for the education division grew by 11% to RM110.5 million (2011: RM99.7 million) while PBT grew by 17% to RM28.3 million (2011: RM24.1 million), attributed to the primary and secondary school sector's performance that recorded a seventh consecutive year of strong enrolment, revenue and profitability growth.

Revenue for the primary and secondary school comprising the private school, international school and International Baccalaureate Diploma programme grew by 27% to RM49.3 million (2011: RM38.8 million) while PBT grew by 29% to RM19.8 million (2011: RM15.3 million). The growth in revenue and PBT was primarily due to the realisation of a full year of operation for the international school.

Revenue from the tertiary education sector, comprising the University College campus in Damansara Jaya together with its temporary campus in Section 13 and the College in Penang, of RM60.3 million was maintained at about the previous year's level (2011: RM60.0 million). The University College's marginal decline in revenue of 2% to RM37.7 million (2011: RM38.5 million) was mitigated by the higher revenue of RM22.6 million posted by the Penang College (2011: RM21.5 million), representing a 5% marginal improvement.

PBT for the University College fell 56% to RM1.4 million (2011: RM3.2 million) due to high operating costs and lower than expected enrolment. On the other hand, PBT for the Penang College improved by 21% to RM6.9 million (2011: RM5.7 million) following higher enrolment, thus ameliorating the overall decline in PBT for the tertiary education sector by 7% to RM8.3 million (2011: RM8.9 million).

LETTER TO SHAREHOLDERS

DIVIDENDS

Notwithstanding the lower earnings for the year, the Board has recommended a single tier final dividend of 5 sen per share to be approved by shareholders at our forthcoming Annual General Meeting scheduled to be held on 10 June 2013. If approved, the dividend will be paid on 27 June 2013. Coupled with the dividend of 3 sen per share paid out on 3 October 2012, this takes the total dividend attributable for the financial year under review to 8 sen per share (2011: 10 sen per share, single tier), equivalent to a payout ratio of 48% of profits after tax thus exceeding our target payout of 40% of earnings in dividend.

CORPORATE DEVELOPMENTS AND ACHIEVEMENTS

The acquisition of a 21.7-acre freehold land that forms part of the land held under Master Title Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Negeri Selangor at a final adjusted purchase price of RM62.7 million was completed in February 2012, thus paving the way for plans to undertake a mixed development project and the new University College campus in Glenmarie, Shah Alam. The master plan for this live-and-learn integrated development, Utropolis, a university metropolis was unveiled on 8 January 2013. Anchored by the 10-acre purpose-built KDU University College campus, the development, upon completion, will comprise 1,500 units of serviced apartments and SOHOs (small offices-home offices) and 120,000 sq ft of retail space complete with 4,600 parking bays. This development marks the first time that Paramount's two businesses are coming together within one location, thus cementing a synergy of strengths that are the cornerstones of the Group's growth and success.

In June 2012, the Group completed the acquisition of a 30-acre freehold industrial land in Hicom Industrial Park, Shah Alam, for a consideration of RM125 million while the acquisition of a 50-acre freehold residential land in Cyberjaya for a total cash consideration of RM78.5 million was completed on 31 December 2012.

The freehold industrial land in Hicom Industrial Park, which is strategically located along Persiaran Kuala Selangor, will be developed into an industrial park with commercial properties fronting Persiaran Kuala Selangor.

Sejati Residences is our first high-end residential project in Cyberjaya. The development that is slated to be the epitome of luxury living, is ideal for families spanning three-generations, within a perfectly peaceful, safe and green enclave. Sejati's distinctive feature lies in its extensive landscaping – undulating grounds with over 1,200 mature trees, an 8-kilometer cycling and jogging track and a 11,000-square foot resort-style clubhouse.

In February 2013, Paramount inked two private debt securities programmes worth RM550.0 million. The deal consists of a programme for RM200.0 million which allows Paramount to issue perpetual bonds, a first for a Malaysian non-Government-linked company. It also includes a RM350.0 million Islamic Medium Term Notes (Sukuk Ijarah) pursuant to an Islamic Medium Term Notes Programme to fund the building of the KDU University College new campus, marking Paramount Group's maiden entry into the Islamic debt capital market. The establishment of these two programmes places the Group in a strong position to fund its development programmes within the next two years and seize opportunities in the market. Additionally, the excellent response to the above funding from bankers and investors is a validation of the Group's performance and credible financial records.

In March 2013, we acquired a shelf company, Paramount Property (PG) Sdn Bhd (**PPPG**) (formerly known as Pearl Cove Development Sdn Bhd). On 8 April 2013, PPPG signed a Sale and Purchase agreement to acquire ten parcels of contiguous freehold lands measuring a total area of approximately 110,726.027 square metres or 27.361 acres in Mukim 17, District of Seberang Perai Tengah, State of Pulau Pinang for a total cash consideration of RM17.9 million, thus marking the Group's first foray into Penang.

In April 2013, the shareholders of the Company approved a Long Term Incentive Plan for eligible employees and executive directors of the Group. This plan serves to not only attract and retain the best and brightest employees, but also to align their interest with shareholders' interest over the long term as well as to reward employees for their contribution to the growth of the Group, pegged to stretched yet achievable group performance measures as determined by the Board.

The property market has become more sophisticated over the years, against a changing landscape, as established and new players continue to raise the ante by wooing customers with impressive marketing campaigns. Hence, the need to remain highly visible within an extremely competitive environment has necessitated the need to strengthen our brand position. As a trusted brand, we have been a strong and steady property development player for 35 years, with a loyal following, especially in Kota Kemuning, Shah Alam and Sungai Petani. We have always stayed the course by remaining true to our ethos of delivering quality and value, and while this will never change, we are mindful of the fact that our customers, especially young Malaysians in the Klang Valley, are asking for more.

And so we have embarked on an exercise to refresh and rejuvenate our brand by positioning ourselves as "old hands, young hearts". Our new brand positioning is an apt one because that is a true mirror of who we are, what we are, and what we will always be. As "old hands", we believe that our role in Malaysia today is to continue to be the people's developer by building good quality homes for Malaysians, giving our stakeholders real value in appreciation of their partnership and belief in our brand, and growing and developing a strong pool of talented, knowledgeable Malaysians.

Equally, we are young at heart as we continually embrace change, by becoming more design driven, working with new partners and engaging with those who are setting new standards in the industry. We are also more respectful of the planet, ensuring that we strive to minimise our carbon footprint for the benefit of future generations.

PROSPECTS

2013 holds much promise for the Group in a year that can best be described as a watershed year due to a strong pipeline of new development projects. After a 2-year hiatus in launches of new developments, the launching of BB in 2012 and the scheduled launches of three more new developments this year, namely, Sejati Residences, Utropolis, and the industrial portion of the 30-acre land located along Persiaran Kuala Selangor near Hicom, Shah Alam, will allow the property development arm of the Group to register steady progressive billings.

Sejati Residences opened to a soft launch at the end of 2012 that was well received while the unveiling of Utropolis drew an overwhelming response that saw registrations for its new residential units exceeding planned launches, multi-fold. The industrial development along Persiaran Kuala Selangor comprising semi-detached industrial factories cum showrooms will be launched in the second half of 2013.

LETTER TO SHAREHOLDERS

The Group's wide array of offerings from high-end properties to affordably priced condominiums and its strong reputation for delivering quality products will mitigate the risks associated with the perennial challenges that tend to weigh down the property market, particularly on issues related to price.

The lower locked-in sales brought forward as a result of the lull in progressive billings stemming from the protracted delays in procuring approvals and delayed launches in the previous years will, however, continue to have a negative impact on the performance of the property development division, which is expected to be lower than that of the previous year. Additionally, higher operating expenses have been budgeted to prepare the launch of new developments, particularly advertising and promotional expenses and hiring of staff with different skill sets to support the diversification into integrated developments. The performance of the construction division, on the other hand, is expected to be better than that of the previous year following the award of new contracts from in-house projects, as most of its external contracts are reaching mature or near completion stages of construction.

With education as one of the NKEAs under the Economic Transformation programme, the private education industry will continue to attract much attention and support from both the Government and investors. The downside to this is that it will attract more new players to enter the market leading to a more competitive environment. Existing players will be forced to upgrade and build bigger campuses to be able to compete effectively. In the primary and secondary school education market, developers as well as established tertiary education providers are making inroads in this sector of the market given its untapped potential. Also, following the establishment of more new international schools, parents today are spoilt for choice, as they have more options.

Despite these challenges, Sri KDU, the primary and secondary school, with its strong value proposition and brand name will continue to perform well and drive the performance of the education division given its strong enrolment numbers.

The tertiary education is working to establish a stronger brand presence and place more emphasis on marketing activities, locally and internationally. We are also stepping up on our recruitment exercises to tap the right academic staff who are on the same page as us in wanting to not just maintain high standards but enhance the quality of our programmes and offerings as well, in line with industry trends and market demands.

These initiatives will inevitably lead to downward pressure on margins compared with previous years but on the upside, it will help build enrolment numbers, and in the case of KDU University College, populate the new campus in Utropolis when it is ready in 2015.

The performance of the education sector is expected to be lower than that of the previous year with the lower contribution from the tertiary education sector, mitigated by the continued strong performance of the primary and secondary school sector.

The overall performance of the Group is expected to be lower than that of the previous year but is expected to improve thereafter. The Group will continue to leverage on its experience and brand equity to seize opportunities and, with our renewed financial strength, to acquire new land banks in well-located and promising sites.

ACKNOWLEDGEMENTS

During the year under review, there were substantial changes among Paramount's senior executive ranks. In June 2012, Mr Ong Keng Siew, the Group Managing Director & Chief Executive Officer, retired after having served the Group for over 30 years to spend more time with his family. During his tenure, Mr Ong has grown the Group's operations, particularly the property division by diversifying its geographical spread as well as expanding its array of products to industrial and high-rise properties. The Board would like to take this opportunity to place on record its sincere appreciation to Mr Ong for his valued contributions. At the request of the Board, Mr Ong has agreed to remain on the Board as a Non Independent Director and share his experience and insights, particularly in the property sector, with the Group.

In his place, the Board appointed Mr Chan Say Yeong as the Group Chief Executive Officer. Mr Chan, however, expressed his desire to pursue other options after nine months with the Group. The Nominating Committee held a discussion to evaluate Mr Chan's intention to resign and after due deliberation, including considering the Group's position and organisation structure underpinned by the able leadership of the respective Chief Executive Officers helming the two core divisions, recommended to the Board to accept his resignation on 15 April 2013. The Board wishes to express its sincere appreciation to Mr Chan for his efforts during his brief tenure with the Group and wish him well. The Board is optimistic that we are on track to achieving our growth plans as the entire management team, which was involved in the formulation and implementation of various strategic initiatives, remain intact and committed to growing our core businesses. More importantly, the Group can look to Dato' Teo, who has been helming the Group all these years and who has stepped into the role of Group Chief Executive Officer in the interim, for leadership and guidance.

Mr Geh Cheng Hooi, our Independent Non-Executive Director, after having served Paramount for 15 years has decided not to seek re-election at the forthcoming Annual General Meeting. The Board has and will always hold Mr Geh in high esteem as he has always exercised a sense of fair play, courage and integrity at all Board deliberations. Independent yet a good team player, he will be greatly missed.

We would also like to take this opportunity to thank our senior management team and our employees whose hard work and dedication was critical to our achievements. We are confident that our team will continue to create sustainable value for stakeholders.

On behalf of the entire Paramount team and Board members, we want to extend our heartfelt gratitude to the enormous support of our shareholders, customers and trade partners who have helped us to continue to deliver and grow. To our fellow Board members, we thank you for your wise counsel, guidance and insights - invaluable attributes that have helped us grow from strength to strength.

In conclusion, we are grateful for the many accomplishments made by the KDU Education Group, since 1983. The Group's 30th anniversary celebrations is a timely reminder that we have come a long way to create a niche for ourselves as an integral part of nation building. As we stand on the cusp of a new era of growth, we look forward to greater accomplishments, similar feats that we are confident that the property division, as in the past, will also emulate.

DATO' TAIB BIN ABDUL HAMID
Independant Non-Executive Chairman

DATO' TEO CHIANG QUAN
Executive Deputy Chairman

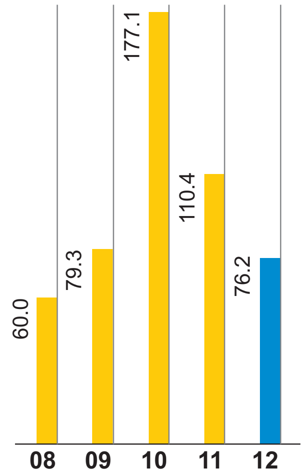
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	Year 31 Dec 2012 RM'000	Year 31 Dec 2011 RM'000	Year 31 Dec 2010 RM'000	Year 31 Dec 2009 RM'000	Year 31 Dec 2008 RM'000
Revenue	450,048	473,844	432,251	404,909	398,761
Profit before tax	76,247	110,350	177,116	79,332	59,977
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	90,690	122,977	188,348	90,940	71,780
Profit after tax	56,454	71,757	148,200	57,528	44,038
Attributable to:					
Equity holders of the Company	56,454	71,757	148,200	57,528	41,993
Minority interest	–	–	–	–	2,045
	56,454	71,757	148,200	57,528	44,038
Total assets	1,192,270	1,030,411	963,708	840,036	755,229
Total liabilities	492,333	358,423	328,568	315,550	272,781
Total borrowings	252,695	135,998	55,679	87,364	93,298
Shareholders' equity	699,937	671,988	635,140	524,486	482,443
FINANCIAL INDICATORS					
Interest cover (times)	27	36	58	34	26
Earnings per share (sen)	16.71	21.24	45.30 *	18.91 *	13.90 *
Net assets per share (RM)	2.07	1.99	1.88 *	1.70 *	1.59 *
Gross dividend per share (sen)	8.0	10.0	75.0	28.0	21.0
Return on equity (%)	8	11	28	12	10
Return on total assets (%)	5	7	15	7	6
Gross gearing ratio (%)	36	20	9	17	19

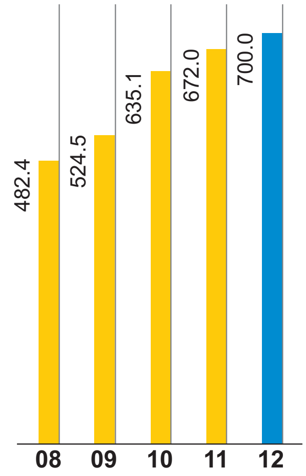
* The comparative figures have been restated to reflect the adjustment arising from the bonus issue and share split completed during the financial year 2011.

