INNOVATION
THAT INSPIRES

ANNUAL REPORT 2016

ONE COMPANY; TWO SYNERGISTIC BUSINESSES

PARAMOUNT PROPERTY

Paramount Property is an award winning developer with a 35-year track record for building enduring addresses in the Klang Valley and Sungai Petani. From its beginnings as a township developer, Paramount Property has grown its portfolio to include residential, commercial, retail, educational, industrial and integrated developments.

Paramount Property's strong adherence to quality, its innovative, practical designs, its commitment to delivering value and its respect for the customer has cemented its reputation as the people's developer. It is now focusing its efforts on creating new addresses and growing its landbank to meet the needs of the growing Malaysian population, in line with the Paramount Group's vision of being an innovative market leader, in businesses that benefit society.

PARAMOUNT EDUCATION

Paramount Education is a full-spectrum education services provider, offering the national and international curriculum in primary and secondary schools, through to undergraduate and post-graduate programmes. Paramount Education includes the reputable Sri KDU Schools; KDU College Petaling Jaya, a pioneer in Pre-U and twinning programmes; and KDU University College, with campuses in Glenmarie (Shah Alam) and Penang.

Paramount Education has a track record of more than 30 years for providing good quality, high value education, anchored on its promise of shaping characters, and building careers. Paramount Education is proud to have had 80,000 students since its inception in 1983; serving to realise the Paramount Group's vision of being an innovative market leader in businesses that benefit society.

INNOVATION THAT INSPIRES

At Paramount, our vision is to be an innovative market leader in businesses that benefit society.

Over the past four decades, we have relentlessly strived to deliver good quality, high value products across our property development and education businesses.

Now, we are evolving as a Group — embracing innovative ideas and concepts to create new products, services and businesses that not only capture the imagination of the market place, but enrich the lives of our employees, customers, business partners, and the communities in which we operate.

Ultimately, we aim to enhance shareholder value by creating brands that stand the test of time.

2016
FIABCI-Malaysia Property Awards
Purpose-Built Category

2016
QLASSIC Achievement Award - CIDB
Chengal House

2015
Malaysia Landscape Architecture Awards
Honour Award

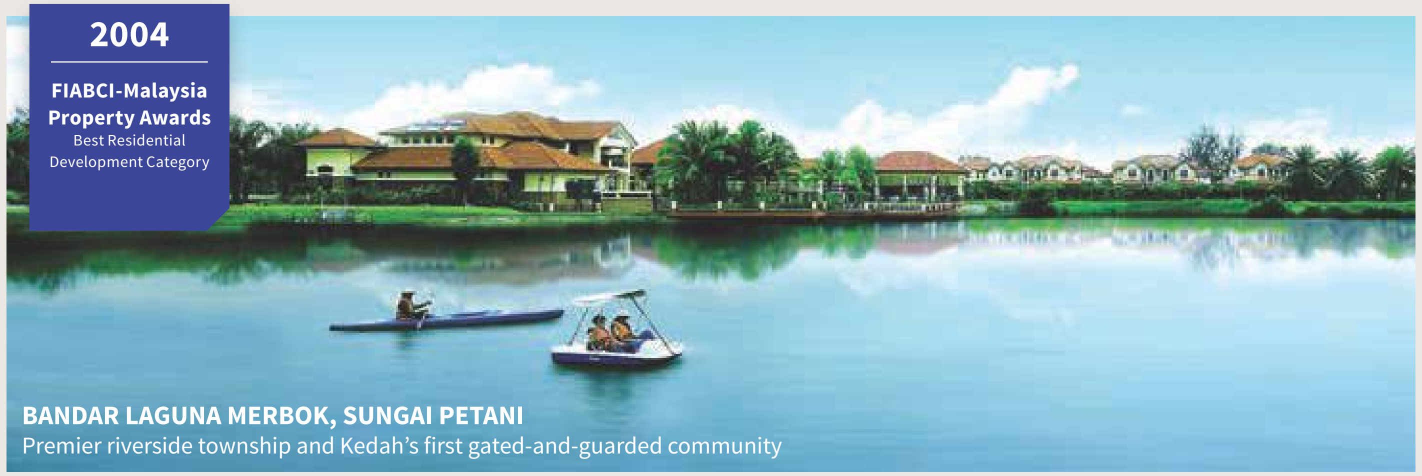
2015
MCIEA
Best Project Award, Small Project (Building Development Category)

2015
MCIEA
Green Construction Special Award

CHENGAL HOUSE, SEJATI RESIDENCES, CYBERJAYA
Built using 200-year-old upcycled chengal wood, Chengal House is Paramount Property's iconic tribute to Malaysian wood

2016
The Edge-PEPS Value Creation Excellence Award
Residential Category

PANGSAPURI KEMUNING AMAN, SHAH ALAM
Medium cost apartments that has garnered above average yield, testament to Paramount Property's commitment to delivering high quality products



2004
FIABCI-Malaysia Property Awards
Best Residential Development Category

BANDAR LAGUNA MERBOK, SUNGAI PETANI
Premier riverside township and Kedah's first gated-and-guarded community

2016
StarProperty.my Awards
Honour Awards (Just Walk Awards Category)

2015
Property Insight Prestigious Developer Award
Best-Self-Sustained Development

UTROPOLIS GLENMARIE, SHAH ALAM
A university metropolis anchored by KDU University College flagship campus, a showcase of Paramount Group's strength-through-synergy strategy

KDU UNIVERSITY COLLEGE, UTROPOLIS GLENMARIE, SHAH ALAM
Purpose-built campus with state-of-the-art facilities in a contemporary teaching and learning environment

BUKIT BANYAN, SUNGAI PETANI
A gated-and-guarded hilltop development with an expansive 25-acre hill park, taking residents *up close to nature*

UTROPOLIS BATU KAWAN, PENANG
This university metropolis mirrors the successful Paramount Utropolis in Glenmarie, Shah Alam, another showcase of Paramount Group's strength-through-synergy strategy

SEJATI RESIDENCES, CYBERJAYA
High-end residential development built around the concept of *inviting the outdoors in,* Sejati Residences is all about spacious, expansive living

ATWATER, SECTION 13, PETALING JAYA
An urban oasis, complete with retail spaces, signature and boutique offices as well as residential units, some of which feature senior living concepts

SRI KDU SCHOOLS, KOTA DAMANSARA
FIABCI Award winning campus, an iconic landmark in Kota Damansara

CONTENTS

P.12 Message from the Chairman

"On behalf of my fellow Board members, I am pleased to report that Paramount Corporation Berhad and its subsidiaries (the Group) delivered a good set of financial results for the financial year ended 2016, registering an 11% growth in profit before tax and making further strategic progress."

P.14 Management Discussion and Analysis

"Currently, Paramount Property has seven ongoing developments – Sejati Residences, Utropolis Glenmarie, Sekitar26 Business and Greenwoods Salak Perdana – all in the Klang Valley; Bandar Laguna Merbok and Bukit Banyan in Sungai Petani, Kedah as well as Utropolis Batu Kawan in Penang."

P.30 Corporate Social Responsibility Statement

"It is important for our employees to work for a socially responsible organisation and our approach therefore reflects our people. We recognise that our activities have an impact on our communities. We are committed to not only managing that impact but also using the resources we have in making a real and sustainable difference."

01

THE COMPANY

HOW WE CREATE VALUE

VISION

To be an innovative market leader, in 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

VALUES

TRUST

As we seek to deliver sustainable investment returns to our shareholders, we are always conscious of our overriding fiduciary duties and responsibilities as managers of our shareholders' money. As such, as an entity and as individuals, we will always conduct ourselves and remain trusted all the time.

RESPECT

In all our daily endeavors, we respect people as individuals, care for their well-being, and welcome diversity in capability and background. We do not tolerate behavior that works against the interest of Paramount and our shareholders ("owners"). We stress teamwork all the time and expect everyone to be free, candid and constructive in their comment and suggestions and always seek to help our colleagues inside and outside Paramount.

INTEGRITY

Everything we do is about absolute integrity. We expect the highest standards of honesty from everyone in Paramount, both in our work and in our personal lives. We must never jeopardize the trust others have in us and in our reputation for professionalism.

BRAVERY

We recruit and develop our people not only on merit but we also provide challenging and meaningful work. We develop our people to achieve their potential so that we may also perform to our potential. We believe in long-term goals built upon high levels of performance and corporate reputation to execute the growth and profit strategies.

ENERGY

In all that we do, we strive to plan and anticipate well, so that we will always be in time for the market-place, fully able to take up the challenges and opportunities that come our way, pursuing business growths where they may be found.

GROUP CORPORATE STRUCTURE

Property

100%
Berkeley Sdn Bhd

100%
Berkeley Maju Sdn Bhd

100%
Carp Legacy Sdn Bhd

100%
Paramount Construction Sdn Bhd

100%
Paramount Construction (PG) Sdn Bhd

100%
Paramount Engineering & Construction Sdn Bhd

100%
Paramount Property Construction 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

100%
Paramount Property (PW) Sdn Bhd

100%
Paramount Property (Sepang) Sdn Bhd

100%
Paramount Property (Shah Alam) Sdn Bhd

100%
Paramount Property (Utara) Sdn Bhd

- **100%**
  Kelab Bandar Laguna Merbok Sdn Bhd

100%
Seleksi Megah Sdn Bhd

Education

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

100%
KDU University College (PG) Sdn Bhd

100%
Paramount Education Sdn Bhd

100%
Paramount Education (Klang) Sdn Bhd

Others

100%
Broad Projects Sdn Bhd

100%
Janahasil Sdn Bhd

100%
Jasarim Bina Sdn Bhd

100%
Paramount Coworking Sdn Bhd

100%
Paramount Global Assets Sdn Bhd (in members' voluntary liquidation)

100%
Paramount Global Investments Pty Ltd

- **100%**
  Paramount Investments & Properties Pty Ltd
  - **50%**
    VIP Paramount Pty Ltd

100%
Paramount Projects Sdn Bhd (in members' voluntary liquidation)

100%
Paramount Property Holdings Sdn Bhd

100%
Paramount Utropolis Retail Sdn Bhd

100%
Utropolis Sdn Bhd

45%
Super Ace Resources Sdn Bhd

CORPORATE PROFILE

Paramount Corporation Berhad (**Paramount** or **the Company**) is one of Malaysia's long-standing investment holding companies. Incorporated on 15 April 1969 as a public limited company under the name Malaysia Rice Industries Berhad, the Company was then principally involved in the business of rice milling. It was listed on the Official List of Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad) on 15 July 1971.

Driven by its vision to be an innovative market leader in businesses that benefit society, Paramount continues to make great strides in propelling its businesses, under the Paramount Property and Paramount Education brands, into formidable entities that consistently contribute to the growth and development of Malaysia and the Malaysian people.

PARAMOUNT PROPERTY – THE PEOPLE'S DEVELOPER

In 1978, the Company acquired a real estate company, and was restructured into a property development company, making it one of Malaysia's oldest property developers. The Company assumed its present name in 1980 to better reflect its business activities. Two years later, the Company acquired four property development companies and commenced property development activities in Sungai Petani (Paramount ceased its rice milling operations in 1984).

Today, Paramount Property is a full-spectrum integrated property developer, with residential, commercial, retail, education, hospitality, industrial and integrated developments. Leveraging on its track record for building highly-valued addresses that stand the test of time, Paramount continues to grow its landbank to create desirable addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population, which in turn cements its reputation as the people's developer.

From Townships to Integrated Developments

Paramount Property's first property development project was Taman Patani Jaya in Sungai Petani. Launched in 1981, the development set new industry benchmarks in township design and planning. Having established a reputation for quality and reliability in the Northern region, Paramount increased its landbank in the area with the acquisition of 500 acres of land in November 1994. This led to the launch of its award-winning Bandar Laguna Merbok township in 1996 - a luxury riverside residential address home to Kedah's first gated and guarded community.

In line with Paramount's strategy to expand into high growth areas, the Company acquired 524.7 acres of freehold land in the Klang Valley in June 2003. Today, Paramount Property's first township in the Klang Valley, Kemuning Utama, is a mature, self-contained address located along the KESAS Highway, with early owners enjoying strong capital appreciation. Kemuning Utama is also home to Paramount Property's first high-rise development, KU Suites.

On the back of Bandar Laguna Merbok's success, Paramount added 520 acres of land in Sungai Petani in December 2006. This led to the launch of the Bukit Banyan forest development in 2012. Sungai Petani's only gated and guarded hilltop development, Bukit Banyan features lush landscapes anchored by a 25-acre forest park.

In 2007, Paramount Property made the strategic decision to venture into commercial and industrial property development, acquiring 5.2 acres of industrial land in Petaling Jaya for a proposed commercial development. This was followed by the acquisition of two parcels of industrial land totalling 13.2 acres in January 2008, for Paramount's Surian Industrial Park in Kota Damansara. Shortly after, another two parcels of industrial land in Kota Damansara, measuring approximately 9.4 acres, were acquired in February 2008. An application has been submitted to the authorities to convert the land use from industrial to commercial.

Recognising the potential of Malaysia's tech hub in Cyberjaya, Selangor, Paramount Property acquired 50 acres of freehold residential land there in June 2010. In 2013,

CORPORATE PROFILE

Paramount Property launched Sejati Residences, a gated and guarded precinct built around the concept of *inviting the outdoors in*. Featuring spacious, luxury landed homes, lush landscaping and eco-friendly features, Sejati Residences is anchored by Chengal House, a 11,000 sq ft clubhouse built using 200-year-old upcycled chengal wood. The iconic building is Paramount's tribute to the beauty and resilience of Malaysian hardwoods and a source of pride to the Sejati Residences community.

In June 2011, Paramount entered into a 50-50 joint venture with an Australian company to acquire 54.2 acres of land known as Crown Allotments 4A and 4B at Leakes Road, Rockbank, Victoria, Australia, for future development. In December the same year, Paramount completed the acquisition of 29.2 acres of commercial land in Klang Town, which is earmarked for the future development of an integrated commercial hub.

In February 2012, Paramount completed the acquisition of 21.8 acres of freehold land in Glenmarie, Shah Alam. The following year, Paramount Property launched Paramount Utropolis, an integrated, self-contained university metropolis with a distinctive urban vibe. The township features high-rise residential and commercial properties, as well as Paramount Property's first retail property, Utropolis Marketplace. Anchored by the 10-acre flagship KDU University College campus, Paramount Utropolis marks the first time Paramount has brought its property development and education businesses together in one integrated development. A hotel has also been earmarked for this development, marking Paramount Property's first venture into hospitality building and development.

In 2013, the Group acquired 30.3 acres of industrial land in Shah Alam, creating a commercial hub called Sekitar26. The same year, Sekitar26 Business was launched – a 13.2-acre boutique development comprising detached and semi-detached industrial lots designed for a myriad of business uses, with seamless access to the larger Sekitar26 development.

In March 2014, the Company cemented its position as a leading developer in the Northern region with the acquisition of 30.7 acres of freehold land in Batu Kawan, Penang, from Penang Development Corporation. The land, located approximately 5.5 km from the Second

CORPORATE PROFILE

Penang Bridge and part of what is will be Penang's third township, comprises 10.4 acres of institutional land and 20.3 acres for mixed development land. An additional 13.5-acre plot of land comprising 5 acres of freehold land and 8.5 acres of mixed development land, adjoining this 30.7-acre landbank was purchased in May 2015. The acquisition marked Paramount Property's entry into the lucrative Penang property market, and paved the way for the creation of Penang's first university metropolis, Utropolis Batu Kawan. Mirroring Paramount's successful Utropolis Glenmarie concept, Utropolis Batu Kawan is an integrated development anchored by a 10-acre KDU Penang University College campus.

Continuing its foray into the Northern region, Paramount completed the acquisition of a 65-acre landbank in Machang Bubuk, Penang in February 2015. This development has been earmarked for affordably-priced landed residential development. In July 2016, a further four acres of adjacent land was acquired to enhance the viability of any future development.

In September 2015, the Company completed the acquisition of 238 acres of freehold land in the highly-accessible Sepang-Salak Tinggi, Selangor area. This led to the launch of Greenwoods Salak Perdana, Paramount Property's second township in the Klang Valley which offers affordably-priced landed homes set amidst wide inviting spaces, tranquil parks and abundant greenery.

An Award-Winning Developer

With its reputation for innovative, practical designs and strong adherence to quality, it is no surprise that Paramount Property has earned several awards through the years.

In 2004, it garnered the 12th FIABCI-Property Award of Distinction 2004, Residential Development Category for Bandar Laguna Merbok, a first for a residential development outside the Klang Valley.

Paramount Property achieved another major milestone when the purpose-built private primary and secondary school, Sekolah Sri KDU, won the FIABCI-Malaysia, Malaysia Property Awards 2005 in the Specialised Project category. Sekolah Sri KDU was also named first runner-up in the Specialised Category of FIABCI International Prix d'Excellence 2006.

In March 2015, Paramount Property received two awards at the Property Insight Inaugural Prestigious Developer Awards - Best Boutique Development Award for Sejati Residences and Best Self-Sustained Development Award for Paramount Utropolis.

In September 2015, it was honoured with two awards at the Malaysian Construction Industry Excellence Awards (MCIEA) 2015 – the Best Project Award in the Small Project, Building Development category for pushing construction boundaries in the use of reclaimed timber with the construction and completion of Chengal House; and a Special Mention for the Green Construction Special Award in recognition of Chengal House's green construction concepts and practices as well as environmental impact.

Paramount Property continued this winning trend in 2016, picking up several notable awards. In March, the Company was accorded the All-Star Award at the inaugural StarProperty.my Awards 2016, in recognition of its achievements in engaging, supporting and serving customers and communities. Paramount Utropolis also received an Honours Award in the 'Just Walk' category, recognising the development's overall design and layout, which placed emphasis on creating an integrated township with all key elements within walking distance of each other.

In November 2016, The Edge-PEPS Value Creation Excellence Award was presented to Paramount Property for its Pangsapuri Kemuning Aman project in Kemuning Utama. This award recognises developers who create the best value for buyers, as measured by capital appreciation.

Chengal House continued its award-winning trajectory, taking home its fifth award in two years - the FIABCI award in the Purpose-Built category, announced in November 2016, making it the fourth FIABCI award won by Paramount Property.

CORPORATE PROFILE

More recently, at the StarProperty.my Awards in March 2017, Sejati Residences won the 'Earth Conscious' award for most sustainable development.

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

PARAMOUNT EDUCATION – SHAPING CHARACTERS, BUILDING CAREERS

Paramount Education has its beginnings in the early 1980's, at a time of great challenge. Spaces in Malaysian public universities were limited and spiralling exchange rates created a financial strain on Malaysians studying overseas. Amidst this environment, Kolej Damansara Utama – later known as KDU College – was established in 1983 in Damansara Jaya, Selangor to provide the opportunity for young Malaysians to pursue quality tertiary education locally.

KDU College was Malaysia's first purpose-built private college and the first to offer twinning programmes for Pre-University and the American Degree Transfer Programme, a very successful model that other education providers quickly emulated. Over the years, KDU College gained a strong reputation for high quality education, attracting students from across the country and overseas.