REVENUE
(RM'Million)

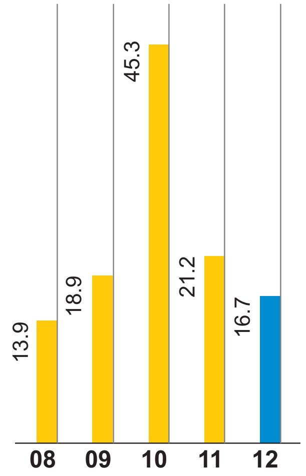
PROFIT BEFORE TAX
(RM'Million)



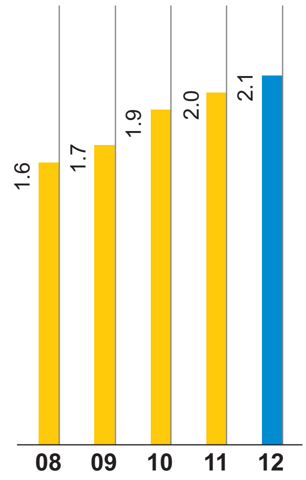
SHAREHOLDERS' EQUITY
(RM'Million)



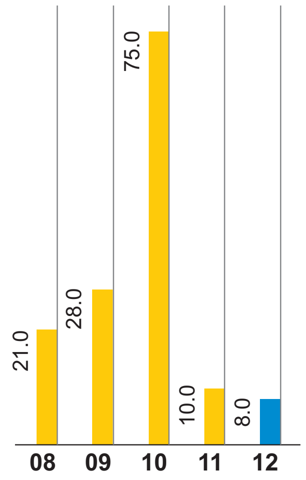
EARNINGS PER SHARE
(Sen)



NET ASSETS PER SHARE
(RM)



GROSS DIVIDEND PER SHARE
(Sen)



Powering ahead

GUIDED BY OUR ROADMAP TO GROWTH, WE ARE POWERING AHEAD TO BUILD A STRONGER BRAND PRESENCE IN LINE WITH OUR BUSINESS FOCUS OF ENSURING LONG-TERM SUSTAINABILITY.

REVIEW OF OPERATIONS

INCORPORATED IN 1969, PARAMOUNT CORPORATION BERHAD (**PARAMOUNT**) AND ITS SUBSIDIARY COMPANIES (**THE GROUP**) HAVE BUILT A SUCCESSFUL TRACK RECORD SPANNING MORE THAN 4 DECADES, IN THE EDUCATION AND PROPERTY SECTORS - BUSINESSES THAT BENEFIT SOCIETY AND ARE INTEGRAL TO NATION BUILDING. THE EXPONENTIAL GROWTH IN BOTH THE EDUCATION AND PROPERTY SECTORS THESE LAST FEW YEARS, AS SEEN FROM RECORD NUMBERS YEAR-ON-YEAR, IN STUDENT ENROLMENT AND PROPERTY OWNERSHIP, IS EXPECTED TO RIDE WELL INTO THE FUTURE. WHILE EDUCATION HAS ALWAYS BEEN A NON-CYCLICAL, AND THUS, SUSTAINABLE BUSINESS GIVEN THE RELENTLESS THIRST FOR KNOWLEDGE AND SELF-IMPROVEMENT, THE PROPERTY MARKET CONTINUES TO REMAIN ATTRACTIVE AGAINST THE BACKDROP OF A STRONG ECONOMY. THIS AUGURS WELL FOR PARAMOUNT AS IT IS WELL ON TRACK TO ACHIEVING SUSTAINABLE GROWTH HAVING LAID A SOLID FOUNDATION IN EMPOWERING MINDS AND DEVELOPING TOWNSHIPS THAT BRIDGE COMMUNITIES. THE GROUP HAS TAKEN IT A STEP FURTHER BY LEVERAGING ON A STRATEGIC INITIATIVE THAT WILL FOR THE VERY FIRST TIME SEE THE REALISATION OF A SYNERGY OF ITS CORE BUSINESSES WITHIN ONE DEVELOPMENT, PARAMOUNT UTROPOLIS AT GLENMARIE. THIS DEVELOPMENT, WHICH WILL ENHANCE THE SHAH ALAM SKYLINE, WILL HOUSE THE NEW PURPOSE-BUILT, STATE-OF-THE-ART KDU UNIVERSITY COLLEGE MAIN CAMPUS AS WELL AS AN INTEGRATED DEVELOPMENT, THUS MAKING IT AN IDEAL PLACE TO STUDY, LIVE, WORK AND PLAY AND HELP REALISE THE GROUP'S STRATEGY OF OPENING DOORS TO A TOWNSHIP OF SUSTAINABLE COMMUNITIES.

For the financial year 2012, the Group had a mixed performance, with the Education division showing steady growth mitigating the lower contribution from the Property division.

Revenue for the Property Division was RM338.0 million (2011: RM370.7 million) and profit before tax (PBT) was RM55.1 million (2011: RM87.8 million).

Revenue for the Education Division grew by 11% to RM110.5 million (2011: RM99.8 million) and PBT improved by 17% to RM28.3 million (2011: RM24.1 million).

Overall, Group revenue declined 5% year-on-year to RM450.0 million (2011: RM473.8 million) and Group PBT declined 31% to RM76.2 million (2011: RM110.4 million).

PROPERTY DIVISION

The property division, comprising the property development and construction sectors, continued to be the Group's largest contributor, contributing to 75% and 72%, respectively, of the Group's total revenue and PBT for 2012.

Contribution from the property development sector to the Group's revenue and PBT was 46% and 72% respectively while contribution from the construction sector was 29% and 1% respectively.

Property Development

The Group's property developments are located in high growth areas in the northern and central regions of Peninsular Malaysia. In 2012, the property development sector sold 527 units with a total sales value of RM179 million, of which 204 units with a sales value of RM61 million were from the Bukit Banyan project; 263 units, including 37 units of low medium cost apartments, with a sales value of RM 99 million were from the Kemuning Utama project; and 60 units with a sales value of RM18 million were from the Bandar Laguna Merbok project, which is approaching the tail-end of development.

In 2012, the property development sector launched its first high rise project, KU Suites in Kemuning Utama. The 18-storey, 238-unit development comprises 3 types of serviced apartments that range from 667 sq.ft. to 1151 sq. ft. Priced between RM312,900 to RM536,000, the condominium, which has a gross development value of RM100 million, achieved a 93% sales primarily due to the affordability of the units that come complete with fitted kitchens and electrical appliances and innovative financing packages of up to 90% of the total purchase price.

Leveraging on the success of Bandar Laguna Merbok, a riverside development, the property development sector launched Bukit Banyan in the second half of the year. This guard-gated hillside development is set amidst scenic ponds and lush greenery and landscaping, a bicycle track with plans to include a school. The residential cum commercial development comprises a total of 4,853 units that include double-storey terrace houses, semi-detached houses and bungalows. Of a total of 328 units of double-storey terrace houses that were launched, 62% were sold within weeks of the launching date.

A total of 471 units complete with Certificates of Completion and Compliance were handed over to property owners in Bandar Laguna Merbok and Kemuning Utama.

During the year under review, the sector added 105.76 acres to its land bank. They include 21.7 acres forming part of the land held under Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan; 30 acres held under H.S.(D) 236400, Lot P.T. 510 Pekan Hicom, District of Petaling, Selangor Darul Ehsan; 50.1 acres identified as Block 17 within Cyberjaya Flagship Zone; and an additional 3.96 acres at Mukim of Kapar, Klang to complement the existing 29.16 acres of land along Jalan Goh Hock Huat. Following the new acquisitions, the Division’s current land bank stands at 744.7 acres.

The year saw the sector continuing to grow its talent pool by recruiting experts in mixed integrated development as well as in-house talents from the construction sector, and embarking on innovative financial instruments to fund its acquisition and development projects.

Given that the local property market in 2013 is expected to see further growth, albeit at a slower pace than 2012, the sector will focus on delivering quality & lifestyle homes at strategic locations through a strong pipeline of launches that have been slated in FY 2013. They include Bukit Banyan, Sungai Petani (landed residential), Sejati Residences, Cyberjaya (landed residential), Utropolis Suites & SOHO @ Glenmarie, Shah Alam (high rise residential), and Paramount Industrial Park near Hicom, Shah Alam (commercial and industrial).

The lower locked-in sales brought forward as a result of a lull in progressive billings stemming from the delays in launches in the previous years will, however, have a negative impact on the performance of the property development sector. Additionally, higher operating expenses have been budgeted for advertising and promotional expenses in preparation for new product launches and hiring of staff with different skill sets to support the diversification into integrated developments.

As in any business, there is always the element of risk. The same holds true in the case of this sector. Looking ahead, the sector will have to adjust to a changing and more competitive landscape that may have an impact on sales prospects. To mitigate such a scenario, small launches are being planned to ensure market absorption before proceeding to the next launch, thorough market studies undertaken, appropriate pricing/marketing strategies formulated and implemented along with a wide array of product offerings. Plans are also in-store to mitigate possible slower sales by embarking on product diversification through new developments. To mitigate the possibility of higher rates being imposed by financial institutions that may result in costlier financing and thus discourage the purchase of property, innovative financing has been drawn up to help property purchasers to alleviate their cost of financing. Also, in view of increasing land cost, smaller plots of land will be purchased and plot ratio will be maximised to get the best returns.

Moving forward, the property development sector's long-term objective is to grow and sustain its performance through a number of strategic initiatives that include land acquisition in high growth areas, retaining retail developments and car parks as investment properties to generate a stable and recurring rental income; focusing on mixed integrated development aside from existing township development; creating a strong and growing presence through a good & effective branding exercise; and to pursue the ISO 14001 (environmental management) and OHSAS 18001 (Occupational Safety and Health) certifications as a caring employer and responsible developer to the communities it serves.

Construction

The construction sector did not bid for any projects during the year as it primarily focused on internal projects and completing all existing contracts that are due for completion by the first quarter of 2014.

In 2013, it is envisaged that revenue for the construction sector will mainly be derived from existing and new in-house projects. Given that the sector is operating in a very competitive landscape that is exacerbated by higher risks that include escalating costs and bad debts, the sector plans to move into property development in the northern region. Towards this end, the sector is negotiating to acquire land bank.

EDUCATION DIVISION

The Education Division, comprising the tertiary education sector operated by KDU University College (**KDUUC**) and KDU College (Penang) (**KDU PG**), and the primary and secondary school sector (**KDUSS**) performed well registering modest growth. Contribution to Group revenue from the Education Division was 25% while PBT was 37%.

Contribution from KDUUC to Group revenue and PBT was 8% and 2%, respectively, while contribution from KDU PG was 5% and 9%, and contribution from KDUSS was 11% and 26%, respectively.

KDUUC

2012 saw a further strengthening of ties with industry partners on the back of the signing of a Memorandum of Understanding between KDUUC and Codemasters Studio, UK, to encourage greater industry-academic partnership, the establishment of MyGame Dev2020, a game development cluster initiative as an Entry Point Project and a roadmap to stimulate the growth of the Malaysian Game Development industry with a view to establishing KDUUC as the premier higher institution of learning for game development in the region. The year also saw KDUUC's School of Hospitality,

Tourism and Culinary Arts develop a relationship with Cultural Vista, an American-government placement agency that allows the School's graduates to serve as interns for a year in the industry. The School also created a first by signing a Memorandum of Understanding with HOSCO, Switzerland, that enables its students to access HOSCO's website for world-wide job placement opportunities. The students of the School of Creative Arts participated at the 9th Johor Bharu Arts Festival at the invitation of the Malaysian Tourism Board. KDUUC's pre-university students did the university college proud following the acceptance of three of its students by the London School of Economics and one each, by Oxford University and Cambridge University.

The mushrooming of private higher education institutions has lead to increased competition with more colleges vying for the same target markets. This has been somewhat mitigated following the Ministry of Higher Education (**MOHE**) moratorium on new colleges. The UC also has to contend with many Government regulations that can impact growth such as complying with immigration requirements for foreign students and delay in approval of new courses by MOHE.

KDUUC, a dedicated and long-term player in the education sector, is investing in a new state-of-the-art campus in Glenmarie, Shah Alam, in 2015. The 10-acre campus is being built at an estimated cost of RM320 million and comes complete with special features that apply modern education methods that cater for the new generation based on a student centric and collaborative learning approach with an increased leaning towards technology driven pedagogy (e-learning). The campus, which will cater for a student population of 7,000, will have new programme offerings and increased partnerships with industry.

KDU PG

In 2012, KDU PG enjoyed both record student enrolments and a healthy financial position. Growth in student enrolments was due to increase in enrolments for the Business, Mass Communication, IT and Engineering programmes, a testament to KDU PG's quality education and strong brand positioning. The year also saw KDU PG scoring a number of achievements on many fronts that include:

- Appointment by the Government of Malaysia as the Cluster Leader of the Northern region for the Entry Point Project (EPP) to lead the development of hospitality education

- The Diploma in Hotel Management programme was launched to increase the accessibility of hospitality programmes to students who come from lower socioeconomic group

- Work component was embedded into diploma programs to enhance the student experience through practice and applications of theoretical knowledge in work contexts. This is to enable them to be well prepared for the workplace

- The design and development of new tertiary programmes in line with industry development. The courses offered are Post Basic in Oncology Nursing, Bachelor of Persuasive Communication, Bachelor of Creative Computing, Executive Diploma in Chef Training and Diploma in Hotel Management

- Cloud Computing and Mobile Computing Technology programmes offered by the Information Technology Department. These are industry-driven courses that are designed to produce graduates who are able to keep pace with office technology, facilitate expertise collaboration and knowledge sharing in the workplace or across the globe

- Collaborating with CELCOM, a leading telecommunications giant under the CELCOM-LEDC (League of Extraordinary Developer's Challenge) programme to produce the next generation techno savvy mobile application graduates

- Training engineering students in using the latest VLSI (Very Large Scale Integration) technology and 'Synopsis software' which is a visual programming and rapid prototyping tool designing and developing complex applications in VLSI Design. Knowledge of such skills are highly sought after by employers in Penang's Silicon Valley. Currently, KDU Penang is the only private higher education institution to have this training facility in Malaysia.

KDU PG continues to be a highly sought-after institution of higher learning given its commitment to delivering quality education as evidenced by the excellent results and achievements recorded by the School of Hospitality, School of Culinary Arts, School of Nursing and Applied Health and School of Engineering, to name a few.

Moving forward, KDU PG is focused on driving its enrolment numbers on the back of a slew of strategic initatives, in product offerings, through greater industry involvement and a more technology-driven platform to maintain its status as an unrivalled provider of choice.

KDUSS

2012 marks the 7th consecutive year of record profits for KDUSS following a 10% increase in student enrolment that helped drive a higher revenue and PBT, primarily due to the transfer of some Sekolah Sri KDU (**SSKDU**) students to Sri KDU International School (**SKIS**), that carry higher fees and margins.

The year saw a great deal of attention being placed on maximising the total student enrolment at the Kota Damansara Campus that also required the need to balance the demand for national vs. international curriculum education. In view of the overwhelming response to SKIS, there was a growing need to increase the attractiveness of SSKDU to avoid an outflow of students to other international schools due to a waiting list at SKIS. Some of the action plans included introducing the teaching of IGCSE to Secondary 1 students in SSKDU, commencing July 2012 and renovating the SSKDU primary and secondary schools to incorporate learning-centered, international pedagogical approaches. In addition, there was an increased enrolment capacity in SKIS, from more than 700 students to around 900 students, following renovation and conversion of common areas to create revenue-generating spaces. In line with the KDUSS' Human Capital strategy, there was increased staffing at leadership level to develop a succession pipeline and further grow KDUSS' business services departments in preparation for future business expansion.

However, like the tertiary education sector, this sector too is rife with intense competition and a potential threat of over-capacity in international schools due to conversion of private schools to international schools, expansion of major higher education providers downstream, and the entry of developers into the school business either as a CSR initiative to raise the profile of their company or to increase the attractiveness of their developments.

Notwithstanding, the prospects in 2013 looks even brighter than 2012 mainly due to the strong value proposition offered by the SSKDU and SKIS Schools.

Cradle of knowledge

WITH OUR CRADLE OF KNOWLEDGE, WE ARE CONFIDENT OF BREAKING NEW GROUNDS IN THE FIELD OF EDUCATION IN OUR QUEST TO ENHANCE OUR REPUTATION AS A CENTRE OF ACADEMIC EXCELLENCE.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

AT PARAMOUNT CORPORATION BERHAD (**PARAMOUNT** OR **THE COMPANY**), CORPORATE SOCIAL RESPONSIBILITY (**CSR**) REMAINS CLOSE TO OUR HEART AS A BUSINESS PRACTICE. BEGUN AS A FAMILY CONCERN, THE COMPANY ENTRENCHED THE VALUES OF THE FOUNDERS IN THE BOARDROOM FOR DECADES AND, OVER THE YEARS, IT EVOLVED INTO A CORPORATE PHILOSOPHY THAT WAS EASILY EMBRACED BY MANAGEMENT AND STAFF.

THIS BACKGROUND TO CSR HAS SERVED PARAMOUNT WELL. THE COMPANY ALWAYS MAINTAINS THE BEST VALUES AND PRACTICES IN ITS RELATIONSHIP WITH ALL STAKEHOLDERS, WHICH, WE BELIEVE, IS WHY PARAMOUNT IS REGARDED AS A GOOD EMPLOYER AND TRUSTED BUSINESS PARTNER, AND ONE THAT CARES FOR AND INVOLVES ITSELF IN THE LOCAL AND WIDER COMMUNITIES AND THE ENVIRONMENT IN WHICH THE PARAMOUNT GROUP OF COMPANIES (**THE GROUP**) OPERATES. PARAMOUNT ALSO HOLDS THE LONG-TERM VIEW THAT A RAPIDLY CHANGING WORLD BRINGS NEW RESPONSIBILITIES AND CONCERNS THAT HAVE TO BE CONSTANTLY ADDRESSED AND, MORE IMPORTANTLY, ARE NOT IN CONFLICT WITH THE ATTAINMENT OF THE GROUP'S OBJECTIVES.

CSR IN THE ENVIRONMENT

The nature of our business does have a bearing on the environment. Thus, we need to take a proactive and positive approach on environmental issues at all times in order to sustain our business in the long term. Our key commitments are to:

- Protect and enhance the environment at large. Our commitment is best exemplified in our development and building approach where a conscious effort is made to preserve the beauty of the natural surroundings.

- Mitigate any possible adverse impact on the environment. Our buildings and homes are designed to incorporate features that promote energy conservation. Given that the construction process typically generates large volumes of waste, there were concerted efforts, over the past year, to mitigate the problem through positive measures to reduce waste generated. In our office environment, we ensure that waste is re-used or re-cycled as far as possible. The Group is also seeking ways to improve its water and energy consumption.

- Comply with the requirements of all relevant legislation and best practice as a minimum standard. We place utmost importance in conforming to and satisfying the regulations set by the Department of Environment.

- Provide employees with appropriate literature on environmental issues. We ensure that all our employees have the necessary information they need in order to undertake their work without any adverse impact on the environment and help our customers meet their own environmental targets.

- Promote our environmental values to clients, consultants, advisers, suppliers and all business contacts. We also encourage good environmental practices within our supply chain and require all contractors working on our behalf to adopt these standards of care. A winner of numerous national and international FIABCI awards, we walk the talk when it comes to environmental issues.

CSR IN THE WORKPLACE

Employees at every level are encouraged to make the fullest contribution to the Group's performance and the achievement of its goals. This we seek to achieve by:

- Ensuring people with the right skills and qualities are recruited, trained, supported and retained to create high levels of motivation, achievement and job satisfaction. We aim to be the employer of choice in the industries that we operate.

- Providing employees with the opportunity to have a direct ownership of the Company through its Share Issuance Scheme participation.

- Creating a working environment that is conducive to good working relations by demonstrating good leadership and adopting the best in Human Resource practice with well developed policies and procedures. These are continually subject to review, and are updated.

- Employing a workforce that reflects the diversity of our society by promoting our commitment to equal opportunities for all regardless of age, gender, race, religion, disability, nationality, etc.

- Providing training and career development so that employees can grow and achieve their potential. We strive to maintain a knowledgeable, stable and motivated workforce that increases the satisfaction levels of our customer base whilst reducing recruitment and retention costs. In our employees' annual appraisal, training and personal development requirements are mutually agreed, and plans for the training and development are drawn up and budgeted for each year. We also take a proactive approach in providing opportunities for our employees to obtain professional and nationally recognised qualifications and in encouraging continuous professional development programmes that are conducted internally and externally. Senior managers are selected to attend executive education and professional development programmes at renowned Business Schools and all our senior managers are encouraged to attend the Management Development Programmes organised by our executive education and professional development sector.

- Ensuring worksites and surrounding areas maintain high health and safety standards, as we do not compromise on the safety of our employees, sub-contractors and visitors. In this regard, our construction sector has adopted and adheres strictly to the guidelines on public safety and health at construction sites issued by the Department of Occupational Safety and Health. Regular health and safety training are provided.

- Recognising that effective employee communication and consultation are particularly important in achieving our business objectives, information on the progress and activities of the Group and the external financial and economic factors affecting it, both from sources in the public domain and those published internally, are readily made available to employees through the intranet.

- Promoting family friendly policies and work-life balance initiatives to encourage the general well-being of our employees.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

CSR IN THE COMMUNITY

Paramount is committed to operating in ways that add value to the communities in which we operate through various ongoing engagements that enhance the long term sustainability of our business. These include:

- Contributing to local charities and voluntary organisations. We have made significant inroads in promoting community interaction through social programmes and activity. We also support numerous charitable causes both in cash and kind, and through the provision of scholarships to deserving students.
- Supporting local communities through opportunities for employment, interaction with schools, liaison and support for local well-being. In communities that are directly impacted by our project work, we keep them appropriately informed of the progress made on any issues which affect them.
- Encouraging wider employee participation in community projects organised. We encourage our people to volunteer in order to help others in the community and we recognise the benefits that volunteering can bring through the development of skills and competencies.
- Using our influence to steer change for the better.

CSR IN THE MARKETPLACE

We constantly and actively engage and respond to our other stakeholders including shareholders, analysts, fund managers, customers, suppliers and government and non-government bodies with a view to fostering better relations and understanding. We engage with our stakeholders in a number of ways. These include:

- Committing to high ethical standards in the areas of marketing, advertising and procurement. Our customers remain at the heart of everything that we do. Their feedback is reviewed on an ongoing basis and used to improve our customer service. We seek to protect our customers' rights through responsive customer complaint procedures and by meeting the strictest data protection requirements.
- Building long term partnerships with our suppliers based on the compatibility of their values and behaviour as well as product quality and price. We believe that this is key to servicing our customers' needs and developing the highest products and quality standards. By working closely with suppliers, we continue to find new ways to improve efficiency, lower costs for our customers and address growing health and safety and environmental requirements.
- Maintaining clear, timely and open communications with shareholders, analysts and fund managers. Paramount is committed to helping its shareholders, analysts and fund managers develop a clear understanding of the Company's strategy, performance and growth potential through timely and open communications. Information on the Group's website are to ensure that they are accessible to all interested parties.
- Maintain high standards of corporate governance. We monitor and evaluate risk on an ongoing basis as part of our commitment to sustainable business. A full report on Corporate Governance and Internal Control are found on pages 47 to 51 and 55 to 56.

STATEMENT ON CORPORATE GOVERNANCE

PARAMOUNT CORPORATION BERHAD (**PARAMOUNT** OR **THE COMPANY**) IS COMMITTED TO BUSINESS INTEGRITY, TRANSPARENCY AND PROFESSIONALISM IN ALL ITS ACTIVITIES. AS PART OF THIS COMMITMENT, THE BOARD OF DIRECTORS (BOARD) CONTINUES TO ENSURE THAT SOUND PRINCIPLES OF CORPORATE GOVERNANCE AND ACCOUNTABILITY ARE PRACTISED IN ALL BUSINESS ENDEAVOURS WITH THE ULTIMATE OBJECTIVE OF PROTECTING AND ENHANCING SHAREHOLDER VALUE.

TO THIS END, THE BOARD IS PLEASED TO REPORT ON THE APPLICATION AND EXTENT OF COMPLIANCE BY THE COMPANY WITH THE PRINCIPLES SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (**MCCG**).

BOARD OF DIRECTORS

Duties and Responsibilities

The Board retains control and is responsible for the overall corporate governance of the Company, which includes setting strategic business directions, establishing corporate goals and monitoring the achievement of these goals. It provides effective leadership for the management of the affairs of the Company and its subsidiary companies (**the Group**) through the schedule of matters reserved for its decision. This includes:

- Setting and monitoring objectives, goals and strategic directions that promote long-term growth and sustainability
- Adopting an annual budget and continuously monitoring financial performance
- Assessing and approving major capital expenditure including significant acquisitions and disposal of investments
- Ensuring significant risks are appropriately managed and regularly reviewed and monitored
- Selecting and appointing new directors and setting the remuneration of directors and senior management
- Ensuring management succession by mentoring, monitoring and evaluating the Chief Executive Officer and senior management team
- Ensuring strict adherence to relevant compliance with laws and regulations and disclosure regimes

Board Meetings

The Board met four times during the year under review, and the attendance record of directors was as follows:

Directors	Attendance
Dato' Md Taib bin Abdul Hamid	4 out of 4
Dato' Teo Chiang Quan	4 out of 4
Ong Keng Siew	4 out of 4
Dato' Haji Azlan bin Hashim	2 out of 4
Dato' Rohana Tan Sri Mahmood	2 out of 4
Geh Cheng Hooi	3 out of 4
Quah Chek Tin	4 out of 4
Datuk Seri Michael Yam Kong Choy	4 out of 4

Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules.

STATEMENT ON CORPORATE GOVERNANCE

The Board also meets on an ad-hoc basis to deliberate urgent issues and matters that require expeditious board direction or approval. In the intervals between Board meetings, any matter requiring urgent Board decisions and/or approval can be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

Formal agendas, papers and reports are supplied to Directors in a timely manner, prior to Board meetings. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. The Board ensures that the office of Company Secretary is held by a suitably qualified and competent officer. The Board also has full access to senior management and unrestricted access to information relating to the business and affairs of the Company in the discharge of its duties. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

Board Balance

As at the end of the financial year, the Board of Paramount had eight members comprising two Executive Directors and six Non-Executive Directors, hence fulfilling the prescribed requirement for one third of the membership of the Board to be independent Board members. This strong and independent element brings an objective and independent judgement to the decision-making process of the Board. Full details of the Board members are set out in the Board section on pages 18 to 19.

Mr Geh Cheng Hooi, an Independent Non-Executive Director, who is above the age of 70 years, will not be seeking re-election pursuant to Section 129(6) of the Companies Act, 1965 at the forthcoming annual general meeting. In consequence thereof, the Board will comprise seven directors, of whom five are independent.

Dato' Md Taib bin Abdul Hamid, an Independent Non-Executive Director, chairs the Board. The Chief Executive Officer for the year under review was Mr Ong Keng Siew, who retired on 18 June 2012, and he was replaced by Mr Chan Say Yeong on the same date. There was a clear division of responsibility between the role of the Chairman and the Chief Executive Officer to ensure a balance of power and authority.

Mr Chan Say Yeong had subsequently resigned on 15 April 2013 and Dato' Teo Chiang Quan has assumed the role of Chief Executive Officer in the interim while the search for a replacement is ongoing.

All Independent Non-Executive Directors are considered by the Board to be independent of management and free from any business or relationship which could materially interfere with the exercise of their independent judgement. The Board has also identified Dato' Haji Azlan bin Hashim, an Independent Non-Executive Director, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. The Directors have wide ranging experience and all of them have either occupied or are currently holding senior positions in industry and/or government. The individuality and vast experience of the Directors in arriving at collective decisions at Board level will ensure impartiality.

Directors' Training

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of their duties. Appropriate training and briefing are available to all Directors on appointment to the Board, and subsequently as and when necessary, taking into account their individual qualifications and experience.

The Directors also keep abreast of developments in the business environment and new regulatory requirements through participation in conferences, seminars and training programmes organised by the regulatory bodies and other independent training providers.

During the financial year under review, the Directors had participated in the following forums organised by the Company:

(i) Malaysian Code on Corporate Governance 2012- Challenges to Listed Issuers and their Boards by KPMG Business Advisory Sdn Bhd

(ii) Market Landscape and Innovations in Private Education in South East Asia by The Parthenon Group

(iii) IFRS Convergence in Malaysia: MFRS Framework by Messrs Ernst & Young

The Directors have also participated in the following forums and/or seminars, which they have individually or collectively considered relevant and useful in contributing to the effective discharge of their duties:

(i) Corporate Governance: The Competitive Advantage

(ii) Malaysian Forum on Business Sustainability

(iii) CEO Forum 2012 – Malaysia in the New Global Context – Realising Malaysia's True Potential

(iv) Managing Corporate Risk and Achieving Internal Control through Statutory Compliance by Suruhanjaya Syarikat Malaysia

(v) Understanding Financial Statements – Use of Healthy Scepticism by MICPA

(vi) Ambank Group Training Programme

(vii) Bringing Asia onto the Board

(viii) The case for Diversity in the Boardroom

(ix) Role of the Audit Committee in Assuring Audit Quality

(x) Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012

(xi) Macroeconomic Challenges in the United States, Europe and China

In addition, the Company Secretary and the external auditors update the Board, on a regular basis, the respective changes and amendments to regulatory requirements, laws and accounting standards to help Directors keep abreast of such developments.

Re-election of Directors

All Directors are subject to election by shareholders at the first opportunity after their appointment, at the next Annual General Meeting (**AGM**). At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. The Company's Articles of Association ensures that all Directors stand for re-election at least once in every three years.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

Board Committee

To assist the Board to discharge its role and functions effectively, the Board has four standing committees with delegated authority and defined terms of reference. The composition, purpose and functions of these committees are described below.

Audit Committee

A detailed report on this committee is contained on pages 52 to 54 of this Annual Report.

Nominating Committee

The Nominating Committee comprises exclusively three Independent Non-Executive Directors: Dato' Md Taib bin Abdul Hamid, Dato' Haji Azlan bin Hashim and Mr Geh Cheng Hooi. The Chairman of the Board chairs the Committee, which meets at least once a year and, additionally, if required. Another Independent Director will be appointed to the Nominating Committee to fill the vacancy created following the retirement of Mr Geh Cheng Hooi.

The Nominating Committee is entrusted with the task of recommending candidates for Directorship to be filled by the shareholders or the Board, and for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, as well as the Chief Executive Officer on an annual basis. The Nominating Committee also considers the balance of the Board membership, determining the core competencies and skills required of the Board through annual reviews, as well as ensure that all Directors receive appropriate continuous training.

DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee comprises exclusively of three Independent Non-Executive Directors: Dato' Md Taib bin Abdul Hamid, Dato' Haji Azlan bin Hashim and Mr Geh Cheng Hooi. The Remuneration Committee, which meets at least once a year and, additionally if required, is chaired by the Chairman of the Board. Similarly, another Independent Director will be appointed to the Remuneration Committee to fill the vacancy created following the retirement of Mr Geh Cheng Hooi.

The Remuneration Committee is also responsible for ensuring that the Company's Executive Directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain its Executive Directors and senior management to manage the Company and continuously build for the future, giving due regard to the interest of shareholders and to the financial and commercial health of the Company.

The Remuneration Committee recommends to the Board the policy and framework for determining Directors' remuneration. The determination of Directors' fees is a matter for the Board as a whole who has the ultimate responsibility of approving the remuneration of Directors.