KDU College became the anchor from which the Paramount Education group grew. Today, Paramount Education is a full-spectrum education services provider, offering the National Primary and Secondary Curriculum at Sri KDU and the International Primary Curriculum, the British National Curriculum and IGCSE at Sri KDU International Schools, pre-university, foundation and twinning programmes at KDU College Petaling Jaya, homegrown degree and masters programmes at KDU University College Glenmarie and KDU Penang University College as well as postgraduate programmes at KDU Management Development Centre Sdn Bhd. It's reputation for high value, high quality education, has cemented its reputation for shaping characters and building careers.

KDU University College

In August 2010, KDU College was upgraded to university college status, becoming KDU University College (**KDUUC**). In January 2015, KDUUC moved to its new purpose-built Utropolis campus at Glenmarie, Shah Alam with its state-of-the-art facilities and a contemporary teaching and learning environment.

Today, KDUUC offers a wide range of programmes at Diploma, Degree and Masters levels. Its homegrown degree programmes are at the forefront of growing industries, reflecting its promise of a real-world university meeting real-world needs. Its flagship schools include the School of Hospitality, Tourism and Culinary Arts, boasting the biggest teaching kitchens in South East Asia, the School of Computing with its renowned Game Development programme, the School of Communications and Creative Arts, as well as the School of Business.

KDUUC emerged a Bronze award winner in the Education and Learning category at the Putra Brands Awards 2015, reflecting the efforts that have gone into building the KDU brand.

CORPORATE PROFILE

KDU Penang University College

Spurred by the success of the Damansara Jaya campus, Paramount Education opened KDU College Penang in July 1991. After 25 years as one of the top colleges in Penang, with a 6-Star rating in the Malaysian Quality Evaluation System for Private Colleges (**MyQuest**), KDU College Penang successfully received the Ministry of Higher Education's approval for its upgrade to university college status. This upgrade has led to the change of the college's name to KDU Penang University College (**KDU PG UC**) in October 2015.

In 2015, KDU PG UC also commenced development of its new purpose-built campus in Batu Kawan, Penang, which is expected to further spur the growth of the KDU brand in the Northern region. The campus will be completed in 2019.

KDU College Petaling Jaya

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

Sekolah Sri KDU

In 2003, Paramount Education established Sri KDU Schools, marking its expansion into the private primary and secondary school category. Located in an award-winning campus in fast-growing Kota Damansara, Sekolah Sri KDU, offering the national primary and secondary curriculum, quickly established a reputation for high quality, all-round education under its ethos of *letting every student shine*. In 2007, Sri KDU Schools included the International Baccalaureate Diploma Programme (**IBDP**) to its offering, providing a holistic education that equips students with critical-thinking skills and a global outlook.

Testament to Sri KDU School's sound pedagogy, Sri KDU Secondary School secured the top position among Malaysian schools in the Programme for International Student Assessment (**PISA**) 2012, placing it among top-ranked schools from 65 countries in mathematics, science and reading. In addition to providing good quality, high value education, the school's pedagogy includes a high focus on character-building through its structured performing arts programme and extra-curricular activities.

Sri KDU International School

In response to the growing preference for private international schools, Sri KDU Schools opened the Sri KDU International School (**SKIS**) in September 2011 at the Sri KDU Schools campus in Kota Damansara, Selangor.

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

Over the years, SKIS has produced many outstanding students, and in 2015, five SKIS students emerged as best performing learners in the IGCSE in First Language English, Design & Technology and Arts & Design.

Sri KDU Schools consistently enjoy a high enrolment, inspiring Paramount Education to put in place plans for expansion. In August 2015, the Ministry of Education gave its stamp of approval for the establishment of a Sri KDU International School in Klang.

REAL Education Group

In line with the Group's strategy to scale up its primary and secondary school segments, Paramount Education inked an agreement on 11 January 2017 to acquire a 66% stake in REAL Education Group (**REAL**).

REAL has a strong presence in the kindergarten, primary and secondary and child enrichment programmes sectors under three key brands – REAL Kids, REAL Schools and Cambridge English for Life. With an instant access to REAL's 18,000 strong student base, Paramount Education, will, upon completion of the acquisition, emerge as one of the largest full-spectrum education services provider in Malaysia.

The acquisition provides Paramount Education the opportunity to widen its student universe, venturing into K-12 education and offering more affordable alternatives for high quality primary and secondary school education in key market centres.

Paramount Education is proud to have had over 80,000 students since its inception; testament to Paramount's vision of being an innovative market leader in businesses that benefit society.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' TEO CHIANG QUAN
DPTJ
Chairman & Executive Director

JEFFREY CHEW SUN TEONG
Group Chief Executive Officer & Executive Director

DATUK SERI MICHAEL YAM KONG CHOY
SMW, DSNS
Senior Independent Non-Executive Director
Mobile : 012-639 8578
Email : myam@pcb.my

DATO' MD TAIB BIN ABDUL HAMID
DSDK
Independent Non-Executive Director

DATO' ROHANA TAN SRI MAHMOOD
DPMP
Independent Non-Executive Director

ONG KENG SIEW
Independent Non-Executive Director

QUAH CHEK TIN
Independent Non-Executive Director

TAN SRI JAMES FOONG CHENG YUEN
PSM
Independent Non-Executive Director

QUAH POH KEAT
Independent Non-Executive Director

SECRETARIES

Tay Lee Kong
(MAICSA 772833)

Ng Wai Peng
(MAICSA 7014112)

REGISTERED OFFICE

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

REGISTRAR

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

AUDITORS

Ernst & Young, Chartered Accountants

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

OTHER INFORMATION

REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

AUDIT AND NON-AUDIT SERVICES RENDERED

For financial year ended 31 December 2016, Ernst & Young provided the following audit and non-audit services to the Group at the respective fees:

	Company RM'000	Group RM'000
Fees paid/payable to Ernst & Young		
• Audit	105	413
• Audit-related		
- Accounting and review work rendered for the Company's LTIP	25	25
- Review of the Statement on Risk Management and Internal Control	5	5
- Review of the Group's compliance with the Housing Development (Control and Licensing) Act, 1966	0	15
	135	458
• Non-Audit		
- Tax computation services	26	243
Total	161	701

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

EMPLOYEE SHARE SCHEME

The Long Term Incentive Plan (**LTIP**) 2013-2020, which involves the allotment and issuance of new ordinary shares in the Company to eligible employees and executive directors of Paramount Corporation Berhad and its subsidiaries provided that the total number of shares so allotted shall not at any time exceed ten per centum (10%) of the issued share capital of the Company, was implemented on 17 September 2013.

Details of the LTIP are set out in Note 35 to the Audited Financial Statements on pages 161 to 163 of this annual report.

02

THE INNOVATION STORY

MESSAGE FROM THE CHAIRMAN

Dear friends of Paramount,

On behalf of my fellow Board members, I am pleased to report that Paramount Corporation Berhad and its subsidiaries (**the Group**) delivered a good set of financial results for the financial year ended 2016, registering an 11% growth in profit before tax and making further strategic progress.

In 2015, the Group adopted a set of four clear and focused strategies formulated for a 5-year period through to 2019. The four stated strategies are as follows:

- Deriving synergies from its two core businesses of property development and education;
- Scaling up the primary and secondary school segment while increasing the capacity and capabilities of the tertiary segment;
- Building to meet market demand by broadening Paramount Property's spectrum of products in different locations; and
- Building the Paramount, Paramount Property and Paramount Education brands.

The details of which can be found in the Management Discussion and Analysis report.

The Board will continue to review, refine and track the progress of these strategies and ensure that the Group executes them with stringent financial discipline and integrity, to ensure sustainable growth and consistent shareholder returns. With a strong governance framework in place to support the long term sustainability and growth of the business, the Board will ensure that we continue to monitor important areas such as compliance, risk management and internal controls.

MESSAGE FROM THE CHAIRMAN

This leads me to touch on Paramount's corporate culture, founded on the five values of trust, respect, integrity, bravery and energy, referred to within the organisation by the acronym TRIBE. I believe that people and talent are central to all that we do. As we seek to deliver sustainable investment returns to our shareholders, we hold our people to the highest standards of respect and integrity, in turn building a solid foundation of trust across the organisation and amongst our stakeholders. We encourage our people to be bold in embracing innovation, and to imbue their efforts with bravery and dynamism.

Leadership development and succession planning remains a key focus at Paramount and we will continue in our efforts to develop a strong and diverse talent pool, with a breadth and depth of knowledge and capabilities, to encourage our people to realise their full potential.

On this note, I am delighted that the Board welcomed two new directors during the year. YBhg Tan Sri James Foong Cheng Yuen joined the Board on 25 May 2016 as an independent non-executive director. Tan Sri James, a lawyer by training, was a former Federal Court Judge in the Malaysian Supreme Court and retired from Malaysian Judiciary in 2012. On 8 June 2016, Mr Quah Poh Keat joined the Board also as an independent non-executive director. Mr Quah is an accountant by training and retired senior partner from KPMG. Both these gentlemen bring with them a wealth of legal, corporate and financial experience which will refresh and rejuvenate the Board.

It is with deep regret that we bid farewell to Dato' Md Taib bin Abdul Hamid, a Board member since 1994 and Chairman of the Board of Directors for 14 years. Dato' Taib has informed the Board of his intention not to seek re-election at the Company's forthcoming Annual General Meeting after relinquishing his Chairman post last year. I would like to thank him in advance for his long and distinguished contribution to the Group. He has fulfilled important roles, as the Chairman of the Board of Directors, as a Member and Chairman of the Remuneration Committee and as a Member of the Nomination, Audit and Board Risk Management Committees. During this time, he put his extensive expertise and impartial judgement to good effect as an Independent Non-Executive Director.

As I reflect on the past year, I am mindful that challenges will continue to test us. At the same time, I am grateful that we have managed to grow and thrive amidst it all. I believe our courage to challenge the status quo, perseverance in overcoming obstacles, together with the passion and dedication to see things through have helped us to achieve so much in 2016, in spite of the sluggish economic environment.

Without a doubt, our exceptional people and talent are fundamental to the delivery of a successful year. On behalf of the Board, I would like to thank all Paramount people for living up to the Paramount values, and going the extra mile to achieve good results. My thanks also to our customers and business partners for their loyalty and support in the past year. You have been instrumental in helping us set the stage for strong and sustained growth moving forward.

We commit to continue to push ourselves to innovate, improve and invest in our business and our people in order to stay ahead in this race.

I look forward to 2017 as a year of further investment in the Group's growth and continued value creation for all our stakeholders. Here's to many more successes that we will create together as we forge forward in our journey.

DATO' TEO CHIANG QUAN
Chairman & Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

Paramount Corporation Berhad (**Paramount** or **the Company**) is an investment holding company, with a vision to be an innovative market leader in businesses that benefit society. In line with this, Paramount and its subsidiary companies (**the Group**) has well-established interest in property development and education, operating under the Paramount Property and Paramount Education brands respectively.

Paramount Property

Paramount Property is an award winning developer with a 35-year track record for building enduring addresses in Sungai Petani and Klang Valley. From its beginnings as a township developer in Sungai Petani, Paramount Property has grown its portfolio to include residential, commercial, retail, institutional, industrial and integrated developments.

Paramount Property is renowned for its functional and practical designs that adapt to the evolving needs of property owners and occupiers, as well as its strong adherence to quality, its commitment to delivering value and its respect for the customer. Leveraging on this strong track record, Paramount Property continues to look for opportunities to grow its landbank and create desirable addresses that feature innovative, practical designs to meet the needs of the growing Malaysian population. This, in turn, has cemented its reputation as the People's Developer.

Currently, Paramount Property has seven ongoing developments – Sejati Residences, Utropolis Glenmarie, Sekitar26 Business and Greenwoods Salak Perdana – all in the Klang Valley; Bandar Laguna Merbok and Bukit Banyan in Sungai Petani, Kedah as well as Utropolis Batu Kawan in Penang.

Sejati Residences, Cyberjaya

- Paramount's first high-end residential development, built around the concept of *inviting the outdoors in*.
- Anchored by the award-winning Chengal House, an iconic clubhouse built using 200-year old upcycled chengal wood.
- 249 units of landed residential bungalows, semi-detached and superlink properties on 40 acres of land, with another 10 acres of land on which development plans are being finalised.
- Located in Cyber 9, Cyberjaya, the development is a mere 7 minutes (3.3 km) drive from D'Pulze Mall, 9 minutes (4.2 km) from the MultiMedia University and 5 mins (2.2 km) from LHDN.
- Multiple award winning development:
  - 2016 FIABCI Award in the Purpose Built category for Chengal House.
  - QLASSIC Achievement Award 2016 by Malaysia's Construction Industry Development Board.
  - Top award for being 'Earth Conscious' at StarProperty.my Awards 2017.
- Launched in 2013; expected completion in 2021.
- Current property prices range from RM1.95 million to RM3.5 million.
- Total GDV of RM740 million; remaining GDV of RM409 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Utropolis Glenmarie, Shah Alam

- Marked the first time Paramount brought its two core businesses of property and education in one location, in the process bringing to life its strength-through-synergy strategy.
- An integrated masterplanned university metropolis with a strong urban vibe, encompassing 11.7 acres of freehold land.
- Anchored by the 10-acre KDU University College flagship campus.
- Located in Glenmarie, Shah Alam, the development is easily accessible to all corners of the Klang Valley via major highways and the KTM and LRT railway systems.
- 1,484 units of serviced apartments, SOHO's and dual key residential apartments, 120,000-sq ft retail space, co-working space cum incubator and a 4-star business class hotel.
- Winner of StarProperty.my Just Walk Award 2015.
- Launched in 2013; expected completion in 2020.
- Current property prices range from RM387,000 to RM1.04 million.
- Total GDV of RM920 million; remaining GDV of RM330 million.

Sekitar26 Business, Shah Alam

- Part of the 30-acre Sekitar26 development, envisioned to be a thriving place of business and a vibrant destination for leisure.
- An integrated address with an urban DNA, contemporary designs and a lush landscape.
- Located along Persiaran Kuala Selangor, Shah Alam and adjacent to Hicom Glenmarie Industrial Park, the development is surrounded by the mature catchment of Section 26, Shah Alam, as well as USJ, Puchong and Kota Kemuning
- Sekitar26 Business is a boutique industrial development sitting on 13.2 acres of freehold land.
- Comprises 38 units of 3-storey semi-detached industrial units and 1 three-storey detached industrial unit, all with wide storefronts – designed for a myriad of uses.
- Launched in 2013; completed in 2016.
- Current property prices range from RM5.7 million to RM6 million.
- Total GDV of RM220 million; fully developed, with three units remaining unsold.

MANAGEMENT DISCUSSION AND ANALYSIS

Greenwoods Salak Perdana, Sepang

- Paramount Property's second township development in the Klang Valley developed around the concept of *My Home, My Community*.
- Mixed township development on 237 acres of freehold land, with 970 units of landed residential houses, 140 units of townhouses, 244 shops and 2,659 units of apartments.
- Located in Salak Tinggi, Sepang, 1.8 km north of Bandar Salak Tinggi, and easily accessible via major highways as well as the ERL.
- Close to Xiamen University Malaysia, Nilai University, Mitsui Outlet Park and Kuala Lumpur International Outlet.
- Launched in 2015, with first phase of 96 units landed residential homes; expected completion in 2024.
- Current property prices range from RM603,000 to RM1.24 million.
- Total GDV of RM1.06 billion; remaining GDV of RM1 billion.

Bandar Laguna Merbok, Sungai Petani

- Paramount's first township development and Kedah's first gated and guarded community.
- Riverside mixed township development next to Sungai Merbok, with Gunung Jerai as its backdrop.
- Set on 500 acres of freehold land, with 4,251 units of bungalows, semi-detached and double-storey terrace homes as well as commercial shophouses.
- Located in Sungai Petani, Kedah, the development is directly accessible via the Western Bypass and is conveniently connected to the Sungai Petani-Alor Star Federal Route and the North-South Highway.
- Award-winning township development – recipient of the 2004 FIABCI- Malaysia Best Residential development, the first for a Malaysian property outside the Klang Valley.
- First launched in 1996; expected completion in 2018.
- Current property prices range from RM283,000 to RM493,000.
- Total GDV of RM920 million; remaining GDV of RM9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Bukit Banyan, Sungai Petani

- Sungai Petani's first hillside, gated-and-guarded township development.
- 520 acres of freehold land, with 25 acres set aside for a hill park.
- Mixed township development with 4,984 units of bungalows, semi-detached and double storey terrace properties, as well as commercial shophouses.
- Located in Sungai Petani, Kedah, 9 km from Sungai Petani town and easily accessible via major highways.
- First launched in 2012; expected completion in 2027.
- Current property prices range from RM180,000 to RM936,000.
- Total GDV of RM1 billion; remaining GDV of RM719 million.

Utropolis Batu Kawan, Penang

- Marks Paramount's entry into the lucrative Penang market.
- An integrated university metropolis, mirroring Paramount's very successful Utropolis Glenmarie, comprising 20.3 acres of freehold land and 8.5 acres of leasehold land.
- Comprises residential apartments, 2- and 3-storey commercial lots and retail centre, all anchored by the 10-acre KDU Penang University College.
- Centrally located in the heart of Batu Kawan, the third satellite city of Penang, which has been earmarked to serve as the Central Business District and Lifestyle Hub for the Northern region.
- Easily accessible via the North-South Highway, and a mere 10-minute drive from the Penang 2nd Bridge.
- Utropolis Batu Kawan is within easy walking distance to the Penang Design Village premium outlet towards the North and Aspen Vision City, Columbia Asia Hospital and IKEA towards the South.
- Launched in 2016; expected completion in 2026.
- Current property prices range from RM280,000 to RM1.2 million.
- Total GDV of RM1.8 billion; remaining GDV of RM1.7 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Paramount Education

Paramount Education is a full-spectrum education services provider, offering the national and international curricula in primary and secondary schools, through to tertiary and post-graduate programmes.

Paramount Education's tertiary offering across its KDU University College campuses in Glenmarie, Shah Alam and Penang, as well as KDU College Petaling Jaya, is anchored on its promise of being real-world universities meeting real-world needs. Its primary and secondary school offering, via Sekolah Sri KDU and Sri KDU International School, is built on the ethos of *letting every student shine*.

Paramount Education is proud to have had over 80,000 students since its inception in 1983, testament to its 35-year record for providing good quality, high value education, anchored on its promise of Shaping Characters, Building Careers.

KDU University College, Utropolis

- Established in Damansara Jaya in 1983 as KDU College, Malaysia's first purpose-built private college campus.
- Established to provide opportunities for young Malaysians to pursue high-quality overseas tertiary education locally.
- First private college in Malaysia to offer a twinning programme – the American Degree Transfer Programme.
- Upgraded to University College in 2010.
- Moved to its new purpose-built, 10-acre campus at Paramount Utropolis, Glenmarie in January 2015.
- Today, KDU UC offers more than 40 proprietary programmes at Certificate, Foundation, Diploma, Degree and Masters Levels through 6 schools.
- Two of its schools – the School of Hospitality, Tourism & Culinary Arts and School of Computing and Creative Media were involved in two out of the 12 PEMANDU-led Entry Point Projects under the Malaysian Government Economic Transformation Programme's National Key Economic Areas.
- Student population of 2,382, with a capacity for 5,000.
- Fee ranges from RM20,000 to RM80,000 per programme.

MANAGEMENT DISCUSSION AND ANALYSIS

KDU Penang University College

- One of the top university colleges in Penang, offering reputable programmes coupled with strong industry linkages.
- Established as KDU College, Penang in 1991 in Penang's historic old Town Hall.
- Moved to its present campus in Jalan Anson in October, 1997.
- Only private college in Penang (and the Northern region) to be awarded 6-star in MyQUEST 2014/2015 for the large category.
- Upgraded to University College status in 2015.
- Today, KDU Penang University College offers more than 38 programmes at Certificate, Foundation, Diploma, Degree and Masters Levels through six schools.
- Commenced building of new 10-acre flagship campus in Batu Kawan in 2016; target completion 2019.
- Student population of 2,344, with a capacity for 3,500.
- Fee ranges from RM16,000 to RM82,000 per programme.

KDU College (PJ)

- Established in January 2015 at what was previously the KDU University College campus in Damansara Jaya.
- Assumed all the pre-university and twinning programmes with foreign universities as well as professional qualifications previously offered by KDU University College, in line with MOHE regulations for universities and university colleges.
- Offers good quality and foreign degrees at local fees.
- Builds a flow-through pipeline of students for KDU University College.
- Student population of 455, with a capacity of 3,500.
- Fee ranges from RM20,000 to RM70,000 per programme.

MANAGEMENT DISCUSSION AND ANALYSIS

Sri KDU Schools, Kota Damansara

- Sri KDU Schools comprises two campuses – Sekolah Sri KDU and Sri KDU International School.
  Sekolah Sri KDU offers the National Primary and Secondary Curriculum, while Sri KDU International School offers the International Primary Curriculum, British National Curriculum and IGCSE.
- This provides parents a choice between the two curriculum tracks whilst enjoying the benefits of a FIABCI-awarded, purpose-built campus in Kota Damansara.
- Built on the ethos of *letting every student shine*, Sri KDU Schools places great emphasis on developing students to be all-rounded global citizens.

- **Sekolah Sri KDU**
  - Established in 2003, offering the national primary and secondary school curriculum.
  - Introduced the International Baccalaureate Diploma Programme (**IBDP**) in 2007 to enhance its holistic approach to education.
  - Testament to the school's sound pedagogy, Sekolah Sri KDU secured the top position amongst Malaysian schools in the Programme for International Student Assessment (**PISA**) 2012, placing it amongst the top-ranked countries in the world in Maths, Science and Reading.
  - Student population of 2,109 students, with a capacity of 2,300.
  - Fee ranges from RM21,000 to RM25,000 per annum.

- **Sri KDU International School**
  - Launched in 2011 to meet growing demand for international curricula.
  - Assumed the running of the IBDP to streamline programme offering.
  - Student population of 1,008 students, with a capacity of 1,100.
  - Fee ranges from RM35,000 to RM53,000 per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

OBJECTIVES AND STRATEGIES

The Group's 5-year strategy for the period 2015 – 2019 is anchored on four key thrusts:

- **Strength through synergy** – Derive synergies from its two core businesses of property development and education.
- **Grow the education business** in particular the primary and secondary school segment, either organically or through acquisitions. Scale up primary and secondary school offerings and increase capacity and capabilities in the tertiary segment.
- **Focus on real demand** – Leverage on its strong spectrum of offerings and broaden Paramount Property's range of products and locations
- **Build its brands** – Paramount, Paramount Property and Paramount Education to ensure a strong and consistent following.

The Group is progressing well with its strategic plans. Following the success of the Group's first synergistic development, the 11.7-acre Utropolis Glenmarie in Shah Alam, which is anchored by the 10-acre KDU University College, the Group launched Utropolis Batu Kawan in Penang, which mirrors this university metropolis concept. Phase 1 of the development, consisting high-rise residential and commercial properties, was soft-launched in 4Q2016 to overwhelming response.

In line with the Group's strategy to scale up its primary and secondary school segment, Paramount Education inked an agreement to acquire 66% of REAL Education Group (**REAL**) on 11 January 2017.

REAL has been providing kindergarten, primary and secondary school educational services as well as enrichment programmes for more than 30 years. It has three strong brands – REAL Kids, REAL Schools and Cambridge English for Life – with a total of 18,000 students across 30 REAL Kids centres, 6 international and private schools in three campuses and 60 Cambridge centres. Of the latter, nine are wholly-owned, 48 are franchises and three are area development centres. REAL is also managed by a strong leadership team with a wealth of experience and knowledge in this industry.

The acquisition of REAL will allow Paramount Education to accelerate its growth plans, establish a strong leadership position in the K-12 sector, offer an affordable alternative for high quality K-12 education, in turn reaching out to a wider student universe and diversifying into a new kindergarten market, while building a strong base of recurring income for the Group.

There are also opportunities for student continuity and retention, with REAL Kids kindergarten students moving to Sri KDU national and international schools, and REAL School students moving to KDU University Colleges. In addition, this acquisition allows Paramount Education to reap potential synergies, from staffing and training, marketing and shared services. There are also potential synergies with Paramount Property, with the option to offer different K-12 offerings to suit varied development needs.

As Sri KDU is reaching full capacity at its Kota Damansara campus, it is currently finalising plans for a new Sri KDU school in Klang.

In the tertiary segment, KDU University College in its second year of operations at its new campus in Utropolis Glenmarie saw a year-on-year increase in new student enrolment. KDU College, which was established in the old KDU University College Damansara Jaya campus to assume the pre-university and twinning programmes, is operationally stronger with new partnerships reached with more renowned foreign universities, notably University of Chester, which is ranked 21st out of 130 business schools in United Kingdom and 48th out of over 100 universities for Business and Management Studies. KDU Penang University College, which was upgraded to University College status in 2015, and with a stronger academic staff force launched more proprietary programmes. It has also commenced construction of its new campus in the university metropolis in Batu Kawan, earmarked to be Penang's 3rd satellite city.

The muted property market has resulted in the group reviewing and recrafting its property development strategies to focus on real demand; much of it currently in affordably priced properties. It has also adjusted its landbanking strategy, acquiring 238 acres of land in Salak Tinggi, Selangor; additional parcels of contiguous land in Machang Bubuk, Penang, both for landed residential properties, and 43.8 acres in Batu Kawan, which included 28.8 acres for integrated development. This, in turn, allows the Group to broaden its property portfolio to offer different property concepts in different locations and at different price points, all designed to meet market demand.

The Group has also put in place several measures to improve the profile of its key brands. Critical to this is the re-crafting of the Group's corporate and visual identity to reflect the synergies between its two core businesses – Paramount Property and Paramount Education – and for broader appeal. There has also been continuous and enhanced Investor Relations and media engagement efforts.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was also a proud recipient of a Merit Award by the Minority Shareholder Watchdog Group for Best AGM in 2016. Paramount Property, in particular, has also helped the Group's reputation building efforts by garnering a number of awards in recent years, the more significant of which included:

- **FIABCI-Malaysia Property Award 2016** in the Purpose Built category, for Chengal House at Sejati Residences
- **The Edge-PEPS Value Creation Excellence Award 2016** for Pangsapuri Kemuning Aman
- **All-Star Award at StarProperty.my Awards 2016** for Paramount Property
- **QLASSIC Achievement Award 2016** for Sejati Residences

REVIEW OF FINANCIAL RESULTS

FY2016 was another year of growth for the Paramount group. Profit before tax (**PBT**) grew 11% year on year to RM112.5 million (FY2015: RM101.7 million), on the back of revenue of RM573.1 million that was maintained at about the previous year's level (FY2015: RM576.0 million). The higher PBT was attributable to a higher PBT contribution from Paramount Education while the flat revenue was attributable to the lower contribution from Paramount Property offset by the higher contribution from Paramount Education.

Profit net of tax rose by 20% to RM88.7 million (FY2015: RM74.2 million). The lower effective tax rate was attributable to real property tax paid on the gains of RM8.8 million recorded on the disposal by KDU College of student accommodation apartments and the 5-year Investment Tax Allowance incentive granted on the Sri KDU International School building. The total capital expenditure incurred on the latter that qualified for Investment Tax Allowance from 14 January 2011 to 13 January 2016 is estimated at RM25 million. Profit attributable to ordinary equity holders of the Company increased by 11% to RM75 million (FY2015: RM67.7 million). Hence, return on equity was higher at 8.4% (FY2015: 7.9%) and correspondingly earnings per share increased by 11% to 17.74 sen (FY2015: 16.03 sen). Shareholders fund increased to RM934.6 million (FY2015: RM890.8 million) while Net Assets per share increased to RM2.21 (FY2015: RM2.11).

In line with the improved performance and to reward shareholders, the Board is recommending a higher final dividend of 6.00 sen per share (FY2015: 5.75 sen) for the approval of shareholders at the Company's forthcoming Annual General Meeting scheduled to be held on 18 May 2017.

Together with the interim dividend of 2.50 sen per share paid out on 28 September 2016, the total dividend for the year under review would amount to 8.5 sen (FY2015: 8.25 sen), representing 48% of profit attributable to the owners of the Company.

The Group's gross debt gearing ratio was higher at 0.56 times (FY2015: 0.50 times), which is within the risk appetite threshold adopted by the Group. Net loans increased by RM87 million attributable mainly to additional loan drawdowns to fund the construction of the newly-launched Utropolis Batu Kawan development and the new KDU Penang University College campus at Utropolis Batu Kawan.

The Group's cashflow from operating activities remains healthy, attributable to the strong profit achieved during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING ACTIVITIES

Paramount Property

Paramount Property continued to be the main contributor to both the Group's revenue and PBT of 73% and 69%, respectively. Revenue for the division was marginally lower at RM420.5 million, about 2% less compared with the previous year's revenue (FY2015: RM427.3 million). This was due principally to the substantially lower contribution from the Sekitar26 Business development, which was completed and handed over during the year. Higher contributions from the Bukit Banyan and Sejati Residences developments arising from higher sales and higher progressive billings, together with the coming on-stream of new developments, namely, Greenwoods Salak Perdana and Utropolis Batu Kawan, ameliorated the lower revenue contribution from this completed development.

Paramount Property's PBT decreased marginally by 1% to RM82.5 million (FY2015: RM83.1 million) attributable to higher losses from the retail mall in Utropolis Glenmarie, which commenced business operations in June, 2016. This was however offset by the higher PBT contributions from property development, namely, the Bukit Banyan, Sejati Residences, and Greenwoods Salak Perdana developments, as well as the recognition of remaining construction profits from a completed external project, the accounts of which were finalised at the beginning of FY2016.

In terms of property sales, strong sales momentum were seen across all Paramount Property's developments especially towards the second half of the year, resulting in the division registering sales of 459 units with a GDV of RM420 million surpassing its sales target of RM400 million set for the year. Based on property market studies and consumer trends, Paramount Property launched 465 units with a sales value of RM385 million, comprising 58% landed residential (of this 40% were affordably priced homes) and 42% in high-rise condominiums, during the year. The new launches enjoyed take-up rates of between 50% to 90%.

Up in the North, the Bandar Laguna Merbok and Bukit Banyan developments in Sungai Petani have been registering steady sales since their respective launches in 1996 and 2012. These developments registered combined sales of 183 units of 2-storey shop offices, double storey terraces, semi-detached and bungalow homes, with a total sales value of RM81 million. For FY2016, both these developments generated a combined revenue of RM103.3 million and a combined PBT of RM33.3 million.

The division's newest development, Utropolis Batu Kawan, in Penang was launched in 4Q2016 and out of the 196 units of commercial shoplots that were launched, 54% or 105 units with a total sales value of RM162 million were sold by year end. In the absence of any progressive billings at this stage of the development, no revenue had been recognised as yet.

Over in the Klang Valley, Sejati Residences, which has seen an uptrend in sales as the development matures, making its concept of *inviting the outdoors in* and strong value proposition more apparent, delivered sales of 46 units of super link, courtyard villas, semi-detached and bungalows with a total sales value of RM117 million. The development generated revenue of RM59 million and a PBT of RM5.2 million in FY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Utropolis Glenmarie closed the year with sales of 63 units of serviced apartments with a total sales value of RM59 million. Despite a lacklustre start at the beginning of the year, sales momentum began to pick up in the second and third quarters, and even quadrupled in 4Q2016. Sales were buoyed by attractively packaged offers and the continual enhancement of this self-sustaining integrated development, including the proposed establishment of a business class hotel. Utropolis Glenmarie generated revenue of RM162.4 milion and a PBT of RM31.3 million for FY2016.

Sekitar26 Business, now at the tail end of development, sold seven units of semi-detached industrial lots with a sales value of RM40 million. This development generated revenue of RM41.8 million and a PBT of RM3.2 million for FY2016.

Greenwoods Salak Perdana sold 55 units of double storey terrace with a sales value of RM33 million and generated revenue of RM17.9 million and a PBT of RM1 million for FY2016.

At the close of FY2016, unbilled sales stood at RM407 million, which was comparable to the unbilled sales of the past years' closing.

Paramount Education

The Group's second core business, Paramount Education, turned in a stronger set of results for 2016 compared to the previous year. Revenue grew marginally by 3% to RM152.4 million (FY2015: RM147.9 million) attributable to higher revenue contributions from the primary & secondary schools and KDU University College stemming from higher new student enrolments. PBT for the division increased by 68% to RM36.4 million (FY2015: RM21.7 million) mainly attributable to the gain of RM8.8 million recognised on the disposal of a block of student accommodation apartments that were no longer required following KDU University College's move to the new campus at Utropolis Glenmarie, Shah Alam. KDU Unversity College's cost savings and operational efficiencies resulted in it incurring lower losses and Sri KDU's achievement of record profits for the 11th year running also contributed to the overall improved profitability of Paramount Education.

The division recorded a marginally higher student number of 8,298 for the year under review, an increase of 1% from the previous year (FY2015: 8,251) attributable to the higher student number from KDU University College.

- **Primary & Secondary Schools**

  Sri KDU Schools with its strong value proposition continued to drive the performance of the education division, recording a marginally higher revenue of RM83.8 million, an increase of 3% over the previous year (FY2015: RM81.7 million). PBT increased by 6% to RM37.5 million (FY2015: RM35.3 million).

  The rapid opening of new schools over the last few years has affected the private/international school market landscape. In the past, private/international schools hardly gave out any form of discounts. With the accelerated increase in capacity, however, all new schools and many established older schools are giving out discounts, fee rebates, waivers and scholarships. Sri KDU Schools continue to be one of the few remaining schools not to have reduced its fees through promotional offerings, as it is confident it is providing good value for money with its high quality of education and moderate fee levels. Despite the intensifying competition in the market, Sri KDU Schools' enrolments, though marginally below the previous year's, continue to be strong at 3,117 students (FY2015: 3,141).

- **Tertiary Institutions**

  Despite the highly competitive nature of the tertiary education market, where giving of huge discounts and offers of attractive scholarships are the norm, this segment managed to record a marginally higher revenue of 4.3%, to RM67.9 million from the previous year (FY2015: RM65.1 million) and a substantially lower loss before tax (LBT) of RM10.1 million, by 28.9% compared to the previous year (FY2015: RM14.2 million).

  - KDU University College, Utropolis Glenmarie and KDU College, Petaling Jaya

    KDU University College and KDU College recorded a combined lower LBT of RM6.2 million in 2016 (FY2015: RM20.9 million) on the back of higher revenues of RM42.2 million (FY2015: RM39.3 million). The lower LBT was principally attributable to the gains of RM8.8 million recorded on the disposal of the block of student accommodation apartments, as well as the cost saving and operational efficiency measures that were implemented throughout the year, as mentioned earlier.

MANAGEMENT DISCUSSION AND ANALYSIS

The university college and college, both in their second year of operations, made great advancements in terms of operations. KDU University College, in an effort to be more focused on market demand and potential, chose three schools i.e. School of Hospitality, Tourism and Culinary Arts, School of Business and School of Computing and Creative Media to be shaped into flagship schools.

Additional focus is being placed on these three schools, to build a unique selling proposition for each. This includes improving brand and programme recognition, enhancing career and entrepreneurial outcomes for graduates and creating international partnerships and mobility options for programmes in these schools, all of which are aimed at raising the profile of the schools and the quality of the programmes.

2016 also saw new programmes approved for offering at KDU College. This included the Foundation in Science, Certificate in Hotel Operation and three Bachelor of Arts business programmes with twinning partner, Chester University. Two proprietary programmes – Diploma in International Hotel Management and Masters in Arts, were also introduced at KDU University College.

On top of strengthening university partnerships at the college, KDU University College has established many articulation relationships with universities globally, including 15 universities in the United States, seven in Canada, 17 in the United Kingdom and 15 in Australia; all designed to provide more options for students. These universities accept KDU University College's home grown programmes as entry and/or credit transfer into the various levels of their respective degrees.

KDU University College has also established strong collaborations with renowned establishments such as the ALMA La Scuola Internazionale, Italy, the world leading international education and training centre for Italian cuisine, to give Year 3 culinary management students the option to spend a semester at ALMA.

There is also increased focus on the bumiputra market through school engagements and education fairs. Paramount Education is also making an effort to grow its international student number by prioritising performing agents, offering competitive agency fees as well as other incentives. More attention is being placed on data-driven marketing , with the performance of individual staff, channels, agents, campaigns and marketing activities being closely monitored to gauge their effectiveness.

During the year, both KDU University College and KDU College participated in and partnered with multinational conglomerates in several nationally-organised events. This is to give KDU academics the opportunity to network and establish working relationships with industry players. At the same time, these events open up learning opportunities for students beyond the classroom and aids in their personal development.

MANAGEMENT DISCUSSION AND ANALYSIS

KDU University College also signed a Memorandum of Understanding with the Asian Institute of Chartered Bankers to collaborate on the sharing of best practices, knowledge of banking trends, recent research in teaching applications and pedagogical materials. The collaboration also includes the two parties sharing expertise to review the university college's banking and finance programme, with the aim of aligning to current industry development and demands.

As a result of these efforts, the total student population for KDU University College and KDU College PJ grew to 2,837 from 2,682 in FY2015.

- KDU Penang University College

KDU Penang University College managed to maintain its 2016 revenue at RM25.7 million (FY2015: RM25.8 million) but its PBT declined by 27% to RM4.9 million (FY2015: RM6.7 million) due to lower student number and higher operating costs, mainly due to new staff hires, especially at PhD level, in its first full year of operation as a university college. Student population declined marginally by 3% to 2,344 (FY2015: 2,428) due in part to the competitive tertiary education market and in part to the sudden termination of a twinning programme with a foreign university. This risk of termination of twinning partnerships has been eliminated, with the university college now having the authority to award undergraduate and post-graduate degrees.

As the first private higher institution in the northern region to become a university college, 2016 was devoted to restructuring the organisation to operate as a university college; designing and developing new programmes, strengthening faculty quality, adopting new teaching and learning approaches and upgrading of facilities and resources to improve student learning experience.