Remuneration Policy

Total remuneration, comprising salaries, bonuses and benefits, of Executive Directors and senior management are reviewed annually. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalization and are set around the median point of the comparator group. The salaries are set by the committee after consideration of the Company's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individuals based on their performance and responsibility.

The annual bonus scheme is designed to encourage and reward employees for achievement or betterment of challenging financial and business targets, set in the annual budget adopted by the Board at the beginning of each financial year. Awards are not contractual and are paid on the basis of the individual's contribution during the preceding year as well as individual and team performance.

Annual fees and Directors' travelling allowance are paid based on current market surveys.

The details of the remuneration of each Director during the financial year are as follows:

Director	Basic Salary (RM'000)	Bonus (RM'000)	Professional fees (RM'000)	Directors fees (RM'000)	Benefits in-kind (RM'000)
Dato' Md Taib bin Abdul Hamid	–	–	–	98	–
Dato' Teo Chiang Quan	1,080	495	–	50	102
Ong Keng Siew	357	–	99	50	35
Dato' Haji Azlan bin Hashim	–	–	–	80	–
Dato' Rohana Tan Sri Mahmood	–	–	–	67	–
Geh Cheng Hooi	–	–	–	78	–
Quah Chek Tin	–	–	–	68	–
Datuk Seri Michael Yam Kong Choy	–	–	–	57	–

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports and the AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with Bursa Malaysia Securities Berhad's Listing Requirements. The Company obliges the requests of analysts and fund managers for company visits and briefings and, where possible, at least once in every year, a scheduled company briefing is held, coinciding with the release of the Group's final quarter results. The Company's web-site at www.pcb.com.my is constantly updated with information pertaining to the Group's business activities and corporate affairs for dissemination to all stakeholders in a timely manner.

The Company's AGM not only deals with the formal business of the Company but represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. Shareholders are invited to ask questions and express their views about the Company's business at the meeting. The Company presents to shareholders an overview of the Group's performance during the year at the AGM. A Press conference is normally held after the AGM to brief members of the Press on the performance of the Group for the benefit of potential investors as well as those shareholders who have been unable to be at the meeting.

ACCOUNTABILITY AND AUDIT

Board Risk Management Committee

Risk assessment and management is an integral part of the decision making process at all levels of the Group. In an effort to strengthen its risk management processes and framework, a Board Risk Management Committee was formed. The Board Risk Management Committee comprises five Independent Non-Executive Directors: Mr Quah Chek Tin, Dato' Md Taib bin Abdul Hamid, Mr Geh Cheng Hooi, Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy. Mr Quah chairs the Committee, which meets at the least twice a year and, additionally, if required. Similarly, another Independent Director will be appointed to fill the vacancy created following the retirement of Mr Geh Cheng Hooi.

The Board Risk Management Committee is entrusted with the task of assisting the Board to fulfil its corporate governance, risk management and statutory responsibilities in order to manage the principal risks exposure of the Group. The Committee monitors the principal risks exposure of the Group and guides management on its risk appetite; recommends or advises on significant proposed changes to risk management policies and strategies; reviews together with management on significant risks and exposures that exist and assesses the steps that management has taken to mitigate such risks and reviews reports on compliance with risk management policies and recommends actions, where necessary.

Internal control

A detailed report on Internal Control, which has been reviewed by the external auditors, is contained in the Statement of Internal Control on pages 55 to 56.

Financial reporting

The Board is mindful of its responsibility to present a fair and balanced and understandable assessment of Paramount's financial position and prospects, in all reports, both to investors and the regulatory bodies. This assessment is primarily provided in the Letter to Shareholders on pages 25 to 31 and the Review of Operations on pages 36 to 41. An explanation of the respective responsibilities of the Directors and the auditors in the preparation of the accounts is set out in the Statement of Directors' Responsibilities section of the printed report.

Relationship with External Auditors

The Company has always maintained a transparent and appropriate relationship with its external auditors in seeking professional advice and ensuring compliance with accounting standards in Malaysia.

The report on the role of the Audit Committee in relation to the external auditors is found in the Report on Audit Committee set out on page 52 to 54.

COMPLIANCE STATEMENT

The Company has applied most of the Principles and Recommendations of the MCCG during the financial year under review save for the Recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine years.

The Nomination Committee and the Board have determined at the annual assessment carried out on the Independent Directors who have served more than nine years that they remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The Board is of the view that the length of service of a Director does not in any way interfere with their exercise of independent judgement and ability to act in the best interest of the Company.

The Board will, moving forward, continue to make considerable efforts in working towards aligning the Company's governance framework as far as practicable to the Principles and Recommendations of the MCCG. Post the financial year under review, the Board had in February 2013 adopted and formalised the following to be in line with the Recommendations of the MCCG:

i) Board Charter

ii) Directors' Code of Ethics

iii) Directors' Assessment Policy

iv) Boardroom Diversity Policy

v) Succession Planning Policy

vi) Insider Dealing Policy

vii) Whistle Blowing Policy

viii) Code of Conduct

REPORT OF THE AUDIT COMMITTEE

THE BOARD OF DIRECTORS OF PARAMOUNT CORPORATION BERHAD (**PARAMOUNT** OR **THE COMPANY**) IS PLEASED TO ISSUE THE FOLLOWING AUDIT COMMITTEE REPORT AND ITS ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2012.

MEMBERS AND MEETINGS

The Audit Committee comprises four Independent Non-Executive Directors.

Four meetings were held during the year and the attendance of the committee members was as follows:

Directors	Status	Attendance
Dato' Haji Azlan Bin Hashim (Chairman)	Senior Independent Non-Executive Director	2 out of 4 meetings
Geh Cheng Hooi	Independent Non-Executive Director	3 out of 4 meetings
Quah Chek Tin	Independent Non-Executive Director	4 out of 4 meetings
Dato’ Md. Taib Bin Abdul Hamid	Independent Non-Executive Director	4 out of 4 meetings

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

Membership

The members shall be appointed by the Board and the committee shall consist of at least three (3) Non-Executive Directors, a majority of whom are Independent Directors. The Chairman of the committee shall be an Independent Non-Executive Director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or is appropriately qualified as an accountant.

Any vacancy in the committee resulting in non-compliance with the said requirements must be filled within three (3) months.

No alternate director shall be appointed as a member of the Audit Committee.

Meetings

The committee shall meet on a quarterly basis or at more frequent intervals as required to deal with matters within its terms of reference. The meetings shall have a quorum of two members who are Independent Directors.

The committee shall meet with the external auditors without the presence of executive Board members as and when required.

Other directors and employees may attend any particular Audit Committee meeting only at the committee’s invitation specific to the relevant meeting.

The committee shall record its conclusions on issues discussed during meetings and report to the Board at the quarterly board meetings.

Authority

The Audit Committee is hereby authorised by the Board to:

a) investigate any matter within its terms of reference;

b) have resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company and its subsidiaries (**the Group**);

d) have direct communication channels with the external auditors and internal auditor; and

e) obtain independent professional or other advice as deemed necessary.

Reporting of Breaches to the Exchange

Where the committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad (**BMSB**)'s Listing Requirements, the committee shall promptly report such matter to BMSB.

Duties of the Committee

The duties of the committee shall be as follows:

a) To consider the appointment of external auditors, the audit fee and any question on resignation or dismissal;

b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

c) To review the quarterly and year-end financial statements of the Company/the Group, focusing particularly on:

    i) Any change in accounting policies and practices;

    ii) Significant adjustments arising from the audit;

    iii) The going concern assumption; and

    iv) Compliance with accounting standards and other legal requirements.

d) To discuss problems and reservations arising from interim and final audits and any matter the external auditors may wish to discuss;

e) To review the external auditors' management letter and management's response;

f) To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

g) To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;

h) To consider major findings of internal investigations and management's response;

i) To consider related party transactions that may arise within the Company or the Group;

j) To take cognisance of resignation of senior internal audit staff and to provide the staff an opportunity to submit his/her reasons for resigning; and

k) To consider other topics deemed fit by the committee within its Terms of Reference and/or as defined by the Board.

Review of the Committee

The Board shall review the term of office and performance of the committee annually. This would be done as part and parcel of the Board's self assessment of directors.

ACTIVITIES OF THE AUDIT COMMITTEE

During the year, the committee met to discuss and review matters for subsequent recommendations to the Board of Directors. They include:

a) Financial Statements

    i) Reviewed the quarterly and year-end financial statements prior to Board's approval for release to BMSB and the press;

    ii) Discussed audit plans with the external auditors before commencement of audit;

    iii) Reviewed the external auditors' management letter and management's response;

- iv) Met with the external and internal auditors twice during the year without the presence of executive Board members and management, to discuss issues, if any, arising out of the interim and final audits, or any other matter the external and internal auditors may wish to discuss.
- v) Reviewed the external auditors' audit fee and proposed the same to the Board for its approval; and
- vi) Considered the intention of the external auditors, Messrs Ernst & Young, to be re-appointed and to propose their re-appointment to the Board accordingly.

b) Internal Controls

- i) Reviewed internal audit plans with the internal auditor covering the adequacy of scope, functions and resources of the internal audit function;
- ii) Discussed results of internal audit process and deliberated on highlighted issues of concern;
- iii) Considered related party transactions that arose and advised the Board on the appropriate actions to be taken;
- iv) Advised the Board on the state of internal control of the Group and the issuance of the Statement on Internal Control;
- v) Discussed the Report of the Audit Committee, and proposed the report to the Board for its approval; and
- vi) Reviewed the organisational structure of finance departments within the Group and advised the Board on their strengths and appropriateness.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

a) Internal audit function

The internal audit function of Paramount is carried out in-house by the internal audit department.

The internal audit department reports functionally and independently to the Audit Committee and is independent of management and of the activities it reviews. Its role encompasses risk-based examination and evaluation of the adequacy and effectiveness of the Group's system of internal controls and to provide reasonable assurances to the members of the committee and the Board.

The purpose, authority and responsibility of the internal audit function as identified by the Audit Committee in the form of audit charter includes furnishing the committee with audit reports which include independent analysis, appraisals, counsel and information on the activities reviewed. Special assignments and investigations are conducted on ad hoc basis as and when requested by the Board of Directors, Audit Committee or management.

b) Activities

For the year 2012, the internal audit department carried out audit assignments in accordance with the approved audit plan, and audit reports were presented to the Audit Committee for deliberation. This included follow-up review on the prompt implementation of audit recommendations and checks on related party transactions. The cost incurred for the internal audit department for the year was RM775,031.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

PREAMBLE

This Statement on Risk Management & Internal Control is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad and in compliance with the Malaysian Code of Corporate Governance.

It outlines the scope of internal control within the Paramount Corporation Berhad (**Paramount**) group of companies (**the Group**) for this financial year.

BOARD'S RESPONSIBILITY

The Board of Directors (**Board**) acknowledges its overall responsibility of maintaining an adequate, sound risk management framework and internal control system to safeguard shareholders' investments and the Group's businesses and assets.

The Board is committed to continuously enhance the Group's risk management and internal control system to ensure the proper conduct of its operations. The Board recognizes that the risk management and internal control system can only provide reasonable but not absolute assurance.

The Board's review does not cover the risk management and internal control system of Paramount's associate company as it does not have any direct control over its operations. However, board representation in Paramount's associate company does provide vital information necessary for decisions on the investment and the safeguarding of the Group's interest.

RISK MANAGEMENT

The Board regards risk management as an important process and acknowledges that it plays an integral part in achieving the Group's business objectives. The Board confirms the establishment of an enterprise-wide risk management (**EWRM**) program for the Group which allows management to identify, assess, evaluate and manage risks of the Group and keeps abreast of its development. The EWRM program entails all strategic business units to document the controls and processes for managing risks.

Principal risks are highlighted to the Board Risk Management Committee (**BRMC**) and to the Board for deliberation and further assessment is made during the Board's review of the Group's strategic plan. The established risk framework includes the Board's evaluation of risks relating to new businesses and major investments during the year.

The Executive Risk Management Committee (**ERMC**), which is chaired by the Group Chief Executive Officer, assists the Board in its discharge of its risk management responsibilities. The ERMC's functions are to co-ordinate and monitor the development and implementation of the Group's risk management activities.

INTERNAL CONTROL

The Board through the Audit Committee reviews and monitors, as an on-going process, the adequacy and integrity of the internal control. Such systems are designed to manage rather than to eliminate the risk of failure to achieve the set business objectives.

There is continuous upgrading and development of internal control system upon reported recommendations by both external and internal auditors highlighted at the Audit Committee and Board levels.

GROUP INTERNAL AUDIT

The Audit Committee endorsed and approved the scope of work for the internal audit function through review of its five years detailed risk-based audit plan. The Board places full emphasis on the independence and integrity of the internal audit function and ensures that the internal audit function has adequate resources to effectively carry out its work and report to the Audit Committee.

The internal audit function submits regular audit reports to the Audit Committee, management and external auditors for review, and conducts follow-up action with management on audit recommendations and matters highlighted by the Committee.

The head of internal audit who is a certified internal auditor (CIA) reports independently to the Audit Committee which ensures the internal audit function's impartiality.

INFORMATION SYSTEM AND COMMUNICATION

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 summarized for presentation to the Board during their quarterly meetings.

Management has established a 5-year Group strategic planning process including detailed budgeting and monitoring that is reviewed by the Board on an annual basis.

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

AUTHORITY AND RESPONSIBILITY

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.

A good management culture is practiced throughout the Group and expected code of conduct is adopted for all staff.

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

A management tender committee ensuring proper procurement process for material purchases of goods and services.

REVIEW

The Board has received assurance from both Paramount's Group Chief Executive Officer and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively.

For the financial year under review, the Board is satisfied with the adequacy and effectiveness of risk management, and the review and monitoring of the internal control system gives reasonable assurance that the internal controls in place are adequate.