As a result of these efforts, 14 new programmes were approved by the Ministry of Higher Education in 2016, ready for offer in 2017. Of these, eight are dual-award programmes which will be offered in collaboration with the University of Lincoln. In tandem with this, the university college's staff qualification composition has increased to 20% PhD holders and 20% Masters' Holders with diverse backgrounds.

The year also saw the implementation of Blended Learning approaches, with lectures being delivered in a combination of online digital media and traditional classroom methods, for better lecturer and student engagement.

KDU Penang University College has embarked on building a new RM200 million campus to complement the existing Jalan Anson campus on Penang island. The new campus sits on a 10-acre parcel of land, anchoring Paramount Property's Utropolis Batu Kawan development in Batu Kawan, and will provide students and academics with state-of-the-art teaching and learning facilities.

KDU Penang University College has aligned its marketing activities to that of KDU University College, and will increase its marketing focus on bumiputra students by working with MARA, FELDA, Yayasan Sabah and Yayasan Sarawak. This includes promoting its Suria Bursary to eligible bumiputras and reaching out to polytechnics and community colleges with the aim of transferring their graduates to KDU Penang University College's degree programmes.

KDU Penang University College's 25 years' of operating in Penang, the base of many multinational manufacturing companies, has also given it the opportunity to build strong industry linkages. Its partnership with conglomerates such as SIRIM, National Instrument, Motorola and Intel has helped build substantial knowledge transfer infrastructure to connect the university college's research and graduate studies to that of these industries, for collaborative research, professional training and consultation.

In 2016, the university college entered into a collaboration with RMIT, Australia to provide the opportunity for Year 2 degree studies students from the Mass communication and IT programmes to participate in a one-semester study abroad programme. This unique study abroad programme will in future be expanded to include more programmes and to other Asian countries and United Kingdom.

RISKS

As risks are inherent in all business activities and as the Group continues to operate in a challenging business environment, the Group acknowledges that its businesses are exposed to various risks that may have material adverse impact on its performance and financial outcomes.

MANAGEMENT DISCUSSION AND ANALYSIS

To mitigate these risks the group has a formalised and robust Enterprise Risk Management process. In line with Bursa Malaysia's new disclosure requirements, the Group has discussed and developed action plans to address these risks. Details of the key risks are reported in the Statement on Corporate Governance on pages 50 and 67 of this Annual Report.

FORWARD-LOOKING STATEMENTS

The weak consumer sentiment experienced in 2016 is expected to continue into 2017. The ringgit remains volatile in the near term but there is expected recovery underpinned by Malaysia's stable economy.

In the property sector, Bank Negara's stringent lending policies is not expected to ease anytime soon and without any near-term broad cooling measures to boost the property market, 2017 is expected to remain subdued before accelerating in 2018/2019.

We expect a cautious market, with more homebuyers, upgraders and astute investors looking for properties in good locations, in particular townships/integrated developments that are affordably priced and innovatively conceptualised.

Under this scenario, Paramount Property's performance will be underpinned by the breadth of its product portfolio, which includes both affordably-priced properties and innovatively conceptualised developments. The current portfolio consisting of Sejati Residences in Cyberjaya, Utropolis Glenmarie in Shah Alam, Bukit Banyan in Sungai Petani, Greenwoods Salak Perdana in Sepang and the newly launched integrated mixed development, Utropolis Batu Kawan in Penang, is expected to well serve market demand.

This product portfolio will be further supported by the rolling out of another two innovative concept developments in 2017. The first, located in Section 13 in Petaling Jaya, will cater to those interested in investing in this mature and highly-accessible midtown address complemented with senior living concepts, while the second will be Sekitar26 Enterprise, a neighbourhood community retail centre designed for a myriad of uses, with individual strata titles by floor, and anchored by Paramount Property's new development office.

It is every Malaysian's dream to own a property and home; Paramount Property is confident that it will be able to attract buyers by delivering the right products, at the right location and most importantly, at the right price.

On the education front, Paramount Education will continue to face challenges, particularly in the tertiary segment where competition is intense and highly price-sensitive. Education institutions have gone into a price war in an attempt to hold their respective market positions and compete for new students.

In the primary and secondary school segments, competition is also stepping up due to the accelerated increase in capacity both from the rapid opening of new schools over the last few years and the expansion of existing schools. This has resulted in many schools, even the established ones, giving discounts, fee rebates, waivers and scholarships in an effort to attract and retain students.

Against this scenario, Paramount Education's prospects remain good, as overall enrolment to-date has registered growth over the previous year. The primary and secondary schools, with their strong value proposition, will continue to drive the performance of the division. The recent acquisition of R.E.A.L Education Group will boost future income, and has established Paramount Education as one of the largest full-spectrum education services providers in Malaysia, in turn further strengthening its brands and driving enrolment numbers.

In the tertiary segment, 2016 saw many new programmes being approved, ready for offering in 2017. With the efforts made to establish articulation relationships with universities worldwide to increase options for students who wish to continue their studies overseas, investments into building unique selling points for flagship schools to raise their profiles, the focus on improving the value and quality of programmes and the emphasis on developing a structured entrepreneurship programme as a key attribute of KDU graduates, Paramount Education is confident that overall enrolment, which has registered growth over the previous year, will continue to hold steady. Additionally, the division's pursuit of an asset-lite strategy to improve the utilisation of its institutional real estate assets will enhance returns on capital employed and create long term shareholder value.

Barring any unforeseen circumstances, the Group is expected to deliver a comparable performance for 2017.

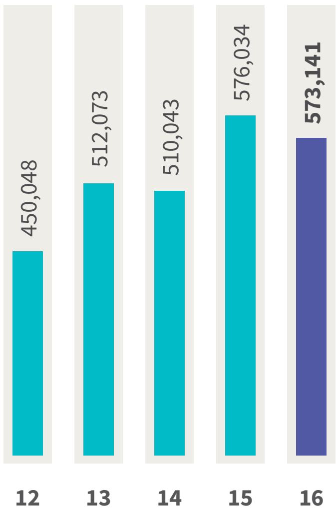
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	Year 31 Dec 2016 RM'000	Year 31 Dec 2015 RM'000	Year 31 Dec 2014 RM'000	Year 31 Dec 2013 RM'000	Year 31 Dec 2012 RM'000
Revenue	**573,141**	576,034	510,043	512,073	450,048
Profit before tax	**112,477**	101,694	85,756	75,096	76,247
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**140,932**	126,616	98,442	89,984	93,676
Profit net of tax	**88,673**	74,181	64,086	53,503	56,454
Profit attributable to equity holders of the Company	**75,016**	67,681	62,474	53,503	56,454
Total assets	**2,018,711**	1,930,223	1,652,191	1,302,329	1,192,270
Total liabilities	**884,288**	839,600	700,347	575,231	492,333
Total borrowings	**636,554**	549,617	385,091	317,746	252,695
Shareholders' equity	**934,636**	890,836	852,057	727,098	699,937
Total equity	**1,134,423**	1,090,623	951,844	727,098	699,937
FINANCIAL INDICATORS					
Earnings per share (sen)	**17.74**	16.03	16.17	14.83*	15.66*
Net assets per share (RM)	**2.21**	2.11	2.02	2.15	2.07
Gross dividend per share (sen)	**8.50**	8.25	7.50	8.00	8.00
Dividend yield (%)	**6.1**	4.9	4.9	5.3	5.3
Return on equity (%)	**8**	8	9	8	8
Return on total assets (%)	**4**	4	4	4	5
Gross gearing ratio (%)	**56**	50	40	44	36

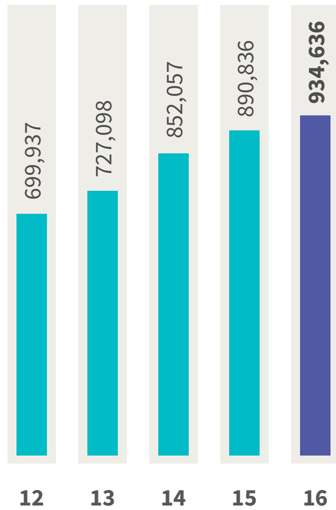
* - The comparative figures have been restated to reflect the adjustment arising from the rights issue completed during the financial year 2014.

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

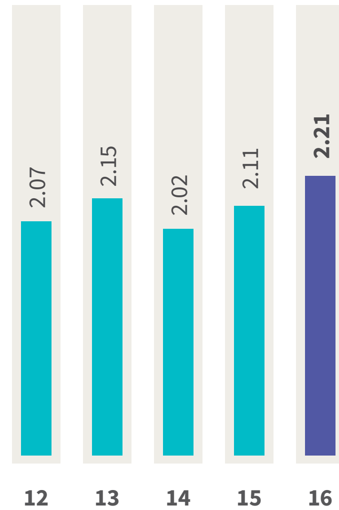
Revenue (RM'000)



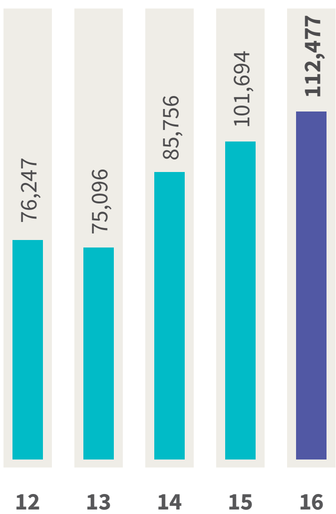
Shareholders' Equity (RM'000)



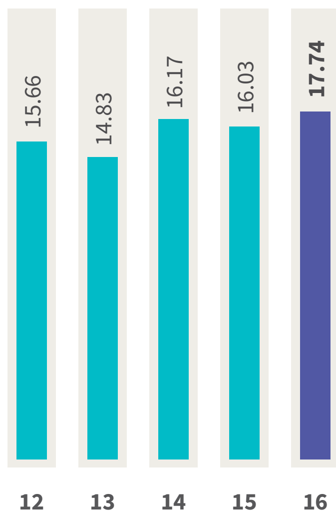
Net Assets per Share (RM)



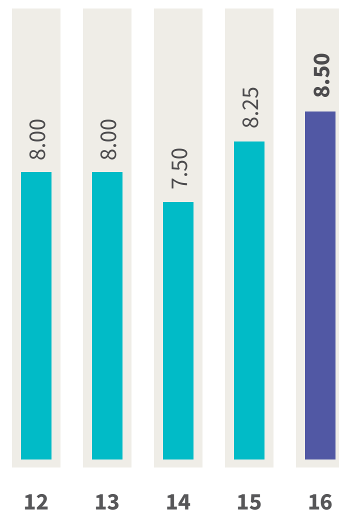
Profit Before Tax (RM'000)



Earnings per Share (sen)



Gross Dividend per Share (sen)



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At Paramount Corporation Berhad (**Paramount**), corporate social responsibility is an important aspect of our business, which contributes to the long-term building of sustainable relationships with all stakeholders. What began many years ago as company concern for the welfare of our employees has evolved into a corporate philosophy, which has been embraced by the management, project teams and staff.

It is important for our employees to work for a socially responsible organisation and our approach therefore reflects our people. We recognise that our activities have an impact on our communities. We are committed to not only managing that impact but also using the resources we have in making a real and sustainable difference.

As the people's developer, we are committed to protecting the environment while enhancing value and delivering quality while ensure compliance with all safety requirements in our projects. In education, we ensure the optimum environment is provided, together with quality teachers and materials because all these will affect our children's futures. Then in business, we are concerned with surrounding ourselves with good and ethical business partners, which are held to high standards.

All these things, when done well, will gain the trust of the public and our stakeholders, which in turn will ensure Paramount's long term success.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

ENVIRONMENT

Beyond the cost of a house, the construction and running of it takes a toll on the environment that is hard to measure. Our commitment therefore, is to ensure that we plan and design a built environment that is sensitive to the needs of people and the planet.

- **Protect and enhance the environment at large.** Environmental protection is integral to our position as a responsible business and as such, we work hard to utilise any opportunities we have to positively impact the environment.

  This ethos is best exemplified in Chengal House, a 11,000-square feet clubhouse located within the luxurious Sejati Residences in Cyberjaya - the first commercial property development of its kind in Malaysia built using upcycled 200-year-old Chengal timber, salvaged from a 70-year-old factory owned by Paramount. Chengal House's green construction concepts and practices continued to garner awards in 2016, the most recent being the coveted FIABCI award in the Purpose-Built category. Sejati Residences and Chengal House also managed to clinch the QLASSIC Achievement Award 2016 presented by the Malaysian Construction Industry Development Board, which is testament to the quality of building construction work.

- **Mitigate any possible adverse impact on the environment.** Our buildings and homes are designed to incorporate features that promote energy conservation.

  In recognition of our efforts towards people and the environment, Paramount Property received the 'Earth Conscious' award for most sustainable development for Sejati Residences at the StarProperty.my Awards 2017. The award was judged based on criteria such as innovation, landscape facilities, sustainability, indoor environment, materials and resources.

- **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.

The flagship campus of KDU University College in Utropolis, Glenmarie received a provisional Green Building Index (GBI) certification for its sustainable approaches in a higher-education development. Starting with the use of the Industrial Building System materials, KDU University College, Utropolis makes admirable progress in green building construction and maintenance, tracked by the Advanced Building Management System.

- **Provide employees with appropriate literature on environmental issues.** We believe that engaging our people and involving them in shaping our environmental programme is essential to achieve success. As such, 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. This will help us to meet the targets we set to improve our environmental performance.

- **Promote our environmental values to clients, consultants, advisers, suppliers and all business contacts.** We encourage good environmental practices within our supply chain and require all contractors working on our behalf to adopt responsible standards in order to help drive positive change within industry.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

WORKPLACE

We aim to be the employer of choice in the industries that we operate. Employees at every level are encouraged to make the fullest contribution to the Group's performance and the achievement of its goals. We seek to achieve this by:

- **Focusing on inculcating a high-performance culture** through developing a pipeline of talent for succession and building organisation capability to enhance the Paramount brand as an employer of choice.
- **Recruiting, training and retaining people with the right skills and qualities** to create high levels of motivation, achievement and job satisfaction.
- **Employing a diversified workforce** that reflects our society by promoting our commitment to equal opportunities for all regardless of age, gender, race, religion, disability, nationality, etc.
- **Creating a conducive working environment** by demonstrating good leadership and adopting the best in human resource practices with well-developed policies and procedures. These are continually subject to review, and are updated.
- **Providing opportunities for direct ownership of the Company** through participation in our Long-Term Incentive Plan. The plan provides senior management staff the opportunity to share in the Company's success and to ensure their continued commitment to the effectiveness and efficiency of the Company's operations.
- **Providing training and career development** so employees can grow and achieve their potential. This is through maintaining a knowledgeable, stable and motivated workforce with annual appraisals, training and personal development requirements which are mutually agreed on and plans for continuous training and development. Employees are given opportunities to obtain professional and nationally recognised qualifications through 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 Paramount Education.
- **High health and safety** standards at worksites and surrounding areas to ensure the safety of our employees, sub-contractors and visitors. Paramount Property adopts 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 trainings are also conducted.
- **Effective employee communication and engagement** is important in achieving our business objectives. As such, 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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

COMMUNITY

We understand that the amount of talent and resources we have and to make a lasting positive impact and are actively involved in supporting and developing the local community to make a real difference.

- **Contributing to local charities and voluntary organisations** both in cash and kind as well as through the provision of scholarships to deserving students. In 2016, Paramount expended a total of RM13.4 million in scholarships to deserving students, and contributed generously to many deserving charitable causes.

- **Supporting local communities** through opportunities for employment, interaction with schools, liaison and support for local well-being. On 12 March 2017, KDU's Leo Club organised a meaningful "Zoo Project" to inculcate teamwork, responsibility and instil a stronger connection with the natural environment. From 18-24 July 2016, students from KDU University College built the largest lollipop mural in the country to raise awareness on the dangers of stress amongst Malaysians. Made from 64,000 lollipops, the mural measuring 10 metres in length 4 metres in width and 3 metres in height, ultimately created an entry for KDU in the Malaysian Book of Records.

  Paramount Property was also honoured to be awarded The Edge-PEPS Value Creation Excellence 2016 for Pangsapuri Kemuning Aman, a low-medium cost (LMC) apartment project in Kemuning Utama, Shah Alam. This is further testament to our commitment to delivering high-quality products that serve the needs of the community.

- **Encouraging wider participation in community projects** where we encourage our staff and students to volunteer in helping others in the community. In line with this, KDU University College's Student Alumni Centre (SAC) in collaboration with Institute Onn Jaafar (IOJ) pledged in 2016 to channel its students to take up the cause of community outreach. Under this partnership, KDU student volunteers get involved in several activities including facilitating night classes for underprivileged children sitting for their UPSR and PT3 examinations and food distribution to the homeless.

Towards making character education a priority, Sri KDU International School (SKIS) undertook an Art Exhibition and Showcase to fundraise for the Dignity for Children Foundation. One of the highlights of this event was a global youth rhino conservation campaign called The Rhino Art – Let Our Children's Voices Be Heard – which speaks up against the slaughter of African rhinos. Sri KDU was the only school in Malaysia that participated in the Rhino Art campaign and some of these paintings were exhibited at the World Travel Mart Africa held at Cape Town earlier in the year. On a longer term, the students had also been working with Dignity on an urban garden at a site near the school in Sentul, bringing the children together as equals and contributing towards SKIS' efforts to achieve the prestigious WWF-Green flag award.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

MARKETPLACE

In business, we recognise the need to actively engage and respond to our stakeholders comprising 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.

- **Responsible marketing.** Our customers remain at the heart of everything that we do and we are committed to the highest levels of customer satisfaction, truthful advertising and compliance with applicable laws and regulations. Feedback is solicited and reviewed on an ongoing basis, and used for further improvements on the overall customer experience.

- **Privacy.** Personal information is an asset and Paramount places great importance on keeping it secure. We seek to protect our customers' rights through responsive customer complaint procedures and by meeting the strictest data protection requirements.

- **Business partners and procurement.** We work with 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.

- **Investor relations.** Paramount is committed to maintaining clear, open and timely communications with shareholders, analysts and fund managers. This is to help them develop a clear understanding of the Company's strategy, performance and growth potential while information on the Group's website ensures that they are accessible to all interested parties.

- **Corporate governance.** We monitor and evaluate risk on an ongoing basis as part of our commitment to sustainable business. Testament to the Group's standards of corporate governance and practises, we were awarded a Merit Award by the Minority Shareholder Watchdog Group (MSWG) for Best AGM in 2016. This reaffirms Paramount's commitment to transparency and good corporate governance in all our engagements with our stakeholders.

More reports on corporate governance and internal control architecture are found on pages 50 to 67 and 71 to 74 respectively.