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

ANALYSIS OF SHAREHOLDINGS

as at 9 April 2013

SHARE CAPITAL

Authorised capital	:	RM200,000,000
Issued and fully paid-up	:	RM168,905,728
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 – 99	76	1.38	2,756	0.00
100 – 1,000	367	6.65	269,816	0.08
1,001 – 10,000	3,180	57.60	15,179,808	4.49
10,001 – 100,000	1,653	29.94	48,557,350	14.38
100,001 – 16,890,571*	243	4.40	155,868,526	46.14
16,890,572 and above**	2	0.03	117,933,200	34.91
Total	**5,521**	**100.00**	**337,811,456**	**100.00**

* Less than 5% of issued shares
** 5% and above of issued shares

THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shareholdings	%
1. Paramount Equities Sdn Bhd	88,144,000	26.09
2. Southern Palm Industries Sdn Bhd	29,789,200	8.82
3. Southern Acids (M) Berhad	15,453,200	4.57
4. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	13,500,900	4.00
5. Bunga Indah (M) Sdn Bhd	9,266,294	2.74
6. Southern Realty (M) Sdn Bhd	8,397,200	2.49
7. Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for American International Assurance Berhad	7,095,900	2.10
8. Angsana Sutera Sdn Bhd	4,995,200	1.48
9. Teo Chiang Quan	4,270,000	1.26
10. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	3,877,980	1.15
11. Kenanga Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Teo Pek Swan (6Q-31037)	3,332,000	0.99
12. Ong Keng Siew	3,116,400	0.92
13. Teh Wei Siong	2,912,000	0.86
14. Yayasan Kelantan Darulnaim	2,682,400	0.79
15. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,244,000	0.66
16. Cheong Hon Keong	2,012,640	0.60
17. Goh Beng Choo	1,852,940	0.55

ANALYSIS OF SHAREHOLDINGS
as at 9 April 2013

Name of Shareholders	No. of Shareholdings	%
18. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	1,832,540	0.54
19. Neoh Choo Ee & Company Sdn Berhad	1,715,000	0.51
20. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Win Kee (8016787)	1,243,400	0.37
21. Mikdavid Sdn Bhd	1,213,200	0.36
22. Yeo Khee Huat	1,204,000	0.36
23. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Chee Tong	1,130,000	0.33
24. Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	1,049,300	0.31
25. Yeo Khee Nam	1,017,200	0.30
26. Seah Mok Khoon	1,008,840	0.30
27. Amanahraya Trustees Berhad Public Smallcap Fund	995,000	0.29
28. Tay Lee Kong	945,036	0.28
29. Southern Edible Oil Industries (M) Sdn Bhd	932,400	0.28
30. Ghee Thong Sdn Bhd	898,800	0.27

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct No. of Shareholdings	Indirect No. of Shareholdings	%
Paramount Equities Sdn Bhd	88,144,000	–	26.09
Dato' Teo Chiang Quan	4,488,400	88,826,300 *(1)*	27.62
Southern Palm Industries Sdn Bhd	29,789,200	15,453,200 *(2)*	13.39
Southern Edible Oil Industries (M) Sdn Bhd	932,400	45,242,400 *(3)*	13.67
Southern Realty (Malaya) Sdn Bhd	8,397,200	46,174,800 *(4)*	16.16
Banting Hock Hin Estate Co Sdn Bhd	515,200	54,572,000 *(5)*	16.30
Dato' Low Mong Hua (deceased)	–	55,087,200 *(6)*	16.31

Notes:

(1) By virtue of his deemed interest in Paramount Equities Sdn Bhd, Qualipro Corporation 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 the deceased's deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty (Malaya) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct No. of Shareholdings	Direct %	Indirect No. of Shareholdings	Indirect %
Dato' Teo Chiang Quan	4,488,400	1.33	88,826,300 *(1)*	26.29
Ong Keng Siew	3,116,400	0.92	–	–
Dato' Md Taib bin Abdul Hamid	–	–	140,000	0.04
Datuk Seri Michael Yam Kong Choy	108,000	0.03	–	–

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

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 31.12.2012
1	Lots 75, 164, 203-206, 932-935 1873-1875, 2518 & 2519 Mukim Kapar, District of Klang Selangor Darul Ehsan	02.12.2011 and 24.09.2012	Land with single storey warehouse	–	Freehold	1,447,766	138,170
2	Lot PT 510, Pekan Hicom District of Petaling Selangor Darul Ehsan	07.06.2012	Land approved for industrial development	–	Freehold	1,306,800	132,776
3	Block 17, Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	31.12.2012	Land approved for residential development	–	Freehold	2,178,436	109,538
4	No 3,5 & 7, Jalan Teknologi 2/1 Taman Sains Selangor Seksyen 2, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	28.04.2000	Land with private institutional buildings comprising a 3-storey block , a 4-storey block, a 6-storey block and a sports complex (Sekolah Sri KDU & Sri KDU International School)	2 – 11 years	99 years lease commencing 02.11.2000	520,579	91,111
5	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	23.06.2006	Agricultural land - 10,703,999 sq. ft. Development land - 8,053,772 sq. ft. (Held for future development)	–	Freehold	18,757,771	68,723
6	Lot Nos. 7 & 9 Jalan Teknologi 3/1 Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	13.11.2008	Land approved for industrial development (Held for future development)	5 years	99 years lease commencing 19.01.2008	411,642	45,616
7	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Land approved for commercial development	–	Freehold	514,008	44,586
8	Lot 94 Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan held under Title No. PN17345	20.02.2008	Land with 3 single storey buildings (KDU University College – Section 13 branch campus)	47 years	99 years lease commencing 04.06.1964	225,680	44,343
9	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Land approved for institutional development	–	Freehold	435,626	38,115
10	No 32, Jalan Anson 10400 Penang	21.04.1993	Land with private institutional buildings comprising a 5-storey block and a 8-storey block (KDU College – Penang campus)	16 years	Freehold	86,046	30,074

STATEMENT OF DIRECTORS' RESPONSIBILITY

in relation to the financial statements

This statement is prepared as required by the 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 Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

financial statements

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 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	56,454	171,605

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 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011 as reported in the directors' report of that year:	
Final single tier dividend of 5.0 sen, on 337,812,000 ordinary shares, declared on 24 February 2012 and paid on 28 June 2012	16,891
In respect of the financial year ended 31 December 2012:	
Interim single tier dividend of 3.0 sen, on 337,812,000 ordinary shares, declared on 30 August 2012 and paid on 3 October 2012	10,134
	27,025

At the forthcoming Annual General Meeting, a final single tier dividend of 5.0 sen, in respect of the financial year ended 31 December 2012 on 337,812,000 ordinary shares, amounting to a dividend payable of RM16,891,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2013, and are payable on 27 June 2013.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Md Taib bin Abdul Hamid
Dato' Teo Chiang Quan
Ong Keng Siew
Dato' Haji Azlan bin Hashim
Datuk Rohana Tan Sri Mahmood
Datuk Seri Yam Kong Choy
Geh Cheng Hooi
Quah Chek Tin

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 35 to the financial statements.

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 of RM0.50 each ---->			
	1 January 2012	**Acquired**	**Sold**	**31 December 2012**
The Company				
Direct Interest				
Dato' Teo Chiang Quan	4,488,400	–	–	4,488,400
Ong Keng Siew	3,116,400	–	–	3,116,400
Dato' Haji Azlan bin Hashim	11,000,000	–	(11,000,000)	–
Datuk Seri Yam Kong Choy	108,000	–	–	108,000
Deemed Interest				
Dato' Teo Chiang Quan	88,826,300	–	–	88,826,300
Dato' Md Taib bin Abdul Hamid	140,000	–	–	140,000

DIRECTORS' INTERESTS (CONT'D.)

	<------- Number of ordinary shares of HKD1 each ------->			
	At 1 January 2012	Acquired	Deregistered	At 31 December 2012
Paramount Corporation Limited ("PCL")				
Dato' Teo Chiang Quan*	1	–	(1)	–

* Dato' Teo Chiang Quan ceased to be interested in the share in PCL which was held in trust for the Company following the completion of the deregistration of PCL on 6 July 2012.

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

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

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

   (i) any charge on the assets of the 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.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 41 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2013.

DATO' MD TAIB BIN ABDUL HAMID

DATO' TEO CHIANG QUAN

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Md Taib bin Abdul Hamid and Dato' Teo Chiang Quan, 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 69 to 130 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 42 to the financial statements, on page 131 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2013.

DATO' MD TAIB BIN ABDUL HAMID

DATO' TEO CHIANG QUAN

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

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 69 to 131 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 28 February 2013

FOONG POH SENG

Before me,

Commissioner of Oaths

KOH TWEE YONG
No. B357
69A, Jalan SS21/37
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the income statements, 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 69 to 130.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2012 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia ("Act"), we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 42 on page 131 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

TAN SHIUM JYE
No. 2991/05/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2013

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Revenue	4	450,048	473,844
Other income		34,061	32,306
Property development costs	13(b)	(131,272)	(143,762)
Construction contract costs		(116,629)	(101,933)
Employee benefits expense	5	(86,485)	(78,343)
Depreciation and amortisation		(14,491)	(13,160)
Other expenses		(56,030)	(55,703)
Finance costs	7	(2,938)	(3,121)
Share of (loss)/profit of associates		(17)	222
Profit before tax	8	76,247	110,350
Income tax expense	9	(19,793)	(38,593)
Profit net of tax		56,454	71,757
Basic earnings per share attributable to equity holders of the Company (sen)	10 (a)	16.71	21.24

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Profit net of tax	56,454	71,757
Foreign currency translation	(79)	79
Total comprehensive income	56,375	71,836

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	2012 RM'000	2011 RM'000
Non-current assets			
Property, plant and equipment	12	315,293	274,246
Land held for property development	13(a)	515,608	232,964
Investment properties	14	19,630	13,753
Intangible asset	16	15,674	15,674
Investments in associates	18	9,565	10,111
Other investments	19	342	342
Deferred tax assets	30	11,763	10,872
		887,875	557,962
Current assets			
Property development costs	13(b)	29,828	24,510
Trade receivables	20	101,752	76,666
Other receivables	21	15,438	131,780
Other current assets	22	12,542	11,589
Tax recoverable		5,249	3,906
Cash and cash equivalents	25	122,128	206,198
		286,937	454,649
Assets held for sale	15	17,458	17,800
		304,395	472,449
Total assets		1,192,270	1,030,411
Current liabilities			
Borrowings	26	14,460	14,700
Trade payables	27	79,137	70,853
Other payables	28	76,290	63,892
Tax payable		4,115	7,134
Other current liabilities	29	59,960	62,051
		233,962	218,630
Net current assets		70,433	253,819
Non-current liabilities			
Borrowings	26	238,235	121,298
Deferred tax liabilities	30	20,136	18,495
		258,371	139,793
Total liabilities		492,333	358,423
Equity			
Share capital	31	168,906	168,906
Reserves		531,031	503,082
Total equity		699,937	671,988
Total equity and liabilities		1,192,270	1,030,411

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

		<---Non-Distributable--->		Distributable	
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2012	168,906	41,631	1,480	459,971	671,988
Total comprehensive income	–	–	(79)	56,454	56,375
Realised upon deregistration of a subsidiary	–	–	(1,401)	–	(1,401)
Transaction with owners					
Dividends (Note 11)	–	–	–	(27,025)	(27,025)
At 31 December 2012	168,906	41,631	–	489,400	699,937
At 1 January 2011	120,647	89,890	1,401	423,202	635,140
Total comprehensive income	–	–	79	71,757	71,836
Transactions with owners					
Dividends (Note 11)	–	–	–	(34,988)	(34,988)
Issue of ordinary shares pursuant to Bonus Issue (Note 31)	48,259	(48,259)	–	–	–
Total transactions with owners	48,259	(48,259)	–	(34,988)	(34,988)
At 31 December 2011	168,906	41,631	1,480	459,971	671,988

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before tax	76,247	110,350
Adjustments for:		
Depreciation of property, plant and equipment	14,176	12,795
Depreciation of investment properties	315	365
Impairment of investment properties	–	76
Impairment of other investments	–	143
Property, plant and equipment written off	17	22
Additions of allowance for impairment of receivables	16	391
Reversal of allowance for impairment of receivables	(141)	(166)
Gain on deregistration of a subsidiary	(1,401)	–
Gain on disposal of investment in an associate	–	(2,828)
Gain on disposal of property, plant and equipment	(479)	(1,934)
Gain on disposal of assets held for sale	(356)	–
Gain on disposal of investment properties	–	(227)
Gain on disposal of land held for development	–	(691)
Unrealised foreign exchange (gain)/loss	(171)	290
Share of loss/(profit) of associates	17	(222)
Interest expense	2,938	3,121
Interest income	(2,987)	(3,839)
Operating profit before working capital changes	88,191	117,646
Decrease/(increase) in receivables	61,307	(64,835)
(Increase)/decrease in development properties	(5,318)	13,225
Increase/(decrease) in payables	18,718	(23,871)
Cash generated from operations	162,898	42,165
Taxes paid	(23,405)	(25,718)
Interest paid	(2,938)	(3,121)
Net cash generated from operating activities	136,555	13,326
Cash flows from investing activities		
Increase in land held for development	(282,644)	(81,227)
Dividends received from associates	402	–
Acquisition of associates (Note 18)	–	(9,668)
Purchase of property, plant and equipment	(25,189)	(70,939)
Purchase of investment properties	(7,309)	(12,907)
Proceeds from disposal of investment in an associate	–	2,828
Proceeds from disposal of property, plant and equipment	758	3,079
Proceeds from disposal of investment properties	–	13,093
Proceeds from disposal of land held for development	–	3,000
Proceeds from disposal of asset held for sale	698	–
Interest received	2,987	3,839
Net cash used in investing activities	(310,297)	(148,902)
Cash flows from financing activities		
Dividends paid	(27,025)	(71,182)
Drawdown of term loan	131,397	88,000
Repayment of borrowings	(14,700)	(7,681)
Net cash generated from financing activities	89,672	9,137
Net decrease in cash and cash equivalents	(84,070)	(126,439)
Cash and cash equivalents at beginning of year	206,198	332,637
Cash and cash equivalents at end of year (Note 25)	122,128	206,198

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

INCOME STATEMENT

for the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Revenue	4	195,179	234,547
Other income		212	177
Employee benefits expense	5	(6,965)	(6,228)
Depreciation		(613)	(494)
Other expenses		(4,205)	(17,024)
Finance costs	7	(5,854)	(11,023)
Profit before tax	8	177,754	199,955
Income tax expense	9	(6,149)	(16,409)
Profit net of tax, representing total comprehensive income for the year		171,605	183,546

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	2012 RM'000	2011 RM'000
Non-current assets			
Property, plant and equipment	12	1,199	1,605
Investment properties	14	705	720
Investments in subsidiaries	17	450,362	458,647
Other investments	19	165	165
		452,431	461,137
Current assets			
Other receivables	21	264	42,842
Other current assets	22	–	674
Tax recoverable		1,774	92
Due from subsidiaries	24	147,734	46,975
Cash and cash equivalents	25	37,136	29,820
		186,908	120,403
Total assets		639,339	581,540
Current liabilities			
Other payables	28	3,260	2,248
Due to subsidiaries	24	46,971	134,741
		50,231	136,989
Net current assets/(liabilities)		136,677	(16,586)
Non-current liabilities			
Deferred tax liabilities	30	48	71
Total liabilities		50,279	137,060
Equity			
Share capital	31	168,906	168,906
Reserves		420,154	275,574
		589,060	444,480
Total equity and liabilities		639,339	581,540

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2012	168,906	41,631	233,943	444,480
Total comprehensive income	–	–	171,605	171,605
Transaction with owners				
Dividends (Note 11)	–	–	(27,025)	(27,025)
At 31 December 2012	168,906	41,631	378,523	589,060
At 1 January 2011	120,647	89,890	85,385	295,922
Total comprehensive income	–	–	183,546	183,546
Transactions with owners				
Dividends (Note 11)	–	–	(34,988)	(34,988)
Issue of ordinary shares pursuant to Bonus Issue (Note 31)	48,259	(48,259)	–	–
Total transactions with owners	48,259	(48,259)	(34,988)	(34,988)
At 31 December 2011	168,906	41,631	233,943	444,480

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

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before tax	177,754	199,955
Adjustments for:		
Depreciation of property, plant and equipment	598	479
Depreciation of investment properties	15	15
Property, plant and equipment written off	7	–
Write down of advances to subsidiaries	–	290
Impairment of investment in subsidiaries	900	13,850
Interest expense	5,854	11,023
Gain on disposal of property, plant and equipment	(44)	(70)
Dividend income	(181,391)	(221,210)
Interest income	(5,434)	(4,178)
Operating (loss)/profit before working capital changes	(1,741)	154
Decrease/(increase) in receivables	43,252	(8,725)
Increase/(decrease) in payables	1,012	(3,876)
Changes in subsidiaries balances	(188,529)	(136,624)
Cash used in operations	(146,006)	(149,071)
Interest paid	(5,854)	(11,023)
Net tax refund/(paid)	487	(1,360)
Net cash used in operating activities	(151,373)	(161,454)
Cash flows from investing activities		
Interest received	5,434	4,178
Dividends received	173,050	208,908
Subscription of ordinary shares in subsidiaries	(10,200)	(7,763)
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	(30,500)	(101,925)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	48,085	–
Proceeds from disposal of property, plant and equipment	263	105
Purchase of property, plant and equipment	(418)	(1,427)
Net cash generated from investing activities	185,714	102,076
Cash flows from financing activity		
Dividends paid	(27,025)	(71,182)
Net cash used in financing activity	(27,025)	(71,182)
Net increase/(decrease) in cash and cash equivalents	7,316	(130,560)
Cash and cash equivalents at beginning of year	29,820	160,380
Cash and cash equivalents at end of year (Note 25)	37,136	29,820

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2012

1. CORPORATE INFORMATION

Paramount Corporation Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, 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

The new and revised FRS, Amendments to FRS and IC Interpretations which are mandatory for companies with financial periods beginning on or after 1 January 2012 did not give rise to any significant effects on the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

The directors expect that the adoption of the new FRS, Amendments to FRS and Interpretations which are issued but not yet effective for the financial year ended 31 December 2012 will not have any material impact on the financial statements of the Group and the Company in the period of initial application, except as disclosed below:

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities.