03

HOW WE ARE GOVERNED

BOARD OF DIRECTORS

From left to right:

DATUK SERI MICHAEL YAM KONG CHOY

Senior Independent Non-Executive Director

ONG KENG SIEW

Independent Non-Executive Director

QUAH POH KEAT

Independent Non-Executive Director

DATO' ROHANA TAN SRI MAHMOOD

Independent Non-Executive Director

BOARD OF DIRECTORS

DATO' TEO CHIANG QUAN

Chairman & Executive Director

JEFFREY CHEW SUN TEONG

Group Chief Executive Officer & Executive Director

DATO' MD TAIB BIN ABDUL HAMID

Independent Non-Executive Director

QUAH CHEK TIN

Independent Non-Executive Director

TAN SRI JAMES FOONG CHENG YUEN

Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATO' TEO CHIANG QUAN

Age
67

Gender
Male

Nationality
Malaysian

Position
Chairman &
Executive Director

Committee
Remuneration Committee
(Member)

Appointed
19 January 1977

Qualification
Hon Doc Middlesex
University, United Kingdom

Dato' Teo joined the Board of Directors of Paramount Corporation Berhad (**Paramount**) on 19 January 1977. On 8 June 2015, Dato' Teo succeeded Dato' Md Taib bin Abdul Hamid as the Chairman of the Board following Dato' Taib's relinquishment of the position. He is also a member of the Remuneration Committee.

Dato' Teo has been playing an active role in the management of Paramount and its group of companies (**the Group**) since he first served as the Chief Executive of the Group's insurance division in 1981. In 1989, he was promoted to the position of Group Managing Director & Group Chief Executive Officer (**CEO**), a position he held until 1 December 2008, when he was appointed as the Deputy Chairman of the Board. He re-assumed the role of Group CEO during the interim period from 15 April 2013 to 30 June 2014 pending the appointment of a new Group CEO.

Dato' Teo has been instrumental in shaping Paramount into a reputable and financially sound diversified Group. The Group has benefitted tremendously from his relentless drive to push for more innovative ideas to grow the business which, in turn, inspired the Group's strength-through-synergy strategy. Dato' Teo's visionary leadership has taken the Group to another level of growth.

Dato' Teo attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

JEFFREY CHEW SUN TEONG

Age
51

Gender
Male

Nationality
Malaysian

Position
Group Chief Executive Officer & Executive Director

Committee
Nil

Appointed
8 June 2015

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

Chew was appointed as Group CEO of Paramount on 1 July 2014. He joined the Board of Paramount on 8 June 2015.

Chew began his career at PricewaterhouseCoopers and thereafter, joined Citibank Berhad (**Citibank**) where he held various roles over 12 years, including in customer relationship management, risk management, international offshore banking and product management. His last position in Citibank was General Manager of Commercial Banking.

He then joined OCBC Bank (Malaysia) Berhad (**OCBC**) in April 2003 as its Head of SME Business, and was subsequently promoted to Head of Business Banking. He was appointed as a Director and CEO of OCBC in August 2008 and helmed the position for 6 years. During his tenure at OCBC, he also served as a Director of Pacific Mas Berhad, Credit Bureau (Malaysia) Sdn Bhd, Credit Guarantee Corporation Malaysia Berhad and OCBC Al-Amin Bank Berhad.

Currently, Chew serves on the Advisory Committee of ACCA Malaysia, and he is a council member of AICB. He is also an Independent Director of the Asian Banking School and a member of the Small Debt Resolution Committee of Bank Negara Malaysia.

Chew attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

DATO' MD TAIB BIN ABDUL HAMID

Age
78

Gender
Male

Nationality
Malaysian

Position
Independent
Non-Executive Director

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

Appointed
14 November 1994

Qualification
B.A. (Hons) Economics

Dato' Taib joined the Board of Paramount on 14 November 1994 and was appointed as Chairman of the Board on 20 July 2001, a position that he held until 8 June 2015, following his decision to relinquish the position and to remain as an Independent Non-Executive Director of the Company. Dato' Taib is the Chairman of the Remuneration Committee and is also a member of the Audit, Nominating and Board Risk Management Committees.

Dato' Taib, who has had a long and distinguished career spanning both the private and public sectors, brings to the Group a wealth of invaluable experience and has contributed significantly to the growth of the Group over the years. He began his career with Bank Negara Malaysia, serving from 1960 to 1975 and has held the position of Executive Director of a commercial bank, and was also actively involved with financial institutions including as the Chairman of a commercial bank.

Dato' Taib attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

DATO' ROHANA TAN SRI MAHMOOD

Age
62

Gender
Female

Nationality
Malaysian

Position
Independent
Non-Executive Director

Committee
Board Risk Management Committee *(Chairman)*

Appointed
28 July 1997

Qualification
- B.A. (Hons) Politics, University of Sussex, United Kingdom
- Masters in International Relations, University of Sussex, United Kingdom

Dato' Rohana joined the Board of Paramount on 28 July 1997, and was re-designated as an Independent Non-Executive Director in 2008. She is also the Chairman of the Board Risk Management Committee.

Dato' Rohana is the Chairman and Founder of RM Capital Partners Sdn Bhd, a Malaysian private equity fund which is a spin off from the successful Ethos Capital, a Malaysian private equity fund established in 2007, where she was also the Chairman and Co-Founder. The fund successfully ended in November 2012. She is also the President Emeritus and founding Member of the Kuala Lumpur Business Club, an exclusive (by invitation only) networking, and business development organisation limited to 100 members of Malaysia's leading corporate and business leaders.

Dato' Rohana is also involved in several distinguished international bodies, serving as a member of the Global Council of Asia Society, New York, a member of the Advisory Board of Chubb Limited, New York, a board member of Pacific Basin Economic Council, Hong Kong, a member of the APEC Business Advisory Council and as a board member of the Institute of Strategic and International Studies Malaysia. Dato' Rohana was also attached to the Ministry of Foreign Affairs Malaysia.

Other than Paramount, Dato' Rohana's directorship in public companies include AMMB Holdings Berhad, AmInvestment Bank Berhad, Sime Darby Berhad and Sime Darby Property Berhad.

Dato' Rohana attended 3 out of the 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

ONG KENG SIEW

Age
60

Gender
Male

Nationality
Malaysian

Position
Independent
Non-Executive Director

Committee
Audit Committee *(Member)*

Appointed
14 November 1994

Qualification
Fellow of the Association
of Chartered Certified
Accountants

Ong joined the Board of Paramount on 14 November 1994 and was re-designated as an Independent Non-Executive Director on 14 August 2014. He is also a member of the Audit Committee.

Ong has served the Group in various positions for more than 30 years before retiring in 2012. He began his career with the Group as an Accountant in 1981 and was promoted to the position of Finance and Administration Manager in 1984. He was subsequently appointed as General Manager to oversee the operations of the property development and construction divisions in 1989.

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

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

Other than Paramount, Ong also serves on the board of directors of United Malacca Berhad.

Ong attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

DATUK SERI MICHAEL YAM KONG CHOY

Age
63

Gender
Male

Nationality
Malaysian

Position
Senior Independent Non-Executive Director

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

Appointed
18 February 2010

Qualification
- Fellow of the Royal Institution of Chartered Surveyors
- Fellow of the Chartered Institute of Building

Datuk Seri Yam joined the Board of Paramount on 18 February 2010 and was designated as the Senior Independent Non-Executive Director on 27 February 2014. He is also the Chairman of the Nominating Committee and a member of the Board Risk Management Committee.

Datuk Seri Yam has had an illustrious career spanning more than 35 years in the construction, real estate and corporate sectors, helming two different award winning public listed property companies as the Managing Director and CEO before his early retirement in 2008. He was also 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 with various companies and the British Civil Service after his graduation in Building and Management Studies from the University of Westminster, London, Datuk Seri Yam, upon his return to Malaysia, served in several large companies, such as Landmarks Berhad, Peremba Malaysia, Country Heights Holdings Berhad and Sunrise Berhad.

He is currently appointed on the boards of various Government incorporated and non-government organisations serving as the Chairman of InvestKL Corporation and a non-executive director of Malaysia Property Incorporated. He is also the Immediate Past President and patron of the Real Estate and Housing Developers' Association of Malaysia and is appointed as a trustee of the Standard Chartered Foundation, a charity body.

Other than Paramount, Datuk Seri Yam's directorship in public companies include Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad, Malaysia Airports Holdings Berhad, Sunway Berhad, and Cahya Mata Sarawak Berhad.

Datuk Seri Yam attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

QUAH CHEK TIN

Age
65

Gender
Male

Nationality
Malaysian

Position
Independent
Non-Executive Director

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

Appointed
6 February 2007

Qualification
- B. Sc. (Hons) Economics, the London School of Economics & Political Science
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants

Quah joined the Board of Paramount on 6 February 2007. He is the Chairman of the Audit Committee and is also a member of the Nominating, Remuneration and Board Risk Management Committees.

He began his career with Coopers & Lybrand, London before returning to Malaysia. He joined the Genting Group in 1979 and prior to his retirement in 2006, was the Executive Director of Genting Berhad as well as Executive Director and Chief Operating Officer of Genting Malaysia Berhad.

Other than Paramount, Quah's directorship in public companies include Genting Malaysia Berhad, Genting Plantations Berhad and Batu Kawan Berhad.

Quah attended all 5 board meetings held in the year.

BOARD OF DIRECTORS' PROFILE

TAN SRI JAMES FOONG CHENG YUEN

Age
71

Gender
Male

Nationality
Malaysian

Position
Independent
Non-Executive Director

Committee
Nil

Appointed
25 May 2016

Qualification
- LL.B. (Hons), University of London
- Doctorate of Laws, University of the West of England

Tan Sri Foong joined the Board of Paramount on 25 May 2016.

He graduated from the University of London with LL.B. (Honours) in 1969 and was called to the English Bar by the Honourable Society of the Inner Temple in 1970. Subsequently, he was called to the Malaysian Bar as an advocate and solicitor in 1971. In 2009, he was made Bencher of the Honourable Society of the Inner Temple, London, and in 2011, he was conferred an honorary Doctorate of Laws degree by the University of the West of England.

From 1971 to 1990, Tan Sri Foong was engaged in private legal practice in both criminal and civil law, majoring in insurance law. While in private practice, he acted as a legal adviser to numerous guilds and associations in Malaysia, and was also a commissioner for oath and a notary public.

In 1990, Tan Sri Foong was appointed as a Judicial Commissioner, and was elevated to the High Court Bench in 1992. He then served as a High Court Judge at the Kuala Lumpur (Criminal Division), Johor Bahru, Shah Alam, Kuala Lumpur (Civil Division), Ipoh, and Kuala Lumpur (Family Division and Civil Division) Courts. He was elevated to the Court of Appeal in 2005 and subsequently to the Federal Court (Malaysia Supreme Court) in 2009. As a Federal Court Judge, he was made a Managing Judge of the Civil Division of the High Court in Kuala Lumpur and of the High Court and Subordinate Courts in the state of Penang. He retired from the Malaysian Judiciary on 25 February 2012.

Currently, he also serves as Chairman of the Ombudsman for Financial Services, set up under the initiative of Bank Negara Malaysia.

Other than Paramount, Tan Sri Foong's directorship in public companies include Genting Berhad and Only World Group Holdings Berhad.

Tan Sri Foong attended all 3 board meetings held after his appointment as an Independent Non-Executive Director of the Company in 2016.

BOARD OF DIRECTORS' PROFILE

QUAH POH KEAT

Age
64

Gender
Male

Nationality
Malaysian

Position
Independent
Non-Executive Director

Committee
Nil

Appointed
8 June 2016

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

Quah joined the Board of Paramount on 8 June 2016.

Quah was a partner of KPMG Malaysia since 1 October 1982 and was the Senior Partner of the firm from 1 October 2000 until 30 September 2007. Prior to taking up the position of Senior Partner, he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council a governing body within KPMG International that oversees all Japanese Practices in the KPMG world. He also served as a member of the KPMG Asia Pacific Board and KPMG International Council during his tenure as Senior Partner of the firm. Quah retired from KPMG Malaysia on 31 December 2007.

Quah had served as an Independent Non-Executive Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment to the position of Deputy CEO of Public Bank from 1 October 2013 to 31 December 2015. Prior to that, he was an Independent Non-Executive Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Other than Paramount, Quah's directorship in public companies include Public Mutual Berhad, Kuala Lumpur Kepong Berhad, Lonpac Insurance Berhad and LPI Capital Berhad.

Quah attended all 3 board meetings held after his appointment as an Independent Non-Executive Director of the Company in 2016.

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

KEY SENIOR MANAGEMENT PROFILE

Jeffrey Chew Sun Teong
Group Chief Executive Officer & Executive Director

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

Chew, a Malaysian, aged 51, male, was appointed as Group Chief Executive Officer (**CEO**) of Paramount Corporation Berhad (**Paramount**) on 1 July 2014. He joined the Board of Paramount on 8 June 2015.

Chew began his career at PricewaterhouseCoopers and thereafter, joined Citibank Berhad (**Citibank**) where he held various roles over 12 years, including in customer relationship management, risk management, international offshore banking and product management. His last position at Citibank was General Manager of Commercial Banking.

He then joined OCBC Bank (Malaysia) Berhad (**OCBC**) in April 2003 as its Head of SME Business, and was subsequently promoted to Head of Business Banking. He was appointed as a Director and CEO of OCBC in August 2008 and helmed the position for 6 years. During his tenure at OCBC, he also served as Director of Pacific Mas Berhad, Credit Bureau (Malaysia) Sdn Bhd, Credit Guarantee Corporation Malaysia Berhad and OCBC Al-Amin Bank Berhad.

Currently, Chew serves on the Advisory Committee of ACCA Malaysia, and he is a council member of AICB. He is also an Independent Director of the Asian Banking School and a member of the Small Debt Resolution Committee of Bank Negara Malaysia.

KEY SENIOR MANAGEMENT PROFILE

Tay Lee Kong
Group Chief Operating Officer

- Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators

Tay, a Malaysian, aged 57, female, has more than 25 years of experience in the property development and education industries. She began her career in two public listed companies prior to joining Paramount Corporation Berhad in 1991, where she served in the Company Secretarial department before assuming the role of Corporate Affairs Director in 2001.

Tay was appointed Group Chief Operating Officer of Paramount on 1 April 2013. She leads and manages the corporate secretarial, legal, corporate affairs and risk management functions of the Group. Her mandate is to drive operational excellence to support the fulfillment of the Group's business strategies, establish governance and risk management policies that ensure the smooth running of the company's operations and secure the functionality of the business to drive sustainable growth.

She also plays a key role in corporate exercises undertaken to deliver on these strategies including investments, acquisitions, corporate alliances etc. An articulate communicator, Tay also plays a key role in engaging with the investor community and other key financial partners, as well as spearheads the Group's media engagement activities.

Foong Poh Seng
Chief Financial Officer

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

Foong, a Malaysian, aged 51, male, has more than 25 years of experience in financial management, during which time he formed sound relationships with the financial community.

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

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

KEY SENIOR MANAGEMENT PROFILE

Beh Chun Chong
Chief Executive Officer of Paramount Property

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

Beh, a Malaysian, aged 46, male, is an experienced hand in the property and construction industry. An engineer by training, he has spent 20 years in various Malaysian companies helming a diverse portfolio of projects ranging from infrastructure, commercial, retail and hospitality, through to high-end residential. His experience includes all aspects of the industry, from project development and design management, to construction management and post-development management.

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

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

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

Datin Teh Geok Lian
Chief Executive Officer of Paramount Education

- B.Sc in Engineering Science, Chemical from Yale University

Datin Teh, a Malaysian, aged 58, female, spent the first part of her career in the oil & gas industry, starting as a market planning analyst with Esso Singapore Private Limited. Following a transfer back to Malaysia, Datin Teh worked in various departments within the Esso Group of Companies in Malaysia.

Datin Teh took an 11-year career break before returning to the workforce in 2004 as Special Assistant (Education) to the CEO of Paramount. This role allowed her to fulfil her passion for education and build her understanding and knowledge of the business.

In December 2004, she was appointed as the CEO of KDU Smart School Sdn Bhd, a position she holds till today. Datin Teh was subsequently appointed CEO of Paramount Education on 8 June 2011. As CEO, her mandate includes driving growth and expansion of the Paramount suite of education brands, benchmarking and establishing quality standards and ratings across the Group, exploring synergies within the education group, as well as with Paramount's property business and building the reputation of Paramount Education and its business units.

Datin Teh has received various scholastic awards including the Yale foreign student scholarship, the American Field Service (AFS) foreign student scholarship and admission into Tau Beta Phi (National Engineering Honours Society of USA).

None of the members of the key senior management have any family relationships with any Director and/or major shareholder of Paramount, nor conflict of interest with Paramount. None of them have been convicted of any offence within the past five years nor have they received any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

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

This Statement on Corporate Governance sets out Paramount's corporate governance processes with reference to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (**MCCG**) for the financial year ended 31 December 2016 (**FY2016**).

BOARD OF DIRECTORS

Duties and Responsibilities

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

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

The Board is principally responsible for providing strategic guidance to management and overseeing the performance of management in the conduct of the Group's businesses through the following Board activities:

- Reviewing and adopting strategic plans that promote long-term sustainability and monitoring the implementation of these plans
- Overseeing the conduct of the Group's businesses and evaluating whether the businesses are being properly managed
- Adopting an annual budget and reviewing the performances of the operating divisions against the budget
- Assessing and approving major capital expenditure including significant acquisition and disposal of investments
- Assessing principal business risks, determining the risk appetite of the Group and ensuring the implementation of appropriate systems to manage these risks within established risk-tolerance limits
- Assessing the performance of management with measures in place against which management's performance can be assessed
- Ensuring Board effectiveness and developing the Board succession plan
- Ensuring senior management succession through the implementation of a comprehensive senior management succession plan and the continuous mentoring of identified successors
- Reviewing the adequacy and integrity of the Group's internal control systems and information management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
- Developing and implementing an investor relations programme or shareholder communications policy for the Company
- Formulating policies to ensure adherence to high standards of ethics and corporate behaviour by all stakeholders within the Group

STATEMENT ON CORPORATE GOVERNANCE

In November 2014, the Board adopted the Group's 5-year strategic plan 2015-2019 which sets out the targeted outcomes expected of management over the said five-year period. All strategic business units (**SBU's**) within the Group are required to align their business strategies to the 5-year plan with the aim of achieving the targeted outcomes set out in the plan. This strategic plan forms the basis upon which new ordinary shares in the Company are awarded and vested pursuant to the Company's Long Term Incentive Plan 2013-2019 (**LTIP**). The Board believes that the LTIP is an effective mechanism to incentivise, retain and attract key talents that are vital to the Group's long-term sustainability. The determination of the targeted outcomes sets the tone from the top and provides employees with greater transparency of the Group's compensation methodology.

Throughout 2016, the Board monitored management's efforts in meeting the targeted outcomes set out in the 5-year plan through its quarterly review of the Group's performance against the budget approved by the Board at the beginning of the year and management's implementation of all business plans drawn up for the year.

In October 2016, an off-site Board retreat was held to review the 5-year strategic plan, and to discuss measures needed to address challenges faced by the Group in meeting the targeted outcomes set out in the plan due to the changes in the economic climate and market landscape over the past year and the foreseeable economic, industry and business outlook that lies ahead. At the retreat, the Board considered various proposals presented by management, and provided its guidance and direction to management in addressing those challenges.