FRS 10 Consolidated financial statements

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

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

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

FRS 11 Joint Arrangements

FRS 11 replaces FRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

A joint arrangement can be either a joint venture or a joint operation.

FRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant FRSs applicable to particular assets, liabilities, revenues and expenses.

FRS 11 requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with FRS 128 Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 128 Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities')

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for two years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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

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

The Group and the Company have commenced transitioning its accounting policies and financial reporting from the current Financial Reporting Standards to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

The Group and the Company have not completed the quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2012 could be different if prepared under the MFRS Framework.

The Group and the Company will achieve its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

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 to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.7. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates 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.

2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of 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.

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

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 are measured at cost or revalued amount (the fair value at the date of the revaluation) less any accumulated impairment losses. The freehold land of the Group has not been revalued since they were first revalued in 1980. The directors have not adopted a policy of regular revaluations for the freehold land and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, the freehold land continue to be stated at their 1980 valuation.

The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard IAS 16 (Revised): Property, Plant and Equipment which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which superseded IAS 16) would require revaluation to be carried out at regular intervals.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated over the remaining period of their respective leases, ranging from 30 to 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold and leasehold buildings: 50 years
Plant, equipment, furniture, fixtures and 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 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 30 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.

2.10 Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.8 and Note 2.9. Thereafter, on initial classification as held for sale, the assets are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to profit or loss.

Assets once classified as held for sale are not depreciated.

2.11 Land held for property development and property development costs

(a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

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

2.11 Land held for property development and property development costs (cont'd.)

(b) Property development costs (cont'd.)

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development cost not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within other current assets whereas the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within other current liabilities.

2.12 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.13 Impairment of non-financial assets

The Group assesses 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.

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

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

All financial assets of the Group are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration is recognised in profit or loss.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in the economic conditions.

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

2.15 Impairment of financial assets (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits placed with licensed banks.

2.17 Other non-current investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

All financial liabilities of the Group are classified as other financial liabilities.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.19 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 and the Company incurred in connection with the borrowing of funds.

2.20 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. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Leases

(a) As lessee

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

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.22 Leases (cont'd.)

(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 2.23(d).

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of properties

Revenue from sale of development properties is accounted for by the stage of completion method as described in Note 2.11(b).

(b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.12.

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

2.24 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

2.25 Employee benefits

Defined contribution plans

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.26 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the 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.

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

2.27 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.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.29 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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follows:

(a) Construction costs and property development

The Group recognises construction and 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 construction or property development costs incurred for work performed to date to the estimated total construction or property development costs.

Significant judgement 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 judgement, the Group evaluates based on past experience and by relying on the work of specialists.

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

(b) Impairment of goodwill

Goodwill is tested for impairment annually. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 16.

(c) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that taxable profit will be available against which the unutilised tax losses, unabsorbed capital allowances and other temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

4. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of properties	206,522	246,523	–	–
Construction contracts	130,896	123,572	–	–
Educational fees	110,482	99,766	–	–
Membership fee	606	617	–	–
Interest income from:				
– Deposits with licensed banks	1,494	3,346	1,323	3,206
– Advances to subsidiaries	–	–	4,111	972
Dividends from subsidiaries	–	–	181,391	221,210
Management fees from subsidiaries	–	–	8,306	9,139
Rental income	48	20	48	20
	450,048	473,844	195,179	234,547

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	72,552	66,766	5,396	4,977
Contributions to defined contribution plan	8,409	7,624	629	586
Other benefits	5,524	3,953	940	665
	86,485	78,343	6,965	6,228

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM2,538,000 (2011: RM2,873,000) and RM1,717,000 (2011: RM1,640,000) respectively.

6. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive:				
Salaries	1,437	1,741	850	923
Fees	100	100	100	100
Bonus and other benefits	769	735	623	452
Defined contribution plan	232	297	144	165
Executive directors' remuneration excluding benefits-in-kind (Note 10)	2,538	2,873	1,717	1,640
Estimated monetary value of benefits-in-kind	137	121	23	24
	2,675	2,994	1,740	1,664
Non-executive:				
Fees	448	410	428	390
	3,123	3,404	2,168	2,054
Directors of subsidiaries				
Executive:				
Salaries	1,986	1,213	–	–
Bonus and other benefits	867	630	–	–
Defined contribution plan	338	221	–	–
Executive directors' remuneration excluding benefits-in-kind	3,191	2,064	–	–
Estimated monetary value of benefits-in-kind	277	100	–	–
	3,468	2,164	–	–
Non-executive:				
Fees	20	23	–	–
Estimated monetary value of benefits-in-kind	29	33	–	–
	49	56	–	–
	3,517	2,220	–	–
Total	6,640	5,624	2,168	2,054

6. DIRECTORS' REMUNERATION (CONT'D.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors 2012	2011
Executive directors:		
RM700,001 – RM800,000	1	–
RM1,200,001 – RM1,300,000	–	1
RM1,700,001 – RM1,800,000	–	1
RM1,900,001 – RM2,000,000	1	–
Non-executive directors:		
RM50,000 – RM100,000	6	6

7. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on:				
Bank borrowings	2,938	3,121	–	–
Advances from subsidiaries	–	–	5,854	11,023
	2,938	3,121	5,854	11,023

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive directors' remuneration (Note 6)	497	466	428	390
Auditors' remuneration				
– Statutory audit	296	276	75	70
– Other services	111	11	5	5
Operating lease:				
– minimum lease payments for premises	3,500	2,989	574	544
– minimum lease payments for equipment	688	366	–	–
Direct operating expenses of investment properties	55	72	–	–
Impairment of:				
– investment in subsidiaries	–	–	900	13,850
– investment properties	–	76	–	–
– other investments	–	143	–	–
Depreciation of:				
– property, plant and equipment	14,176	12,795	598	479
– investment properties	315	365	15	15
Property, plant and equipment written off	17	22	7	–
Gain on disposal of:				
– investment in associate	–	(2,828)	–	–
– assets held for sale	(356)	–	–	–
– property, plant and equipment	(479)	(1,934)	(44)	(70)
– investment properties	–	(227)	–	–
Gain on deregistration of a subsidiary	(1,401)	–	–	–
Gain on disposal of land held for property development	–	(691)	–	–
Write down of advances to subsidiaries	–	–	–	290
Additions of allowance for impairment of receivables	16	391	–	–
Reversal of allowance for impairment of receivables	(141)	(166)	–	–
Bad debts written off	83	191	–	–
Interest income from deposits with licensed banks	(2,987)	(3,839)	–	–
Rental income	(5,046)	(4,306)	–	–
Net foreign exchange (gain)/loss:				
– realised	(1,340)	(830)	–	–
– unrealised	(171)	290	–	–

9. INCOME TAX EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current income tax:				
Malaysian income tax	21,431	32,428	8,226	14,600
(Over)/under provision in prior years	(2,388)	2,983	(2,054)	1,761
	19,043	35,411	6,172	16,361
Deferred tax (Note 30):				
Relating to origination and reversal of temporary differences	1,055	2,642	(23)	8
(Over)/under provision in prior years	(305)	540	–	40
	750	3,182	(23)	48
Income tax expense	19,793	38,593	6,149	16,409

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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

A reconciliation of tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	2012 RM'000	2011 RM'000
Group		
Profit before tax	76,247	110,350
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	19,062	27,588
Different tax rates in other countries	–	4
Effect of share of loss/(profits) of associates	4	(56)
Income not subject to tax	(483)	(369)
Expenses not deductible for tax purposes	3,679	6,804
Utilisation of previously unrecognised tax losses	(49)	(233)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	273	1,332
(Over)/under provision of deferred tax in prior year	(305)	540
(Over)/under provision of tax expense in prior year	(2,388)	2,983
Income tax expense	19,793	38,593

9. INCOME TAX EXPENSE (CONT'D.)

	2012 RM'000	2011 RM'000
Company		
Profit before tax	177,754	199,955
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	44,439	49,989
Income not subject to tax	(37,060)	(43,027)
Expenses not deductible for tax purposes	824	7,646
Under provision of deferred tax in prior years	–	40
(Over)/under provision of tax expense in prior years	(2,054)	1,761
Income tax expense	6,149	16,409

10. EARNINGS PER SHARE

(a) Basic

	Group	
	2012	2011
Profit attributable to ordinary equity holders of the Company (RM'000)	56,454	71,757
Weighted average number of ordinary shares in issue ('000)	337,812	337,812
Basic earnings per share (sen)	16.71	21.24

(b) Diluted

The Group has no potential ordinary shares in issue and therefore, diluted earnings per share has not been presented.

11. DIVIDENDS

	Amount		Net dividends paid/payable per ordinary share	
	2012 RM'000	2011 RM'000	2012 Sen	2011 Sen
Recognised during the year:				
For the financial year ended 31 December 2012				
Interim single tier dividend of 3.0 sen	10,134	–	3.00	–
For the financial year ended 31 December 2011				
Interim single tier dividend of 5.0 sen	–	16,891	–	5.00
Final single tier dividend of 5.0 sen	16,891	–	5.00	–
For the financial year ended 31 December 2010				
Final dividend of 20.0 sen less 25% taxation	–	18,097	–	15.00
	27,025	34,988	8.00	20.00

At the forthcoming Annual General Meeting, a final single tier dividend of 5.0 sen, in respect of the financial year ended 31 December 2012 on 337,812,000 ordinary shares, amounting to a dividend payable of RM16,891,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as appropriation of retained earnings in the financial year ending 31 December 2013, and are payable on 27 June 2013.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and building* RM'000	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000	Total RM'000
Group			
Cost or valuation			
At 1 January 2011	215,012	92,276	307,288
Additions	52,150	18,789	70,939
Transfer from land held for development (Note 13(a))	3,158	700	3,858
Disposals	(987)	(1,803)	(2,790)
Write-off	–	(193)	(193)
At 31 December 2011 and 1 January 2012	269,333	109,769	379,102
Additions	12,655	12,534	25,189
Transfer from investment properties (Note 14)	538	579	1,117
Transfer from/(to) other receivables	29,413	(289)	29,124
Disposals	–	(1,903)	(1,903)
Write-off	–	(375)	(375)
At 31 December 2012	311,939	120,315	432,254
Representing:			
At cost	309,957	120,315	430,272
At valuation	1,982	–	1,982
At 31 December 2012	311,939	120,315	432,254
Accumulated depreciation and impairment			
At 1 January 2011	21,759	72,118	93,877
Depreciation charge for the year	3,197	9,598	12,795
Disposals	–	(1,645)	(1,645)
Write-off	–	(171)	(171)
At 31 December 2011 and 1 January 2012	24,956	79,900	104,856
Depreciation charge for the year	3,373	10,803	14,176
Transfer to other receivables	–	(89)	(89)
Disposals	–	(1,624)	(1,624)
Write-off	–	(358)	(358)
At 31 December 2012	28,329	88,632	116,961
Net carrying amount			
At 31 December 2012			
At cost	281,628	31,683	313,311
At valuation	1,982	–	1,982
	283,610	31,683	315,293
At 31 December 2011			
At cost	242,395	29,869	272,264
At valuation	1,982	–	1,982
	244,377	29,869	274,246

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

*** Land and building**

	Freehold land RM'000	Long term leasehold land and building RM'000	Freehold building RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost or valuation					
At 1 January 2011	29,087	121,949	50,762	13,214	215,012
Transfer	614	12,600	–	(13,214)	–
Transfer from land held for development	3,158	–	–	–	3,158
Additions	34,406	17,731	13	–	52,150
Disposal	(987)	–	–	–	(987)
At 31 December 2011 and 1 January 2012	66,278	152,280	50,775	–	269,333
Additions	1,526	35	724	10,370	12,655
Transfer from investment properties	–	–	538	–	538
Transfer from other receivables	–	–	–	29,413	29,413
At 31 December 2012	67,804	152,315	52,037	39,783	311,939
At 31 December 2012					
At cost	65,822	152,315	52,037	39,783	309,957
At valuation	1,982	–	–	–	1,982
	67,804	152,315	52,037	39,783	311,939
At 31 December 2011					
At cost	64,296	152,280	50,775	–	267,351
At valuation	1,982	–	–	–	1,982
	66,278	152,280	50,775	–	269,333
Accumulated depreciation					
At 1 January 2011	–	8,541	13,218	–	21,759
Depreciation charge for the year	–	1,706	1,491	–	3,197
At 31 December 2011 and 1 January 2012	–	10,247	14,709	–	24,956
Depreciation charge for the year	–	1,862	1,511	–	3,373
At 31 December 2012	–	12,109	16,220	–	28,329
Net carrying amount					
At 31 December 2012					
At cost	65,822	140,206	35,817	39,783	281,628
At valuation	1,982	–	–	–	1,982
	67,804	140,206	35,817	39,783	283,610
At 31 December 2011					
At cost	64,296	142,033	36,066	–	242,395
At valuation	1,982	–	–	–	1,982
	66,278	142,033	36,066	–	244,377

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

Company

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Cost	
At 1 January 2011	3,470
Additions	1,427
Disposals	(319)
At 31 December 2011 and 1 January 2012	4,578
Additions	418
Disposals	(390)
Write-off	(95)
At 31 December 2012	4,511
Accumulated depreciation	
At 1 January 2011	2,778
Depreciation charge for the year	479
Disposals	(284)
At 31 December 2011 and 1 January 2012	2,973
Depreciation charge for the year	598
Disposals	(171)
Write-off	(88)
At 31 December 2012	3,312
Net carrying amount	
At 31 December 2012	1,199
At 31 December 2011	1,605

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

(a) The freehold land of a subsidiary was revalued by the directors based on independent professional valuations made in 1980 and has not been revalued since then. The directors have not adopted a policy of regular revaluations of such assets. As permitted by FRS 116: Property, Plant and Equipment, these assets are stated at their 1980 valuation.

Details of independent professional valuation of the freehold land owned by the subsidiary as at 31 December 2012 are as follows:

Year of valuation	Description of property	Amount RM'000	Basis of valuation
1980	Freehold land in Petaling Jaya	1,982	Direct comparison method and the contractor's method of valuation

Had the revalued freehold land been carried at historical cost, the net book value of the freehold land that would have been included in the financial statements of the Group as at 31 December 2012 would be RM35,000.