Board Composition and Board Balance

During the year under review, two new Independent Non-Executive Directors (**INED's**), namely, Tan Sri James Foong Cheng Yuen and Mr Quah Poh Keat were appointed to the Board, bringing the Board size to nine directors comprising two Executive Directors and seven INED's. The size and composition of the Board is reviewed from time to time by the Nominating Committee in accordance with the Board Diversity Policy of the Company and taking into account the scope and nature of operations of the Group to ensure that the size of the Board is adequate to provide for a diversity of views and to facilitate effective decision-making, and that the Board has a balance of Executive Directors and INED's. The current Board members come from diverse backgrounds with varied expertise and vast experience in finance, banking, property development, legal, marketing and management, all of whom were industry leaders in their respective fields. The profiles of the current Board members are set out on pages 38 to 46 of this annual report.

Although Dato' Teo Chiang Quan, the Chairman of the Board, is an Executive Director, the Board's 78% composition of INED's exceeds MCCG's recommendation that the Board must comprise a majority of independent directors where the chairman is not an independent director. In addition, the Board, in its decision making process, acts upon the recommendation of the four Board Committees which comprise a majority of INED's and are chaired by INED's. Furthermore, all INED’s are considered by the Board to be independent of management and free from any business or relationship that could materially interfere with the exercise of their independent and professional judgement.

Gender Diversity

Currently, Paramount has one woman Director on its Board. Although the Board has not set any specific target for women representation in its composition, it continues to adhere to the practice of non-discrimination of any form, regardless of age, gender, race or religion, and ensures that the selection of a candidate for directorship is based on merit, in the context of skills, time commitment and experience.

The Paramount Group, likewise, abides by this practice in its selection of employees. Out of the Group's total workforce of 1,439 employees, women constitute approximately 54%, and 35% of the Group's senior management team comprises women employees, holding positions as heads of divisions/departments in the SBU's and corporate functions.

STATEMENT ON CORPORATE GOVERNANCE

Separation of Powers and Responsibilities

There is a clear division of responsibility between the Chairman & Executive Director and the Group Chief Executive Officer (**CEO**), who are both Executive Directors, to ensure a balance of power and accountability.

The Chairman & Executive Director is responsible for the effective leadership, operation and governance of the Board and its committees. He works with the Group CEO and the Company Secretaries to set the agenda for Board meetings and discussions. He ensures that accurate and relevant information is given to all Directors on a timely basis, and that the Board is properly briefed on issues raised at the Board and Board Committee meetings. He also ensures that all Directors continue to contribute effectively in the development and implementation of the Company's strategies. In addition, given his experience as the Group CEO of Paramount for 18 years, he mentors the Group CEO and the key senior management team. He also plays a key role in setting the tone and direction of the Group's management principles, with particular emphasis on corporate governance and risk management.

Quarterly board meetings are held by each of the SBU's to monitor the conduct of the Group's businesses with significant focus on the implementation of business plans that are aligned to the Group's 5-year strategic plan. The Chairman & Executive Director presides over all board meetings of the SBU's.

The Group CEO is responsible for the management of the Group's businesses, formulating strategy proposals for the Board, including annual and medium-term plans on the delivery of these strategies. He keeps the Board apprised of the Group's performance and all other matters that materially affect the Group. The Group CEO leads the management team to ensure that the Group's businesses deliver shareholder value; ensuring adequate, well motivated and incentivised management resources, ensuring succession planning and adequate appropriate business processes.

The Group CEO is supported by the key senior management team, comprising the CEO's of the two divisions, namely, the Property and Education Divisions, the Group Chief Operating Officer and the Chief Financial Officer (**CFO**) of the Company, in the management of the day-to-day business operations of the Group.

In addition, four management committees at Group level have been set up to ensure that the internal controls put in place are adhered to and all risks are managed expediently. They are the Finance Committee of the Property Division, the Finance Committee of the Education Division, the Tender Committee and the Executive Risk Management Committee (**ERMC**). The Finance Committees, comprising members of the key senior management team and all finance managers in the respective divisions, meet on a quarterly basis to discuss the division's quarterly financial results before consolidation into the Group results for reporting to the Audit Committee. The Tender Committee, comprising members of the key senior management team, meets as and when required to approve the award of contracts exceeding a certain value that is pre-determined by the Board. The ERMC, comprising the key senior management team and all CEO's of the SBU's, meets on a quarterly basis to ensure that the risk management policy and risk management framework determined by the Board Risk Management Committee and approved by the Board are duly adhered to. All management committee meetings are chaired by the Group CEO.

Succession Planning

The Board takes a pivotal role in ensuring continuity in leadership for key management positions in the Group, particularly CEO positions. To achieve this, the Board, with the assistance of the Nominating Committee, oversees the development of the Group's succession plan, which involves on-going mentoring and training of employees to equip them with the necessary skills and competence in leadership roles. In 2015, the Board had, with the assistance of the Nominating Committee and the Group Human Resource Department, developed a comprehensive succession plan for senior management. The plan entailed the identification of three different levels of successors at different levels of readiness for each senior management position. In 2016, the identified successors participated in a series of group-wide talent management training programmes, such as the STARS (Sustainable Talent Acceleration & Retention Strategy) and LEAP (Leading with Energy and Passion) programmes that were specifically designed to develop the management capabilities and leadership skills of the candidates, and to prepare them for senior management roles in the Group within a one-year, three-year or five-year period depending on the requirements of the senior management position.

STATEMENT ON CORPORATE GOVERNANCE

Board Policies

All of the following policies, which are in place to ensure that high standards of corporate governance are embedded in the conduct of the Board's activities and the Group's businesses, were reviewed by the Board in FY2016:

- Board Charter
- Code of Business Conduct & Ethics
- Whistleblowing Policy
- Boardroom Diversity Policy
- Directors' Code of Ethics
- Directors' Assessment Policy
- Succession Planning Policy
- Insider Dealing Policy
- Board Remuneration Policy
- Investor Relations Policy
- Related Party Transaction Policy

Except for the inclusion of a retirement age for Directors in the Board Charter, there were no major revision to the above policies. The Board Charter, the Code of Business Conduct & Ethics, the Whistleblowing Policy, the Boardroom Diversity Policy as well as excerpts of the other policies listed above are available on the Company's website at www.pcb.my.

Board Charter

The Board Charter, serving as a reference point for Board activities, sets out the corporate governance practices and provides clarity to the following key areas:

- The role and principal responsibilities of the Board
- The Board structure, which includes Board balance and the tenure of Directors
- The roles and responsibilities of the Chairman, Executive Directors, Non-Executive Directors, INED's, the CEO, Board Committees and the Company Secretary
- Board processes, including Board meetings, appointment, re-appointment and removal of Directors
- Directors' Code of Ethics
- Terms and Reference of the Audit, Nominating and Remuneration Committees

During the year under review, the Board has updated the Board Charter to include a retirement age of 75 for all Board members, to allow room for Board succession. Save for this update, there were no major revision to the Board Charter that was first adopted by the Board in 2013.

Board Meetings and Supply of Information

The Board is required to meet at least four times a year on a quarterly basis, and the meetings are scheduled in advance at the beginning of each year to enable the Board members to plan ahead for the meetings. Additional meetings are held on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board consideration and direction or approval. In the intervals between Board meetings, any matter requiring urgent Board decisions and/or approval are sought through circular resolutions, which are supported with all the relevant information and explanations required for an informed decision to be made.

STATEMENT ON CORPORATE GOVERNANCE

Formal agendas together with a comprehensive set of meeting papers, consisting of the minutes of the previous meeting, management reports and proposals, are forwarded to the Directors at least seven days, or shorter period where it is unavoidable, prior to the Board meetings. The Chairman chairs all Board meetings, and all Directors participate actively in Board deliberations, with no individual or group of individuals dominating the Board's decision-making process. The quorum for the holding of a Board meeting is two and questions arising at any Board meeting shall be decided by a majority of votes with each Director having one vote. In the case of an equality of votes, the Chairman shall have a second or casting vote.

The Directors abide by the Directors' Code of Ethics. Conflicts of interest, direct or indirect, in any transaction or contract that are tabled for the Board's consideration are immediately declared before the commencement of discussion on the matter. The interested Directors abstain from participation in the Board's decision on such transactions and takes leave of the meeting when the transactions are put forward for voting.

At each scheduled Board meeting, the Group CEO reports to the Board on the Group's past quarter and year to date performances, briefs the Board on the Group's prospects for the remaining part of the year based on both internal and external factors, such as the economic, industry and market conditions, and provides updates on the progress of implementation of strategic and business plans. Occasionally, at the request of the Group CEO or other Board members, key senior management personnel are also invited to provide such additional information or further details that may be required, all of which serve to aid the Board in arriving at well informed decisions.

The Board met five times in the year under review, and the record of attendance of the Directors thereat was as follows:

Directors	Attendance	Percentage of Attendance
Dato' Teo Chiang Quan	5 out of 5	100%
Jeffrey Chew Sun Teong	5 out of 5	100%
Dato' Md Taib bin Abdul Hamid	5 out of 5	100%
Dato' Rohana Tan Sri Mahmood	3 out of 5	60%
Datuk Seri Michael Yam Kong Choy	5 out of 5	100%
Ong Keng Siew	5 out of 5	100%
Quah Chek Tin	5 out of 5	100%
Tan Sri James Foong Cheng Yuen (1)	3 out of 3	100%
Quah Poh Keat (2)	3 out of 3	100%

(1) *Appointed to the Board on 25 May 2016*
(2) *Appointed to the Board on 8 June 2016*

All Directors of Paramount have complied with Bursa Malaysia's minimum requirement of 50% attendance at the board meetings of a listed issuer held in any one financial year.

Company Secretaries

All Directors have unrestricted access to the Company Secretaries (**the Secretaries**), who play an advisory role to the Board in relation to the Board policies and procedures, compliance with applicable laws, rules, regulations and codes. The Secretaries support the Board in the discharge of its duties by ensuring that all information and materials that are required for the Board's consideration are provided to the Directors expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to the respective members of the management team for their necessary action. The Secretaries also ensure that an effective system to manage all statutory records of the Group is in place. Additionally, the Secretaries keep the Directors regularly updated on new statutory and regulatory requirements, and attend to the sourcing of training programmes for the Directors.

STATEMENT ON CORPORATE GOVERNANCE

Access to Senior Management, Information and Independent Professional Advice

The Board also has full access to senior management and unrestricted access to information relating to the business and affairs of the Company for the discharge of its duties. Directors may take independent professional advice at the Company's expense in the furtherance of their duties.

Board Induction and Continuing Education Programmes

In addition to the Mandatory Accreditation Programme (**MAP**) that is required by Bursa Malaysia, all newly appointed Directors are required to participate in induction programmes to equip themselves with clear understanding of the Group's businesses. The Board Charter sets out the manner in which the induction programmes are to be conducted, which includes dialogue sessions with the Chairman, the other Board members, the Group CEO and other senior management personnel; visits to the Group's business sites; and access to the minutes of the meetings of the Board and the relevant Board Committees.

Tan Sri James Foong Cheng Yuen and Mr Quah Poh Keat had, prior to their appointment as INED's of the Company, completed the MAP on 5 March 2015 and 24 October 2007, respectively.

The Board Charter also requires all Directors to attend continuing education programmes to keep abreast of regulatory changes pertaining to the functions of the Board as well as to be updated on the relevant technical and industry related issues. The Secretaries, acting under the instruction of the Nominating Committee, compile training programmes that are available to the Directors for their selection. The Secretaries also attend to internally organised training programmes whereby industry experts are invited to update the Directors on industry related issues and share insights about the latest economic and industry outlook as well as market trends. In addition, the Secretaries, the CFO and the external auditors regularly update the Board on changes and amendments to legislative and regulatory provisions.

In FY2016, all Directors of Paramount attended at least four training programmes, with a majority of whom attending more than four programmes, on a wide range of topics under the following key areas:

Corporate Governance

- Securities Commission Malaysia SCxSC 2016 Conference
- Securities Commission Malaysia Capital Market Directors programmes:
    - Directors as gatekeepers of market participants
    - Business challenges & regulatory expectations
    - What Directors need
- Bursa Malaysia Corporate Governance (**CG**) Breakfast Series for Directors:
    - How to leverage on AGM's for better engagement with shareholders
    - Anti-corruption and integrity - foundation of corporate sustainability
    - The essence of independence
- 8th Annual CG Summit 2016
- Malaysian Institute of Accountants (**MIA**) Audit Committee Conference 2016: Setting the right tone
- Minority Shareholders Watchdog Group Institutional Investor Council Conference: Stewardship matters for long term sustainability
- Malaysian Institute of Chartered Secretaries and Administrators (**MAICSA**) Annual Conference 2016: Sustainable growth-what next?
- MAICSA seminar: Appointment to serve as a member of the Finance & Investment Committee

Legal & Regulatory Updates

- Bursa Malaysia Advocacy Session: Management discussion & analysis for CEO's and Chief Financial Officers
- The new Companies Bill briefing by Wong & Partners
- Company law seminar by Legal Plus Sdn Bhd: 7 major areas of change in the new Companies Act, 2016
- Cyber law seminar by Legal Plus Sdn Bhd: Understanding issues arising from cyber laws
- Maritime law seminar by Legal Plus Sdn Bhd: Resolving maritime claims effectively

STATEMENT ON CORPORATE GOVERNANCE

Finance & Risk Management

- Association of Chartered Certified Accountants Annual Conference 2016
- KPMG Malaysia Tax Summit 2016
- Asian Institute of Chartered Bankers GBC Discourse Series: Catching the Fintech wave
- CFO Dialogue 2016 by MIA
- Bank Negara Malaysia (**BNM**) Islamic Infrastructure Investment Forum: Economic & financial services sector
- Bursa Malaysia CG Breakfast Series for Directors:
  - The cyber security threat and how boards should mitigate the risks
  - Improving board risk oversight effectiveness
  - Future of auditor reporting – the game changer for boardrooms
- Financial Institutions Directors' Education (**FIDE**) Forum: BNM Dialogue with the Governor-Trends and challenges moving forward
- Fraud risk management seminar by Mr Lee Min On

Leadership & Strategy Management

- Securities Commission Malaysia Breakfast Talk: Driving performance through human governance
- Bursa Malaysia Board Chairman Series: Leadership excellence from the Chair
- Bursa Malaysia CG Breakfast Series for Directors:
  - The strategy, the leadership, the stakeholders and the board
  - Sustainability engagement
- Paramount Group in-house sessions:
  - Team dynamics
  - Innovating in organisations
  - Driving change, innovation and growth
- Meet the CEO Alumni Club session by EquitiesTracker.Com International Sdn Bhd
- FIDE Forum: Identifying the right board talent
- Moving decisively forward on sustainable development now - Talk by Professor Jeffrey Sachs

Economic, Industry and Market Trends

- 5th Annual Property Conference 2016: Withstanding economic uncertainty towards becoming an emerging property powerhouse
- Real Estate & Housing Developers Association (**REHDA**) Institute 2016 CEO Series: Brexit on UK Properties
- Construction Industry Development Board & Chartered Institute of Building Malaysia Novus Youth Arena Malaysia 2016
- Asian Strategy & Leadership Institute 9th National Housing & Property Summit 2016: Revitalising the housing & property industry - what next for the housing and property sector?
- REHDA Mini Property Forum 2016 : Looking into the crystal ball – property market 2016 and what to expect
- The world economy in 2016 - Talk by Prof Woo Wing Thye & Prof Kuan Chung-Ming
- Khazanah Megatrends Forum 2016
- APEC Business Advisory Council (**ABAC**) meeting in San Francisco, United States
- ABAC meeting in Papua New Guinea
- ABAC meeting in Shenzhen, China
- ABAC meeting in Lima, Peru
- Singapore Forum 2016: Asia and the world – shared opportunity, shared prosperity
- Institute of Strategic and International Studies 20th Asia Pacific Roundtable
- The grand challenges of global diplomacy - Talk by Professor Jeffrey Sachs
- World Economic Forum: Shaping the ASEAN agenda for inclusion & growth
- Ernst & Young seminar: The fourth industrial revolution
- Economic & FX Outlook 2016 by HSBC Bank
- Securities Industry Development Corporation seminar: Risk and vulnerability of global markets & reinforcing resilience in emerging markets
- 2016 Global & Malaysian Economic Outlook - Talk by Mr Lim Chee Seng, Chief Economist of RHB Research Institute Sdn Bhd

STATEMENT ON CORPORATE GOVERNANCE

In assessing the training needs of the Directors, the Nominating Committee has agreed that the above topics were all relevant and useful in providing the Board with a broad range of information to facilitate informed decision-making.

Board Assessment

The Directors, the Board, the Board Committees, and the Group CEO are subject to a self and peer assessment annually. The Directors are provided with an online survey tool to carry out the assessment. The results are then tabulated by the Secretaries and presented to the Nominating Committee for its review and recommendation to the Board. A full set of the results is also provided to each Director and the Group CEO for their information.

The criteria that are used in the assessment of the Board include the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities. These criteria are similarly used for the assessment of the Board Committees. The individual Directors are assessed based on their competence, capability, commitment, objectivity, participation in Board deliberations and their contribution to the objectives of the Board and the Board Committees on which they serve. The assessment of the Group CEO is co-related to the execution of the Group's strategic plans by management and the achievement of performance targets set by the Board. In addition to the said assessment, INED's are required to sign a Declaration of Independence to re-confirm their status of independence before the beginning of every financial year.

Appointment of new Directors

The Nominating Committee is entrusted with the role of identifying, assessing and nominating candidates to fill Board vacancies as and when they arise and for succession planning. The final decision on the appointment of new Directors rests with the full Board after taking into consideration the recommendations of the Nominating Committee. The Nominating Committee shall, if it deems fit, consider the views of the Company's major shareholders on the nomination of candidates and has the sole discretion to determine the appropriate manner and scope of consultation with the major shareholders. It may also seek independent advice from independent consultants on the identification and evaluation of candidates for board positions.

The Nominating Committee's recommendation are based on a review of the range of expertise, skills and attributes of the current Board members and the needs of the Board taking into account the diversity approaches set out by the Board in the Boardroom Diversity Policy, the Group's future business direction, the tenure of service, contribution and commitment of each Board member while supporting healthy Board rejuvenation. A copy of the Boardroom Diversity Policy is available on the Company's website at www.pcb.my.

In assessing and selecting new Directors, attributes such as character, integrity, competence and experience are highly regarded by the Board and the Nominating Committee. For the position of Executive Director, further consideration will be given to the candidate's skills, knowledge and expertise while an INED will be evaluated based on the definition of 'independent director' as stipulated in the Main Market Listing Requirements (**MMLR**) and the candidate's ability to discharge such responsibilities as are expected of an independent director. The Nominating Committee, in making its recommendations to the Board, will also assess the Board structure, as a whole, to ensure that the necessary skill sets are relevant to the Group's strategic direction.

During the year under review, the Nominating Committee received Notices of Nomination from two INED's of the Company nominating Tan Sri James Foong Cheng Yuen and Mr Quah Poh Keat to the Board as INED's. Upon the receipt of the Notices, a meeting of the Nominating Committee was immediately convened to assess the suitability and eligibility of these gentlemen for appointment to the Board. In its assessment of Tan Sri James Foong Cheng Yuen and Mr Quah Poh Keat, the Nominating Committee had considered the skills, knowledge and attributes of these gentlemen which included practical wisdom and good judgment; understanding of the duties of a director and knowledge of the MCCG; specialist knowledge in a specific area; high visibility in the field; integrity, independence and free of conflicts of interest; willingness to devote time to carry out the duties and responsibilities of a Board member including time to gain knowledge of the industry, to prepare for board meetings and to participate in Board Committees; willingness to challenge management's assumptions and stimulate board discussions with new or alternative insights and ideas. The Nominating Committee was satisfied with the outcome of its assessment, and had nominated the two gentlemen as additional INED's of the Company. Tan Sri James Foong Cheng Yuen, being 70 years of age, was appointed at the 46th Annual General Meeting (**AGM**) of the Company held on 25 May 2016 while Mr Quah Poh Keat was appointed by the Board on 8 June 2016.

STATEMENT ON CORPORATE GOVERNANCE

Re-election of Directors

The Company's Articles of Association provide that at each AGM of the Company, one-third of the Directors for the time being of the Company or if their number is not three or multiples of three, then the number nearest to but not less than the one-third are required to retire from office, and are eligible for re-election. Retiring directors are selected on the basis of those who have been longest in office since their last re-election.

New Directors appointed in the year are subject to retirement and re-election by shareholders at the next AGM, after their appointment. 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.

The Nominating Committee is tasked with the function of evaluating the eligibility of Directors who are standing for re-election and re-appointment at the Company's AGM's. The evaluation is conducted based on a set of criteria which include the Director's self and peer assessment results, attendance at Board and Board Committee meetings, participation in training programmes and their interaction with management via corporate and social events.

The Nominating Committee had, on 9 January 2017, conducted its evaluation of the eligibility of the Directors, namely, Dato' Teo Chiang Quan, Dato' Rohana Tan Sri Mahmood, Mr Quah Poh Keat, Dato' Md Taib bin Abdul Hamid, Tan Sri James Foong Cheng Yuen and Mr Quah Chek Tin for re-election or re-appointment at the forthcoming 47th AGM of the Company, with the interested directors abstaining from deliberation on their own evaluation.

In assessing the eligibility of Dato' Md Taib bin Abdul Hamid and Mr Quah Chek Tin, who have served as INED's of the Company for more than nine years, the committee took into consideration the said Directors' ability to exercise objective judgment, contribute positively to the Board and the Board Committees on which they serve to facilitate sound decision-making, and to act in the best interest of the Company with unfettered independence.

The committee was satisfied with the evaluation results, and has recommended all of the above mentioned Directors for re-election and re-appointment at the forthcoming AGM. Dato' Md Taib bin Abdul Hamid, however, has informed the Board of his wish to not seek re-appointment at the forthcoming AGM, and the Board respected his decision to relinquish his directorship after having served on the Board for 22 years, which included 15 years as Chairman of the Board.

BOARD COMMITTEES

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

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

Audit Committee

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and the development of sound internal controls for the Group. The Audit Committee comprises exclusively INED's, and the record of their attendance at the meetings of the committee held in 2016 was as follows:

Name of Member	Attendance	Percentage of Attendance
Quah Chek Tin (*Chairman*)	4 out of 4	100%
Dato' Md Taib bin Abdul Hamid	4 out of 4	100%
Ong Keng Siew	4 out of 4	100%

A detailed report, on the activities of the Audit Committee is presented on pages 68 to 70 of this annual report.

STATEMENT ON CORPORATE GOVERNANCE

Nominating Committee

The primary function of the Nominating Committee is to consider and recommend to the Board new nominees for the Board, the appointment and re-election of Directors at the Company's AGM's, and determining the independence of Directors. On a yearly basis, the Nominating Committee also conducts an assessment of the effectiveness of the individual Directors, the Board as a whole, the Board Committees and the Group CEO on an on-going basis, and to carry out such other functions as the Board may from time to time direct.

The Nominating Committee comprises exclusively INED's, and the Chairman of the committee is also the Senior INED of the Company. The record of their attendance at the meetings of the committee held in 2016 was as follows:

Name of Member	Attendance	Percentage of Attendance
Datuk Seri Michael Yam Kong Choy (*Chairman*)	2 out of 2	100%
Dato' Md Taib bin Abdul Hamid	2 out of 2	100%
Quah Chek Tin	2 out of 2	100%

During the year under review, the Nominating Committee has carried out the following activities in accordance with its TOR:

- Reviewed the outcomes of the self and peer assessment of individual Directors, the assessment of the Board and the four Board Committees and the assessment of the contribution of the Group CEO, and recommended remedial actions for the Board's consideration;
- Reviewed the attendance of the Directors at Board and Board Committee meetings;
- Reviewed the training programmes that were attended by the Directors during the year, and discussed the training needs of the Directors for the ensuing year;
- Reviewed the Declaration of Independence signed by all INED's;
- Reviewed the nominations of Tan Sri James Foong Cheng Yuen and Mr Quah Poh Keat as INED's of the Company; and
- Reviewed the eligibility of the Directors who are standing for re-election and re-appointment at the 46th AGM of the Company.

The TOR of the Nominating Committee are set out in the Board Charter that is available on the Company's website.

Remuneration Committee

The primary function of the Remuneration Committee is to review, assess and recommend to the Board the remuneration packages of Executive Directors, including the Group CEO, and senior management personnel to ensure that they are fairly rewarded for their contribution to the Group's overall performance and that the levels of remuneration be commensurate with the levels of executive responsibilities and are sufficient for the retention of these key personnel. The committee also recommends to the Board the policy and framework for determining Directors' remuneration.

Since March 2015, the Remuneration Committee has assumed the role as the committee to implement and administer the LTIP, and to exercise such powers and to perform such acts as the committee deems fit and necessary in accordance with the LTIP By-Laws to ensure that the LTIP is implemented expediently, fairly and effectively in the best interest of the Group.

The Remuneration Committee comprises a majority of INED's, and the record of their attendance at the meetings of the committee held in 2016 was as follows:

Name of Member	Attendance	Percentage of Attendance
Dato' Md Taib bin Abdul Hamid (*Chairman*)	2 out of 2	100%
Quah Chek Tin	2 out of 2	100%
Dato' Teo Chiang Quan	2 out of 2	100%

STATEMENT ON CORPORATE GOVERNANCE

During the year under review, the Remuneration Committee has carried out the following activities in accordance with its TOR:

- Reviewed the bonus payments and salary increments to the Executive Directors including the Group CEO;
- Reviewed the bonus payments and salary increments to the Group's senior management team;
- Reviewed Directors fees and Board Committee fees;
- Approved the first vesting of 669,100 LTIP Shares pursuant to the 2015 LTIP Award of the Company; and
- Recommended to the Board for approval the award of up to 6,063,200 LTIP Shares pursuant to the 2016 LTIP Award of the Company.

The TOR of the Remuneration Committee are set out in the Board Charter that is available on the Company's website at www.pcb.my.

Board Risk Management Committee

The primary function of the Board Risk Management Committee is to assist the Board in fulfilling its responsibilities to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The committee meets at least twice a year to monitor the Group's principal risks exposure and guides management on its risk appetite; recommends or advises on significant proposed changes to risk management policies and strategies; reviews together with management the significant risks and exposures that exist and assesses the steps that have been taken by management to mitigate such risks; and reviews reports on risk management and recommends actions, where necessary.

The Board Risk Management Committee comprises exclusively INED's, and the record of their attendance at the meetings of the committee held in 2016 was as follows:

Name of Member	Attendance	Percentage of Attendance
Dato' Rohana Tan Sri Mahmood (*Chairman*)	2 out of 2	100%
Dato' Md Taib bin Abdul Hamid	2 out of 2	100%
Datuk Seri Michael Yam Kong Choy	2 out of 2	100%
Quah Chek Tin	2 out of 2	100%

During the year under review, the Board Risk Management Committee has carried out the following activities in accordance with its TOR:

- Monitored the progress of the upgrade of the Group's risk management framework to ISO 31000:2009 that was initiated in 2015;
- Reviewed and recommended to the Board for approval the revised Risk Management Policy following the upgrade to ISO 31000:2009;
- Reviewed the Top Corporate Risks and monitored the effectiveness of the risk management plans identified by management; and
- Reviewed the Business Continuity Management plan proposed by management.

DIRECTORS' REMUNERATION

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 capitalisation and are set around the median point of the comparator group. The salaries are set by the Remuneration Committee after consideration of the Group's performance, market conditions, the level of increase awarded to the Executive Directors and the senior management throughout the business and the need to reward individuals based on their performance and responsibility.

STATEMENT ON CORPORATE GOVERNANCE

The Group's annual bonus scheme is designed to encourage and reward Executive Directors and employees for their achievement and betterment of challenging financial and business targets, set in the annual budget adopted by the Board at the beginning of each financial year. Bonuses are not contractual and are paid on the basis of the individual's contribution during the preceding year. Information on the Board Remuneration Policy of the Company is also available on the Company's website at www.pcb.my.

All Directors are entitled to directors' fees, which are benchmarked against fees paid by comparable public listed companies in Malaysia. In reviewing the benchmarking results based on information sourced from Minority Shareholders Watchdog Group's Malaysia-ASEAN Corporate Governance Report 2015 and taking into consideration that the directors' fees were increased in 2013, the Board has, as recommended by the Nominating Committee, proposed that the fees payable to the Directors in respect of FY2016 remain at the same rates as those paid for the preceding financial year.

Details of the Directors' remuneration for FY2016 are as follows:

Company only	Salary RM	Bonus RM	Director's Fee [1] RM	Benefits in kind RM
Executive Directors				
Dato' Teo Chiang Quan	760,800	634,000	88,000	60,087
Jeffrey Chew Sun Teong	1,392,300	556,920	60,000	130,126
Non-Executive Directors				
Dato' Md Taib bin Abdul Hamid	-	-	98,000	-
Dato' Rohana Tan Sri Mahmood	-	-	70,000	-
Datuk Seri Michael Yam Kong Choy	-	-	78,000	-
Ong Keng Siew	-	-	72,000	-
Quah Chek Tin	-	-	99,000	-
Tan Sri James Foong Cheng Yuen	-	-	36,230	-
Quah Poh Keat	-	-	33,934	-

Company and Group	Salary RM	Bonus RM	Director's Fee [1] RM	Benefits in kind RM
Executive Directors				
Dato' Teo Chiang Quan	1,440,000	1,200,000	88,000	84,681
Jeffrey Chew Sun Teong	1,392,300	556,920	60,000	130,126
Non-Executive Directors				
Dato' Md Taib bin Abdul Hamid	-	-	98,000	-
Dato' Rohana Tan Sri Mahmood	-	-	80,000	-
Datuk Seri Michael Yam Kong Choy	-	-	78,000	-
Ong Keng Siew	-	-	72,000	-
Quah Chek Tin	-	-	99,000	-
Tan Sri James Foong Cheng Yuen	-	-	41,557	-
Quah Poh Keat	-	-	33,934	-

[1] *Inclusive of Board Committee fees*

STATEMENT ON CORPORATE GOVERNANCE

Based on the above, the number of Directors whose remuneration for FY2016 fall within the respective bands are as follows:

Range of Remuneration	Number of Directors
Executive Directors	
RM2,000,001 - RM2,500,000	1
RM2,500,001 - RM3,000,000	1
Non-executive Directors	
RM50,000 and below	2
RM50,001 - RM100,000	5

In addition to the above, the Directors have the benefit of a Directors and Officers Liability Insurance (**D&O Insurance**) in respect of liabilities arising from civil claims against the Directors for alleged wrongful acts committed in their capacity as directors of the Company. The D&O Insurance, however, does not indemnify a director if it is established, in the final adjudication, that the director has committed a criminal act or has obtained any profit or personal gain from the transaction or event. The Directors have contributed jointly with the Company towards the premium of the D&O Insurance that covered the period from 3 January 2016 to 2 January 2017.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

The Board views risk management as an area of significant importance due to the volatility of the global and local economies. During the year, the Board, through the Board Risk Management Committee (**BRMC**), continues to monitor the Group's risk exposure within the Group's risk appetite and is regularly updated on the implementation progress of the risk management plans to mitigate those risks. The reporting process involves monthly monitoring of the risk status by the risk owners in each of the SBU's, who submit their findings to the ERMC for its review on a quarterly basis, which in turn, submits its report to the BRMC on a half-yearly basis.

The identified key risks are grouped into five (5) categories according to the various nature of the Group's business activities:

- **Strategic Risks**

  These risks may arise due to potential market uncertainties and in the course of executing the Group's strategies in arriving at certain business decisions and/or participation in strategic investment opportunities. The Group may have exposure to potential negative impact that can inhibit or prevent the Group from achieving its strategic objectives.

  They include market volatility risk, project investment risk, product development risk, business sustainability risk, and human capital risk. To manage these risks, the Group has implemented the following measures:

  - Putting in place robust strategic planning processes
  - Closely monitoring the marketplace for any signs of threats to the achievement of the strategic objectives
  - Tracking the expected deliverables identified under the Group's 5-year strategic plan, annual business plan and budget
  - Conducting feasibility studies and due diligence exercises to ensure that investment decisions are made based on the viability of the projects and that they are able to fulfil the Group's objectives and goals
  - Continue to explore and introduce new and innovative products, services and sales packages to meet the evolving needs of customers

STATEMENT ON CORPORATE GOVERNANCE

- **Operational Risks**

  These risks are encountered in the Group's day-to-day business operations in the event of a breakdown in internal procedures and systems or changes in the people structure of the Group.

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

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

  In view of the ever evolving and rapidly changing landscape of the education industry, the Group's Education Division continues to keep track of the risk of new competitors entering the market and the expansionary plans of existing competitors.

  To address this inadvertent risk, the Education Division remains cautious and continues to focus on improving its business development and marketing strategies to grow its revenue, and at the same time, monitor its costs structures to ensure that the entire business remains resilient. The division also continues to review and improve its facilities and learning resources to ensure its operations achieve academic quality excellence in line with the standards set by the Ministry of Higher Education and the Ministry of Education.

- **Financial Risks**

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

- **Compliance Risks**

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

- **Reputational Risks**

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

STATEMENT ON CORPORATE GOVERNANCE

The Statement on Risk Management and Internal Control (**SORMIC**), which has been reviewed by the external auditors, and presented on pages 71 to 74 of this annual report, provides a detailed report on the Group's level of risk management and internal controls for the year under review.

Internal Audit Function

The Internal Audit Department continues to undertake regular and systematic review of the Group's internal controls to provide the Audit Committee and the Board with sufficient assurance that the system of internal controls is effective in addressing the risks identified. The scope, activities and cost of the Company's internal audit function are reported in the Report of the Audit Committee and the SORMIC on pages 68 to 74 of this annual report.

Financial Reporting

The Board is mindful of its responsibility to present a fair, 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 Message from the Chairman on pages 12 and 13 and the Management Discussion and Analysis on pages 14 to 27 of this annual report. An explanation of the respective responsibilities of the Directors and the external auditors in the preparation of the accounts is set out in the Statement of Directors' Responsibility on page 183 of this annual report.

Related Party Transactions

All related party transactions (**RPT's**) are reviewed by the Internal Audit Department to ensure that the terms are fair and at arms' length, and that all necessary steps are being taken to comply with the requirements of MMLR with regard to RPT's. All verified RPT's are submitted to the Audit Committee for its review on a quarterly basis.

The details of all RPT's that were entered into by the Group in FY2016 are disclosed in Note 39 to the Audited Financial Statements on pages 165 to 167 of this annual 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 the applicable accounting standards in Malaysia. The Audit Committee meets with the external auditors four times a year to discuss their audit plans, audit findings and the Company's financial statements. Another two meetings are held in a year without the presence of executive Board members and management. In addition, the external auditors are invited to attend all AGM's of the Company, and are available to answer shareholders' questions on the conduct of the statutory audit and the contents of their audit reports.

The Audit Committee conducts a yearly assessment of the suitability and independence of the external auditors, and reviews the terms of engagement of the auditors prior to the submission of any recommendations on the re-appointment of the auditors to the Board for its consideration. The assessment of the suitability of the external auditor is conducted by the Audit Committee through a questionnaire with feedback from the CFO on the professional conduct, performance, skills, knowledge, experience, manpower strength, quality control in audit reviews and timeliness of the auditors in conducting the audit of the Group. In assessing the independence of the external auditors, confirmation is required from the external auditors on their independence and their assurance that no incidence of conflict of interest will arise from their provision of any non-audit services to the Group. The independence of the external auditors is further re-affirmed in the Audit Planning Memorandum presented to Audit Committee before the commencement of the audit. Details of the fees paid and payable to the external auditors in respect of audit and non-audit services rendered to the Group for FY2016 are provided on page 10 of this annual report.

The report on the role of the Audit Committee in relation to the external auditors can be found in the Report of the Audit Committee on pages 68 to 70 of this annual report.

STATEMENT ON CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

To ensure that good corporate governance practices are integrated into the Group's business operations, the Code of Business Conduct and Ethics that was adopted in 2013 sets out the basic standards of ethics and legal behaviour that are required of all employees and Directors of the Group. The areas of emphasis include conflicts of interest, fair dealing, insider trading, confidentiality, protection and proper use of company assets, compliance with laws, rules and regulations, truthful public disclosure and employee behaviour and professionalism. The code is available on the Company's corporate website.

Insider Trading

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

Whistleblowing Policy

In promoting a culture of high integrity and greater transparency, the Whistleblowing Policy adopted in 2013 provides employees of the Group and stakeholders an avenue to raise concerns regarding suspected fraud, wrongdoings and malpractices without being subject to victimization, harassment or discriminatory treatment.

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

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

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

The Head of Internal Audit Department, upon the receipt of complaints, would investigate and keep record of all evidences gathered from the investigation, and recommend to the Audit Committee the course of action in a fair manner. The Audit Committee would then recommend the appropriate disciplinary action to the Board for decision. If the Board is satisfied that there are substantial evidences to confirm that the disclosed conduct has occurred, it will instruct the Human Resource Department to proceed with the procedures for disciplinary action whilst ensuring that the principles of natural justice is followed. All details pertaining to the whistle-blower will be kept strictly confidential throughout the investigative proceedings. There were no concerns reported in FY2016 or during the period from 1 January 2017 to the date of publication of this statement. The Whistleblowing Policy is available on the Company's website.

STATEMENT ON CORPORATE GOVERNANCE

RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS

Dissemination of Information

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

Twice a year, the Company holds scheduled company briefings, coinciding with the half-year and full-year quarterly release to Bursa Malaysia, to analysts and fund managers. Together with the quarterly reporting to Bursa Malaysia, the Company also attaches a slide presentation on the quarterly and year to date performance for posting on Bursa Malaysia's website to provide investors with a more illustrative presentation of the results. In addition a media briefing is held upon conclusion of the Company's AGM for the benefit of potential investors as well as those shareholders who are unable to attend the meeting. The Company also obliges the requests of analysts, fund managers and the media for company visits, briefings and interviews outside the scheduled briefing and interview dates.