(b) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 26) are as follows:

	Group	
	2012 RM'000	2011 RM'000
Freehold land and building	36,651	34,348
Long term leasehold land and buildings	135,454	137,833
	172,105	172,181

(c) Included in leasehold land and buildings is interest capitalised amounting to RM3,062,000 (2011: RM3,062,000).

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group 2012 RM'000	Group 2011 RM'000
Freehold land		
At 1 January	131,880	64,291
Additions	247,333	80,144
Transfer to property, plant and equipment (Note 12)	–	(1,480)
Disposals	–	(978)
Transfer to property development costs (Note 13(b))	(4,647)	(10,097)
At 31 December	374,566	131,880
Leasehold land		
At 1 January	45,018	45,018
Reclassification to development costs	(5,284)	–
At 31 December	39,734	45,018
Development costs		
At 1 January	56,066	48,595
Costs incurred during the financial year	63,980	24,831
Reclassification from leasehold land	5,284	–
Transfer to property, plant and equipment (Note 12)	–	(2,378)
Disposals	–	(1,331)
Transfer to property development costs (Note 13(b))	(24,022)	(13,651)
At 31 December	101,308	56,066
Carrying amount at 31 December	515,608	232,964

(b) Property development costs, at cost

Freehold land		
At 1 January	100,001	94,003
Reversal of completed projects	(2,985)	(4,099)
Transfer from land held for property development (Note 13(a))	4,647	10,097
At 31 December	101,663	100,001

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D.)

(b) Property development costs, at cost (cont'd.)

	Group	
	2012 RM'000	2011 RM'000
Leasehold land		
At 1 January/31 December	31,058	31,058
Cumulative property development costs		
At 1 January	896,698	817,983
Cost incurred during the year	107,921	106,789
Transfer from land held for property development (Note 13(a))	24,022	13,651
Reversal of completed projects	(24,048)	(41,725)
At 31 December	1,004,593	896,698
Cumulative costs recognised in income statement		
At 1 January	(1,003,247)	(905,309)
Recognised during the financial year	(131,272)	(143,762)
Reversal of completed projects	27,033	45,824
At 31 December	(1,107,486)	(1,003,247)
Property development costs at 31 December	29,828	24,510

The freehold land held for property development with carrying value of RM339,803,000 (2011: RM80,144,000) has been pledged as security for term loans as disclosed in Note 26.

14. INVESTMENT PROPERTIES

	Group			
	Freehold buildings RM'000	Freehold land RM'000	Leasehold land and buildings RM'000	Total RM'000
Cost				
At 1 January 2011	–	5,937	32,028	37,965
Additions	12,907	–	–	12,907
Reclassification	22,218	–	(22,218)	–
Transfer to assets held for sale (Note 15)	(16,857)	–	(943)	(17,800)
Disposals	(12,906)	–	–	(12,906)
At 31 December 2011 and 1 January 2012	5,362	5,937	8,867	20,166
Additions	–	7,309	–	7,309
Transfer to property, plant and equipment (Note 12)	(1,143)	–	–	(1,143)
At 31 December 2012	4,219	13,246	8,867	26,332
Accumulated depreciation and impairment losses				
At 1 January 2011	–	1,637	4,375	6,012
Depreciation charge for the year	53	–	312	365
Impairment loss for the year	–	–	76	76
Reclassification	241	–	(241)	–
Disposals	(40)	–	–	(40)
At 31 December 2011 and 1 January 2012	254	1,637	4,522	6,413
Depreciation charge for the year	8	–	307	315
Transfer to property, plant and equipment (Note 12)	(26)	–	–	(26)
At 31 December 2012	236	1,637	4,829	6,702
Analysed as:				
Accumulated depreciation	236	–	4,753	4,989
Impairment losses	–	1,637	76	1,713
	236	1,637	4,829	6,702
Net carrying amount				
At 31 December 2012	3,983	11,609	4,038	19,630
At 31 December 2011	5,108	4,300	4,345	13,753
Market value				
At 31 December 2012	5,950	19,075	5,500	30,525

14. INVESTMENT PROPERTIES (CONT'D.)

	Company Building RM'000
Cost	
At 1 January 2011 and 31 December 2012	750
Accumulated depreciation	
At 1 January 2011	15
Depreciation charged for the year	15
At 31 December 2011 and 1 January 2012	30
Depreciation charged for the year	15
At 31 December 2012	45
Net carrying amount	
At 31 December 2012	705
At 31 December 2011	720
Market value	
At 31 December 2012	1,500

The market value of the investment properties of the Group and of the Company were appraised by an accredited independent professional valuer with recent experience in the location and category of properties valued. The valuation is based on an open market basis.

15. ASSETS HELD FOR SALE

Assets held for sale represent investment properties owned by the Group and are carried at cost.

	RM'000
Group	
Carrying amount	
At 1 January 2011	–
Transfer from investment properties (Note 14)	17,800
At 31 December 2011 and 1 January 2012	17,800
Additions	1,325
Disposals	(1,667)
At 31 December 2012	17,458

16. INTANGIBLE ASSET

	Group	
	2012 RM'000	2011 RM'000
Goodwill	15,674	15,674

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five year period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Discount rate

The discount rate of 11% (2011: 11%) used is pre-tax and reflect specific risks relating to the industry.

(b) Growth rate

The growth rate of 12% (2011: 12%) used is based on the long term average growth rate for the industry.

(c) Budgeted gross margin

The gross margin is based on average values achieved in the three years preceding the start of the budget period.

Sensitivity to changes in assumptions

With regards to the assessment of value in use of the education unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the unit to materially exceed their recoverable amounts.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at cost	248,012	237,812
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	293,250	262,750
Less: Redemption of NCRCPS	(48,085)	–
Less: Accumulated impairment losses	(42,815)	(41,915)
	450,362	458,647

The salient terms of the NCRCPS subscribed are summarised below:

(i) Preferential non-cumulative dividends are payable at a rate to be mutually agreed and are payable on a date determined by the issuer subject to availability of profits.

(ii) The NCRCPS are redeemable at the issuer's option at any time out of profits or out of fresh issue of shares.

(iii) The NCRCPS are convertible at the issuer's option at any time into ordinary shares of RM1 each in the issuer. Conversion rate is on the basis of 1 NCRCPS for 1 new ordinary share of RM1 in the issuer.

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest 2012 %	Effective interest 2011 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia				
Berkeley Sdn. Bhd.	100	100	RM5,000	Investment holding and property development
Berkeley Maju Sdn. Bhd.	100	100	RM1,000	Inactive
Paramount Engineering & Construction Sdn. Bhd.	100	100	RM5,000	Building and engineering contractor
Paramount Construction Sdn. Bhd.	100	100	RM750	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	Inactive
Paramount Projects Sdn. Bhd.	100	100	RM1,000	Building and engineering contractor and project management and property development

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Effective interest 2012 %	Effective interest 2011 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia				
Paramount Property (Shah Alam) Sdn. Bhd. (formerly known as Current Connection Sdn. Bhd.)	100	100	RM5,000	Property development
KDU University College Sdn. Bhd.	100	100	RM15,000	Educational services
Janahasil Sdn. Bhd.	100	100	RM1,000	Property investment
KDU Smart School Sdn. Bhd.	100	100	RM20,000	Educational services
Paramount Property Holdings Sdn. Bhd.	100	100	RM10,000	Inactive
Paramount Property (Utara) Sdn. Bhd.	100	100	RM5,000	Property development
Kelab Bandar Laguna Merbok Sdn. Bhd.	100	100	*	Operator of club house
Paramount Global Assets Sdn. Bhd.	100	100	RM35,360	Inactive
Paramount Electronics Industries Sdn. Bhd.	100	100	RM5,000	Property investment and management
KDU Management Development Centre Sdn. Bhd.	100	100	RM10,000	Management and educational services
Paramount Property Development Sdn. Bhd.	100	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	100	100	RM5,000	Property investment
Supreme Essence Sdn. Bhd.	100	100	RM5,000	Property development
Broad Projects Sdn. Bhd.	100	100	RM100	Investment holding and car park operator
KDU College (PJ) Sdn. Bhd.	100	100	RM5,000	Educational services
KDU College (PG) Sdn. Bhd.	100	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
Fabulous Knowledge Sdn. Bhd.	100	–	*	Inactive

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries	Effective interest 2012 %	Effective interest 2011 %	Paid-up capital '000	Principal activities
Incorporated in Hong Kong				
Paramount Corporation Limited	–	100	#HKD1,000	Struck off
Incorporated in Commonwealth of Australia				
Paramount Global Investments Pty. Ltd.	100	100	**	Investment holding
Paramount Investments & Properties Pty. Ltd.	100	100	**	Investment holding

* Paid-up capital of RM2
** Paid-up capital of AUD2
#HKD Represents currency denoted in Hong Kong Dollars
AUD Represents currency denoted in Australian Dollars

(i) On 6 July 2012, Paramount Corporation Limited ("PCL"), a wholly-owned subsidiary of the Company, incorporated in Hong Kong, has been deregistered pursuant to Section 291AA(9) of the Companies Ordinance of Hong Kong. The deregistration of PCL did not have any material impact to the financial statements of the Group as PCL has been inactive since prior years.

(ii) On 23 August 2012, the Company acquired a newly incorporated company, Fabulous Knowledge Sdn. Bhd. with an issued and paid up share capital of RM2.

18. INVESTMENTS IN ASSOCIATES

	Group 2012 RM'000	Group 2011 RM'000
Unquoted shares, at cost	9,680	9,680
Share of post-acquisition reserves	(115)	431
	9,565	10,111

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Assets and liabilities		
Non-current asset	–	55
Current assets	27,719	23,176
Total assets	27,719	23,231
Current liabilities, representing total liabilities	8,559	2,789
Results		
Revenue	49	2,218
(Loss)/profit for the year	(64)	555

Details of the associate are as follows:

Name of associates	Effective interest 2012 %	Effective interest 2011 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia				
Kane Paramount Sdn. Bhd.*	40	40	RM30	Building and engineering contractor
Incorporated in Commonwealth of Australia				
VIP Paramount Pty Ltd*	50	50	**	Trustee
VIP Paramount Unit Trust*	50	50	AUD6,000	Inactive

* Equity accounted based on audited/management financial statements. The financial year end of the associates is coterminous with the financial year end of the Group.

** Paid-up capital of AUD2

AUD Represents currency denoted in Australian Dollars

19. OTHER INVESTMENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Club memberships, at cost	485	485	165	165
Less: Accumulated impairment losses	(143)	(143)	–	–
	342	342	165	165

20. TRADE RECEIVABLES

	Group	
	2012 RM'000	2011 RM'000
Third parties	69,532	58,310
Retention sums on contracts	32,714	19,196
	102,246	77,506
Less: Allowance for impairment	(494)	(840)
Trade receivables, net	101,752	76,666

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2011: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	81,835	62,473
1 to 30 days past due not impaired	3,783	4,683
31 to 60 days past due not impaired	12,547	1,259
61 to 90 days past due not impaired	2,857	4,811
91 to 120 days past due not impaired	730	3,440
	19,917	14,193
Impaired	494	840
	102,246	77,506

20. TRADE RECEIVABLES (CONT'D.)

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy 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.

<u>Receivables that are past due but not impaired</u>

The receivables that are past due but not impaired are unsecured in nature.

<u>Receivables that are impaired</u>

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	
	2012 RM'000	**2011 RM'000**
Trade receivables – nominal amount	494	840
Less: Allowance for impairment	(494)	(840)
	–	–

Movement in allowance accounts:

	Group	
	2012 RM'000	**2011 RM'000**
At 1 January	840	792
Addition during the year	16	267
Reversal for the year	(140)	(89)
Written off	(222)	(130)
At 31 December	494	840

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.

21. OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits	7,976	127,254	211	42,789
Sundry receivables	7,741	4,806	53	53
	15,717	132,060	264	42,842
Less: Allowance for impairment	(279)	(280)	–	–
Other receivables, net	15,438	131,780	264	42,842

Included in deposits for the Group and the Company for the previous financial year were deposit paid for the purchase of land amounting to RM119,057,000 and RM42,590,000 respectively.

Movement in allowance accounts:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	280	233
Addition during the year	–	124
Reversal during the year	(1)	(77)
At 31 December	279	280

22. OTHER CURRENT ASSETS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Prepaid expenses	1,829	3,546	–	674
Accrued billings in respect of property development costs	8,194	3,745	–	–
Due from customers on contracts (Note 23)	2,519	4,298	–	–
	12,542	11,589	–	674

23. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2012 RM'000	2011 RM'000
Construction contract costs incurred to date	1,315,742	1,109,424
Less: Reversal for completed projects	(125,649)	–
Construction contract costs incurred to date for contracts in progress	1,190,093	1,109,424
Attributable profits	103,308	89,206
Less: Reversal for completed projects	(15,714)	–
Attributable profits to date for contracts in progress	87,594	89,206
	1,277,687	1,198,630
Less: Progress billings	(1,427,851)	(1,207,874)
Add: Reversal for completed projects	141,363	–
Progress billings to date for contracts in progress	(1,286,488)	(1,207,874)
	(8,801)	(9,244)
Due from customers on contracts (Note 22)	2,519	4,298
Due to customers on contracts (Note 29)	(11,320)	(13,542)
	(8,801)	(9,244)

24. DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest at prevailing base lending rate ranging from 4.50% to 6.60% (2011: 6.05% to 6.60%) per annum.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash on hand and at banks	28,722	67,459	81	20
Deposits with licensed banks	93,406	138,739	37,055	29,800
Cash and cash equivalents	122,128	206,198	37,136	29,820

Included in cash and bank balances of the Group are amounts of RM18,399,000 (2011: RM57,244,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which are restricted from use in other operations.

25. CASH AND CASH EQUIVALENTS (CONT'D.)

Deposits with licensed banks of the Group amounting to RM170,000 (2011: RM170,000) are pledged as security for bank guarantee facilities granted by the banks.

Included in cash on hand and at banks of the Group are interest bearing bank balances amounting to RM24,832,000 (2011: RM60,996,000).

Deposits with licensed banks are made for varying periods of between 1 day and 12 months depending on the immediate cash requirements of the Group and Company, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2012 for the Group and the Company were 0.06% to 3.15% (2011: 1.00% to 3.00%) and 3.00% to 3.12% (2011: 2.20% to 3.30%) respectively.

Deposits with licensed banks are placed with or entered into with reputable licensed banks.

26. BORROWINGS

	Group	
	2012 RM'000	2011 RM'000
Current		
Secured:		
Term loans		
– Fixed rate loan	9,000	9,000
– Floating rate loan	5,460	5,700
	14,460	14,700
Non-current		
Secured:		
Term loans		
– Fixed rate loan	11,500	20,500
– Floating rate loan	226,735	100,798
	238,235	121,298
Total	252,695	135,998

26. BORROWINGS (CONT'D.)

As at reporting date, the effective interest rates for the borrowings, were as follows:

	2012	2011
Term loans:		
– Fixed rates	6%	6%
– Floating rates	4.3% – 6.6%	4.7% – 5.4%

The maturities of the term loans as at 31 December 2012 are as follows:

	Group	
	2012 RM'000	2011 RM'000
Within one year	14,460	14,700
More than 1 year and less than 2 years	14,188	14,460
More than 2 years and less than 5 years	178,114	54,038
More than 5 years	45,933	52,800
	252,695	135,998

The term loans of the Group are secured by the following:

(i) Fixed charge and deposit of land titles over the freehold land, leasehold lands and buildings and land held for property development of the Group as disclosed in Notes 12 and 13(a) respectively; and

(ii) Corporate guarantee by the Company.

27. TRADE PAYABLES

	Group	
	2012 RM'000	2011 RM'000
Trade payables	62,954	58,702
Retention sums on contracts	16,183	12,151
	79,137	70,853

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2011: 30 to 90 days).

28. OTHER PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sundry payables	54,091	45,127	3,260	2,248
Tenants deposits	937	936	–	–
Refundable deposits	21,262	17,829	–	–
	76,290	63,892	3,260	2,248

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2011: 30 to 90 days).

29. OTHER CURRENT LIABILITIES

	Group	
	2012 RM'000	2011 RM'00
Progress billings in respect of property development costs	21,442	26,639
Due to customer on contracts (Note 23)	11,320	13,542
Tuition fees paid in advance	27,198	21,870
	59,960	62,051

30. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2012 RM'000	2011 RM'000
At 1 January	7,623	4,441
Recognised in the income statement (Note 9)	750	3,182
At 31 December	8,373	7,623

Presented after appropriate offsetting as follows:

Deferred tax assets	(11,763)	(10,872)
Deferred tax liabilities	20,136	18,495
	8,373	7,623

30. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2012 RM'000	Recognised in the income statement RM'000	At 31 December 2012 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	19,558	1,748	21,306
Others	(6,412)	14	(6,398)
	13,146	1,762	14,908
Deferred tax assets of the Group:			
Property, plant and equipment	2,122	1,572	3,694
Unutilised tax losses and unabsorbed capital allowances	(684)	(1,008)	(1,692)
Others	(6,961)	(1,576)	(8,537)
	(5,523)	(1,012)	(6,535)
	7,623	750	8,373

	At 1 January 2011 RM'000	Recognised in the income statement RM'000	At 31 December 2011 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	15,546	4,012	19,558
Others	(6,412)	–	(6,412)
	9,134	4,012	13,146
Deferred tax assets of the Group:			
Property, plant and equipment	(573)	2,695	2,122
Unutilised tax losses and unabsorbed capital allowances	(1,187)	503	(684)
Others	(2,933)	(4,028)	(6,961)
	(4,693)	(830)	(5,523)
	4,441	3,182	7,623

	Company	
	2012 RM'000	2011 RM'000
At 1 January	71	23
Recognised in the income statement (Note 9)	(23)	48
At 31 December	48	71

30. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D.)

	At 1 January 2012 RM'000	Recognised in the income statement RM'000	At 31 December 2012 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	71	(23)	48

	At 1 January 2011 RM'000	Recognised in the income statement RM'000	At 31 December 2011 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	46	25	71
Deferred tax assets of the Company:			
Others	(23)	23	–
	23	48	71

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2012 RM'000	2011 RM'000
Unutilised tax losses	16,872	15,809
Unabsorbed capital allowances	5,657	5,823
	22,529	21,632

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. 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 other subsidiaries of the Group.

31. SHARE CAPITAL

	Number of ordinary shares 2012 '000	2011 '000	Amount 2012 RM'000	2011 RM'000
Authorised share capital				
At 1 January	400,000	200,000	200,000	200,000
Share split	–	200,000	–	–
At 31 December	400,000	400,000	200,000	200,000
Issued and fully paid				
At 1 January	337,812	120,647	168,906	120,647
Bonus issue	–	48,259	–	48,259
Share split	–	168,906	–	–
At 31 December	337,812	337,812	168,906	168,906

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

32. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2012 and 31 December 2011 under the single tier system.

33. OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

The Group and the Company have entered into non-cancellable operating lease agreements for the use of land, buildings and certain plant and equipment. These leases have an average life of 3 years with no renewal or purchase option included in the contracts.

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

	Group 2012 RM'000	2011 RM'000	Company 2012 RM'000	2011 RM'000
Future minimum rentals payments:				
Not later than 1 year	3,638	2,834	617	525
Later than 1 year and not later than 5 years	4,077	312	1,182	–
Later than 5 years	30	–	–	–
	7,745	3,146	1,799	525

33. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(a) The Group and Company as lessee (cont'd.)

The lease payments recognised in income statements during the financial year are disclosed in Note 8.

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment property portfolio. These leases have remaining non-cancellable lease terms of between 2 and 3 years.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Not later than 1 year	423	532
Later than 1 year and not later than 5 years	403	3,461
	826	3,993

34. COMMITMENTS

	Group	
	2012 RM'000	**2011 RM'000**
Capital expenditure		
Approved and contracted for:		
– Property, plant and equipment	20,491	1,443
– Land held for property development	–	31,370
	20,491	32,813
Approved but not contracted for:		
– Property, plant and equipment	261,394	–
	281,885	32,813

35. 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Purchases of computers and peripherals from ECS KU Sdn. Bhd., a wholly-owned subsidiary of ECS ICT Berhad, a company in which Dato' Teo Chiang Quan, a director of the Company, has substantial interests	157	426	54	5
Sale of property to Dato' Teo Chiang Quan, a director of the Company	1,460	–	–	–
Sale of properties to Melor Melati Sdn. Bhd., a company in which Mr Ong Keng Siew, a director of the Company, has substantial interest	–	213	–	–
Sale of property to Mr. Ong Chien Junn, son of Mr Ong Keng Siew	374	–	–	–
Sale of property to spouse of Mr Wang Chong Hwa, a director of a subsidiary	384	–	–	–
Sale of properties to Datin Teh Geok Lian, Ms Tay Lee Kong and Ms Chua Put Moy, directors of a subsidiary	750	314	–	–
Sale of properties to Dato' Liew Yin Chew, Mr Foong Poh Seng and Mr Ooi Hun Peng, directors of a subsidiary	1,138	–	–	–
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which brother of Dato' Teo Chiang Quan, has financial interest	576	579	576	579

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short term employee benefits	9,649	8,328	4,846	4,090
Defined contribution plan	963	865	441	405
	10,612	9,193	5,287	4,495

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.

35. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel (cont'd.)

Included in key management personnel are directors' remuneration as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive	2,675	2,994	1,740	1,664
Non-executive	448	410	428	390
Directors of subsidiaries				
Executive	3,468	2,164	–	–
Non-executive	49	56	–	–
	6,640	5,624	2,168	2,054

36. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables	20	101,752	76,666	–	–
Other receivables	21	15,438	131,780	264	42,842
Amount due from subsidiaries		–	–	147,734	46,975
Cash and cash equivalents	25	122,128	206,198	37,136	29,820
Total loans and receivables		239,318	414,644	185,134	119,637
Trade payables	27	79,137	70,853	–	–
Other payables	*	64,924	55,701	1,940	1,185
Amount due to subsidiaries		–	–	46,971	134,741
Borrowings	26	252,695	135,998	–	–
Total financial liabilities carried at amortised cost		396,756	262,552	48,911	135,926

* These balances exclude non-financial instruments balances which are not within the scope of FRS 139, Financial Instruments: Recognition and Measurement.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximations of fair value

	2012		2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Fixed rate term loan	20,500	18,427	29,500	25,729

B. Determination of fair value

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

The carrying amounts of current financial assets and liabilities are reasonable approximations 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.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of non-current borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

38. 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 Group Financial Controller. 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 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 and other receivables. 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.

38. 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 RM293,728,000 (2011: RM147,749,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.
- A nominal amount of RM2,250,000 (2011: RM2,250,000) relating to performance guarantees extended to developers for contracts awarded to a subsidiary.

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:

	2012		2011	
	RM'000	% of total	RM'000	% of total
Group				
Property development	28,027	28%	26,513	34%
Construction	73,429	72%	49,645	64%
Education	296	*	1,348	2%
	101,752	100%	77,506	100%

* Represents 0.29%.

As at 31 December 2012, approximately 21% (2011: 10%) of the Group's trade receivables is due from a 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.

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

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

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.

	2012 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities:				
Trade and other payables	144,061	–	–	144,061
Borrowings	21,110	232,507	18,051	271,668
Total undiscounted financial liabilities	165,171	232,507	18,051	415,729
Company				
Financial liabilities:				
Other payables	1,940	–	–	1,940
Due to subsidiaries	49,085	–	–	49,085
Total undiscounted financial liabilities	51,025	–	–	51,025

	2011 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities:				
Trade and other payables	126,554	–	–	126,554
Borrowings	21,319	81,624	56,667	159,610
Total undiscounted financial liabilities	147,873	81,624	56,667	286,164
Company				
Financial liabilities:				
Other payables	1,185	–	–	1,185
Due to subsidiaries	143,634	–	–	143,634
Total undiscounted financial liabilities	144,819	–	–	144,819

38. 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.

If interest rates has been 70 basis points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM1,626,000 (2011: RM745,000) higher/lower arising merely as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market.

39. 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	**2012**	**2011**
Total debts (RM'000)	26	252,695	135,998
Total equity (RM'000)		699,937	671,988
Debts to equity ratio		36%	20%

40. 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 development – the development of residential and commercial properties;
(ii) Construction – the construction of buildings and provision for engineering services;
(iii) Education – the operation of private educational institutions; and
(iv) Investment and others – investment holding, property investment, and provision of Group-level corporate services

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments took place at terms agreed between the parties.

40. SEGMENTAL INFORMATION (CONT'D.)

	Property development 2012 RM'000	Property development 2011 RM'000	Construction 2012 RM'000	Construction 2011 RM'000	Education 2012 RM'000	Education 2011 RM'000	Investment and others 2012 RM'000	Investment and others 2011 RM'000	Adjustments and eliminations 2012 RM'000	Adjustments and eliminations 2011 RM'000	Note	Per consolidated financial statements 2012 RM'000	Per consolidated financial statements 2011 RM'000
Revenue :													
External customers	207,128	247,141	130,896	123,572	110,482	99,766	1,542	3,365	–	–		450,048	473,844
Inter-segment sales	–	–	90,175	106,670	–	–	213,617	31,727	(303,792)	(138,397)	A	–	–
Total revenue	207,128	247,141	221,071	230,242	110,482	99,766	215,159	35,092	(303,792)	(138,397)		450,048	473,844
Results:													
Interest income	4,016	3,698	191	173	3,302	4,103	7	4,317	(4,529)	(8,452)	A	2,987	3,839
Interest expense	13	1,034	62	7	994	1,153	6,004	12,984	(4,135)	(12,057)	A	2,938	3,121
Gain on disposal of an associate	–	–	–	–	–	–	–	2,828	–	–		–	2,828
Depreciation and amortisation	1,343	1,573	1,182	961	10,111	8,864	1,855	1,762	–	–		14,491	13,160
Share of results of associates	–	–	–	222	–	–	(17)	–	–	–		(17)	222
Segment profit	54,576	83,144	519	4,668	28,323	24,144	182,172	5,661	(189,343)	(7,267)	B	76,247	110,350
Assets:													
Investment in associates	–	–	62	443	–	–	9,503	9,668	–	–		9,565	10,111
Additions to non-current assets	314,838	140,729	2,228	12,862	18,931	31,197	7,814	4,033	–	–	C	343,811	188,821
Segment assets	709,365	525,135	132,174	104,029	298,431	240,953	297,516	394,049	(245,216)	(233,755)	D	1,192,270	1,030,411
Segment liabilities	414,677	200,741	87,911	74,125	100,533	88,737	87,523	180,635	(198,311)	(185,815)	E	492,333	358,423

A Inter-segment revenues and expenses are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	2012 RM'000	2011 RM'000
Inter-segment dividends	(199,891)	(20,400)
Inter-segment interests	(4,638)	(1,007)
Impairment of subsidiaries	15,186	13,850
Write off of amount due from subsidiaries	–	290
	(189,343)	(7,267)

40. SEGMENTAL INFORMATION (CONT'D.)

C Additions to non-current assets consist of:

	2012 RM'000	2011 RM'000
Property, plant and equipment	25,189	70,939
Land held for property development	311,313	104,975
Investment properties	7,309	12,907
	343,811	188,821

D The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012 RM'000	2011 RM'000
Investment in associates	(546)	9,889
Inter-segment assets	(187,428)	(185,825)
Unrealised gains from inter-segment transactions	(57,242)	(57,819)
	(245,216)	(233,755)

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 2012 and 2011, there is no revenue from one major customer which exceed 10% of the total Group's revenue.

41. EVENTS OCCURRING AFTER THE REPORTING DATE

(i) On 17 January 2013, the Company proposed to establish a long term incentive plan ("LTIP") of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed LTIP for eligible employees and executive directors of the Group.

(ii) On 22 January 2013, the Company received the approval from the Securities Commission Malaysia ("SC") to establish a Private Debt Securities ("PDS") Programme to issue perpetual bonds of up to RM200,000,000.

(iii) On 4 February 2013, KDU University College Sdn. Bhd. ("KDUUC"), a wholly-owned subsidiary of the Company received the approval from the SC to issue up to RM350,000,000 Islamic Medium Term Notes Programme ("Sukuk Programme").

(iv) On 6 February 2013, the Company and KDUUC executed the transactional documents for the establishment of the PDS programme and the Sukuk Programme, respectively. The proceeds from the PDS Programme will be utilised for future capital expenditure, to increase land bank for development and for working capital whilst the proceeds from the Sukuk Programme will be utilised to finance the construction of the university college campus in Glenmarie.

42. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 and 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries				
– Realised	625,330	602,788	378,571	234,014
– Unrealised	(8,095)	(7,360)	(48)	(71)
	617,235	595,428	378,523	233,943
Total share of retained earnings from associates				
– Realised	11	431	–	–
Less: Consolidation adjustments	(127,846)	(135,888)	–	–
Retained earnings as per financial statements	489,400	459,971	378,523	233,943

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PROXY FORM

PARAMOUNT®
CORPORATION BERHAD
(8578-A)

I/We ____
(name of shareholder as per NRIC, in capital letters)

NRIC No./ID No./Company No. ____________________ (New) ____________________ (Old)

of ____
(full address)

being a Member/Members of Paramount Corporation Berhad hereby appoint ____________________

____
(name of proxy as per NRIC, in capital letters)

NRIC No. ____________________ (New) ____________________ (Old) of

____
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Forty-Third Annual General Meeting of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 10 June 2013 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) for or against the resolutions to be proposed at the meeting as hereunder indicated.

		For	Against
Resolution 1	Reports and Financial Statements		
Resolution 2	Final Dividend		
Re-election and re-appointment of Directors:			
Resolution 3	YBhg Dato' Teo Chiang Quan		
Resolution 4	Mr Ong Keng Siew		
Resolution 5	YBhg Dato' Md Taib bin Abdul Hamid		
Resolution 6	YBhg Dato' Haji Azlan bin Hashim		
Resolution 7	Re-appointment of Auditors and to fix their remuneration		
Resolution 8	Authority to Directors to issue shares		
Resolution 9	Proposed Amendments to the Articles of Association		

Dated this ____________ day ____________ 2013.

CDS ACCOUNT NO.	NO. OF SHARES HELD

Signature/Common Seal

NOTES

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The proxy form must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below. In the case of joint members, the signature of any one joint member is sufficient.
4. Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The proxy form must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.

Fold along this line (1)

Please
Affix
Stamp

The Company Secretary
PARAMOUNT CORPORATION BERHAD (8578-A)
Level 8, Uptown 1
1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Fold along this line (2)

Paramount
Corporation
Berhad (8578-A)

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

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