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

Engagement with Shareholders

The Company's AGM, in addition to dealing with the formal business of the Company, represents the principal forum for dialogue and interaction with shareholders, providing an opportunity for the Board to communicate directly with shareholders and vice versa. An overview of the Group's performance for the financial year ended 31 December 2015 was presented to shareholders at the 46th AGM held on 25 May 2016. Shareholders were invited to raise whatever queries they had with regard to the Company's performance. In this respect, the Board is pleased to report that all questions raised by shareholders at the 46th AGM held on 25 May 2016 were adequately attended to by the Board and that all resolutions proposed were duly approved by the shareholders who were present at the meeting. The minutes of the said AGM is available on the Company's website at www.pcb.my.

Voting at General Meetings

At the commencement of the 46th AGM held on 25 May 2016, the Chairman had informed the shareholders of their right to demand for a poll. No demand for a poll was raised at the AGM, and hence, voting at the meeting was carried by a show of hands. In line with the latest requirements of Bursa Malaysia, voting on all resolutions proposed in the Notice of the forthcoming 47th AGM would be by poll, and Paramount has appointed the Company's Registrar, Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator while Asia Securities Sdn Bhd shall be the Scrutineer to validate the votes cast at the meeting.

Dividend Payment

The Board, being mindful of its responsibility to ensure that the interest of shareholders is protected, will use its best endeavours to ensure consistency in the payment of annual dividends although the actual amount and timing of the dividend payments will depend on the financial performance, cash flow position and contingent obligations of the Group.

STATEMENT ON CORPORATE GOVERNANCE

Corporate Sustainability

The Board acknowledges that to achieve long-term sustainability, the Group must ensure that the interest of all stakeholders, other than shareholders, such as employees, customers, creditors, suppliers, contractors, consultants and the communities in which the Group serves are safeguarded. The Group's approach and commitment towards the protection of the welfare of these stakeholders is reported in the Corporate Social Responsibility Statement appearing on pages 30 to 34 of this annual report.

Further, to ensure that essential elements of corporate sustainability is embedded in the Group's operating functions and processes, the Board will be adopting a Sustainability Policy to address the following sustainability issues:

- **Environmental Sustainability** whereby the Group must strive to reduce the consumption of non-renewal and non-recycled materials; encourage the use of renewable resources; minimise the level of pollutants at the operations site; and comply with environmental legislative and regulatory requirements.

- **Social Sustainability** whereby priority must be given to the maintenance of a safe and healthy workplace for all employees and contractors; retention of a high performing workforce through the continuous provision of training for the development of the professional and personal skills of employees; prevention of sexual harassment at the workplace; and involvement in and promotion of community service activities.

- **Governance Sustainability** through regular reviewing, monitoring and updating of the Group's strategic plans, policies and procedures to be in line with evolving governance landscape and business environment; and to plan for long term financial and human resource capacity.

COMPLIANCE STATEMENT

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

- Limiting the tenure of INED's to nine years or re-designating INED's who have served for more than nine years as Non-Independent Directors

- Disclosing in the annual report the Company's targets for gender diversity in the Board and measures taken to meet those targets

- Serving earlier than the minimum required notice period for all AGM's

The Board will, moving forward, continue to take steps to align the Company's corporate governance framework as far as practicable to meet the aforesaid principles and recommendations of the MCCG.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount** or **the Company**) is pleased to present the Report of the Audit Committee for the financial year ended 31 December 2016 (**FY2016**).

In performing its duties and discharging its responsibilities, the Audit Committee is guided by its terms of reference which are available on the Company's website at www.pcb.my.

COMPOSITION AND MEETINGS

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors and are appointed by the Board. The Board reviews the terms of office and performance of the Audit Committee and that of each member at least annually to determine whether the Audit Committee and its members have carried out their functions, duties and responsibilities in accordance with its terms of reference.

The Audit Committee convened four (4) meetings during FY2016. The members of the Audit Committee and their attendance at the meetings, are as follows:

Name of Directors	Number of Meetings	
	Held	Attended
Quah Chek Tin (Chairman) *- Independent Non-Executive Director*	4	4
Dato' Md Taib Bin Abdul Hamid *- Independent Non-Executive Director*	4	4
Ong Keng Siew *- Independent Non-Executive Director*	4	4

The Group Chief Executive Officer (**CEO**) and Chief Financial Officer were invited to all Audit Committee meetings to facilitate direct communications as well as to provide clarification on audit issues and the Paramount Group's (**the Group**) operations. The Head of Internal Audit and Company Secretaries who are also the secretary to the Audit Committee were in attendance during the meetings. The relevant responsible management member of the respective auditable units were invited to the meetings to deliberate matters within their purview.

The Audit Committee met the External Auditors on 18 February 2016 and 16 November 2016, and with the Head of Internal Audit on 10 May 2016 and 16 November 2016 respectively without the presence of the executive board members and management.

The Audit Committee Chairman submits a report on matters deliberated to the Board of Directors after each meeting, for their information and attention.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

1. Financial Reporting

a. Reviewed and recommended the quarterly and annual financial statements of the Company and Group for Board approval.

REPORT OF THE AUDIT COMMITTEE

b. Reviewed and deliberated significant matters raised by the External Auditors including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and received updates from management on actions taken for improvements.

c. Deliberated changes or implementation of major policy changes and compliance with accounting standards and other legal requirements.

2. External Audit

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

   The Audit Committee was satisfied with the suitability of the External Auditors based on the quality of service and sufficiency of resources they provided to the Group, in terms of the firm and the professional staff assigned to the audit. The Audit Committee took note of the openness in communication and interaction with the lead audit engagement partner and engagement team lead, which demonstrated their independence, objectivity and professionalism.

   The above outcome of the performance assessment of the External Auditors for FY2016 supports the Audit Committee recommendation to the Board of their re-appointment and remuneration.

b. Reviewed the External Auditors' Audit Plan and the scope of their annual audit, prior to the commencement of audit.

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

d. The External Auditors provided written assurance to the Audit Committee that, in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for FY2016.

3. Internal Audit

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

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

c. Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised including status of completion achieved.

d. Assessed the Internal Audit Department's quarterly audit progress report and approved the revised audit plan to ensure the plan continues to remain relevant in consideration of the changes in business environment.

e. Reviewed the verification of share grants 2016 under Paramount's Long Term Incentive Plan (**LTIP**), which comprises two components, namely Performance Shares and Restricted Shares, for selected employees. The Audit Committee concurred that the award of shares under the LTIP complied with the criteria approved by the Remuneration Committee pursuant to Paragraph 8.17(2) of the Main Market Listing Requirements (**MMLR**) of Bursa Malaysia Securities Berhad.

REPORT OF THE AUDIT COMMITTEE

4. Related Party Transactions

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

(i) that such transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Company or its minority shareholders; and
(ii) adequate oversight over the internal control procedures with regard to such transactions.

5. Annual Reporting

a. Reviewed this Report of the Audit Committee, the Summary of Activities of the Internal Audit Function and the Statement on Risk Management and Internal Control before submitting them for Board approval and inclusion in the 2016 Annual Report.

6. Others

a. Reviewed and revised its terms of reference for compliance with the new amendments to the MMLR affecting the Audit Committee, for recommendation to the Board for its approval.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by the Internal Audit Department in the discharge of its duties and responsibilities. The Internal Audit Department is independent of operations and reports functionally to the Audit Committee and administratively to the Group CEO. The primary responsibility of the Internal Audit Department is to provide reasonable assurances to the Audit Committee on the effectiveness of the governance, risk management and internal control processes within the Company and the Group.

An annual internal audit plan is presented to the Audit Committee for approval after reviewing the adequacy of the scope, functions and resources of the Internal Audit Department as well as the competency of the internal auditors. The Internal Audit Department adopts a risk-based approach and prepares the plan based on the risk profiles of the auditable units of the Group.

During the financial year under review, the Internal Audit Department conducted assurance engagements in accordance with the revised internal audit plan, and had conducted follow-up audits on management's corrective actions on a quarterly basis. The areas reviewed included procurement, finance, governance, information and communication systems, human resources, LTIP, sales and marketing, customer care, academic operations, compliance, project management and implementation, safety and security.

Internal Audit reports were issued to management and they contained key operational analysis, insights, improvement opportunities, audit findings, management response, corrective and preventive actions as well as target date to complete the actions. Issues that required significant improvement were tabled to the Audit Committee for deliberation. The Internal Audit Department provided quarterly updates to management and the Audit Committee with regard to the progress and status of the corrective actions.

The total costs incurred by the Internal Audit Department in discharging its functions and responsibilities in FY2016 amounted to RM954,036.20.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad (**Bursa Malaysia**) and in accordance with the Principles as stipulated in the Malaysian Code of Corporate Governance 2012 (**the Code**). The Statement is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers for the financial period under review.

BOARD'S RESPONSIBILITY

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

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

The Board has established an ongoing process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in the achievement of its business objectives. This process has been in place for the year under review up to the date of approval of this Statement. The Board also evaluates the risks relating to new businesses and major investments during the year.

The Statement on Risk Management and Internal Control does not cover associate company which the Group does not have any direct control over its operations. However, board representation in associate company does provide vital information necessary for decisions on the investment and 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 of the Group's strategic planning and business operations. The salient features of the risk management are as follows:

Enterprise-Wide Risk Management (EWRM) Programme

The Board affirms the establishment of an EWRM programme to provide a standardised approach in identifying, assessing, evaluating, managing, monitoring and reporting the key risks of the Group and keeps abreast of its development. The programme is benchmarked against the Code and ISO31000 Risk Management – Principles and Guidelines.

Risk Management Policy

The Group has in place a formal risk management policy approved by the Board that describes the risk management philosophy, framework and processes.

Roles and Responsibilities

The Group has a well-defined structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and strategic business units (**SBU's**).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

  The BRMC is established by the Board, and governed by clearly defined terms of reference and authority for areas within their scope. The committee is made up of four (4) independent non-executive directors. The BRMC assists the Board to fulfill its risk management and statutory responsibilities to manage the key risk exposure of the Group. Further details on the BRMC are set out in the Statement on Corporate Governance.

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

  The Board via the BRMC has assigned the Group's risk oversight function to the ERMC, which is chaired by the Group Chief Executive Officer (**GCEO**). The ERMC comprises members of the Group's senior management and is primarily responsible for driving EWRM, ensuring SBU's commit sufficient resources, implement the Group's risk management activities systematically, monitor risks, review the progress of mitigation plans implemented and evaluate post- implementation effectiveness across the Group. The ERMC reports to the BRMC on a half yearly basis where key risks faced by the Group and mitigating actions are presented to the BRMC for deliberations.

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

  The BRMC and the ERMC are assisted by the CRM in discharging their risk management responsibilities. Amongst others, the CRM is responsible for assisting in the development and continual enhancement of the risk management framework, policies, processes and procedures; monitoring SBU's compliance with the Group's policies and procedures; and facilitating the quarterly risks review.

- **SBU's**

  SBU's are tasked with reporting major risks on a quarterly basis to the ERMC. The respective SBU's being risk owners are responsible for the effective management of risks including conduct reviews and updates of risk profiles, identification of emerging risks, development and implementation of risk mitigation strategies/controls, where relevant, for restoration and recovery in the event of hazards and damaging incidents. Any event, which may materially impact the Group's corporate objectives and financial position, will be escalated by SBU's to the ERMC and BRMC for their deliberation.

Key Risk Management Initiatives

- **Risk Awareness and Training**

  Risk Awareness and Training sessions for management were conducted as part of the Group's efforts to instill a proactive risk management culture and implement a robust risk management mechanism throughout the Group. This is to enable the Group to respond effectively to changing business and competition, which are critical to the Group's sustainability and the enhancement of shareholders' value.

- **Risk Appetite Statement**

  A Risk Appetite Statement based on measurable parameters that may impact the achievement of corporate objective is also established. This is to ensure a consistent understanding of risk exposures which are acceptable or unacceptable to the Group.

  Management is responsible to continually review, communicate and reinforce risk appetite and monitor business activity for consistency with acceptable risk appetite.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

The Board through the Audit Committee reviews and monitors the adequacy and integrity of internal control. The internal control system covers policies, procedures, day-to-day activities and the governance of the Group.

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

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

- The Group has clearly defined areas of responsibilities for all committees of the Board and clear lines of authority and accountability for various levels of management.
- Business plans which include 5-year strategic plan, annual business plan and budget are prepared by the SBU's. The plans are presented and approved by the Board.
- Various reports on key financial data, key performance indicators, and status updates on business plans, are submitted on a quarterly basis. The reporting mechanism is to enable matters that require Board's and management's attention are highlighted for review, deliberations and timely decision making. All members of the Board are provided with unrestricted flow of information for their high-level performance review.
- The Board has adopted a Code of Business Conduct and Ethics with the objective of upholding the highest standards of honesty, integrity, ethical, and legal behavior in the conduct of all business operations of the Group.
- Management holds Finance Committee meetings on a quarterly basis where comprehensive financial results are reviewed by comparing actual performance against approved budget and forecast. The quarterly financial results and management reviews are then summarised for presentation to the Board during their quarterly meetings.
- Well-established and documented policies and procedures which are aligned with business objectives and goals within the Group are continuously reviewed and updated.
- An effective management tender committee ensures that a proper procurement process for material purchases of goods and services is in place.
- A whistleblowing policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable staff and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate manner.
- Succession planning is designed to ensure that the Group identifies and develops a talent pool of staff through mentoring and training for high-level management positions. This is to ensure the Group's continuity in leadership for key positions.
- Professionalism and competence of staff are maintained through a rigorous recruitment process, an annual performance appraisal and review system and a wide variety of training and development programmes.
- Information system that supports the financial and operational requirements of the Group is established. The integrity, adequacy, timeliness and security of the information system are consistently being monitored by management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Group Internal Audit

The Audit Committee endorsed and approved the scope of work for the internal audit function through review of its 5-year detailed 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 SBU's accredited with ISO certification are audited as scheduled by auditors of the relevant certification bodies. Audit results are reported to management for improvement purposes.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for the financial year ended 31 December 2016.

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

CONCLUSION

The Board has received assurance from both the GCEO and Chief Financial Officer that the risk management and internal control system is operating adequately and effectively in all material aspects, for the financial year ended 31 December 2016 and up to the date of publication of this Statement.

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. There were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

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

04

FINANCIALS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

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

Results

	Group RM'000	Company RM'000
Profit net of tax	88,673	111,506

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 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Final single tier dividend of 5.75 sen on 422,933,420 ordinary shares, declared on 24 February 2016 and paid on 15 June 2016	**24,319**
In respect of the financial year ended 31 December 2016:	
Interim single tier dividend of 2.50 sen on 422,933,420 ordinary shares, declared on 17 August 2016 and paid on 28 September 2016	**10,573**
	34,892

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2016 on 424,295,920 ordinary shares, amounting to a dividend payable of RM25,457,755 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 2017.

DIRECTORS' REPORT

Directors

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

Dato' Md Taib bin Abdul Hamid
Dato' Teo Chiang Quan
Ong Keng Siew
Dato' Rohana Tan Sri Mahmood
Datuk Seri Yam Kong Choy
Quah Chek Tin
Chew Sun Teong
Tan Sri Foong Cheng Yuen (Appointed on 25 May 2016)
Quah Poh Keat (Appointed on 8 June 2016)

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 39 to the financial statements.

DIRECTORS' REPORT

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1 January 2016/date of appointment	LTIP Shares Vested	Sold	At 31 December 2016
The Company				
Direct Interest				
Dato' Teo Chiang Quan	5,610,500	-	-	5,610,500
Ong Keng Siew	3,987,700	-	-	3,987,700
Datuk Seri Yam Kong Choy	132,500	-	-	132,500
Chew Sun Teong	175,000	148,300	-	323,300
Deemed Interest				
Dato' Teo Chiang Quan	111,033,500	-	-	111,033,500
Quah Poh Keat	956,800	-	-	956,800
Dato' Md Taib bin Abdul Hamid	175,000	-	-	175,000

	Number of ordinary shares of RM0.50 each under LTIP			
	At 1 January 2016	Granted	Vested	At 31 December 2016
The Company				
Chew Sun Teong	1,441,200	1,762,100	(148,300)	3,055,000

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.

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

Isuse of shares

On 17 March 2016, there was an allotment and issuance of 669,100 new ordinary shares of RM0.50 each in the Company pursuant to the first vesting of restricted shares under the restricted share incentive plan of the Company's Long Term Incentive Plan ("LTIP").

DIRECTORS' REPORT

Employee Share Scheme

On 17 September 2013, a LTIP was implemented, which includes the allotment and issuance of new ordinary shares of RM0.50 each in the Company to eligible employees and executive directors of the Group and the Company, provided that the total number of shares so allotted shall not at any time exceed ten percentage (10%) of the issued and paid-up share capital of the Company (''LTIP shares'').

In the prior year, the Company made its first award of up to 5,444,300 LTIP shares, comprising 2,200,100 LTIP shares under the restricted share incentive plan and up to 3,244,200 LTIP shares under the performance-based share incentive plan.

During the year, the Company made its second award of up to 6,063,200 LTIP shares, comprising 2,362,600 LTIP shares under the restricted share incentive plan and up to 3,700,600 LTIP shares under the performance-based share incentive plan.

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

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

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

Further information on LTIP shares is disclosed in Note 35 to the financial statements.

Other statutory information

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

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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:

   (i) 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.

DIRECTORS' REPORT

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

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

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

(f) In the opinion of the directors:

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

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

Significant event during the financial year

Significant event during the financial year is disclosed in Note 19 to the financial statements.

Subsequent events

Significant events subsequent to the end of financial year are disclosed in Note 45 to the financial statements.

Auditors

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

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 March 2017.

Dato' Teo Chiang Quan **Chew Sun Teong**

STATEMENT BY DIRECTORS

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

We, Dato' Teo Chiang Quan and Chew Sun Teong, being two of the directors of Paramount Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 87 to 176 are drawn up in accordance with Financial Reporting Standards and the requirements of 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 2016 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 46 to the financial statements on page 177 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 24 March 2017.

Dato' Teo Chiang Quan

Chew Sun Teong

STATUTORY DECLARATION

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

I, Foong Poh Seng, being the officer primarily responsible for the financial management of Paramount Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 87 to 177 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 24 March 2017

Foong Poh Seng

Before me,

Commissioner for Oaths
NG SAY HUNG
No. B185
No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya
Selangor Darul Eshan

INDEPENDENT AUDITORS' REPORT

To the members of Paramount Corporation Berhad

Report on the financial statements

Opinion

We have audited the financial statements of Paramount Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT
To the members of Paramount Corporation Berhad

Recognition of revenue and cost on property development projects

The revenue and cost of property development projects contributed approximately 71% and 62% respectively of the Group's revenue and cost, which were mainly computed based on stage of completion method. Stage of completion is determined by the proportion of property development cost incurred for work performed to date, to the estimated/budgeted total property development cost. We focused on this area because management made significant judgement in determining the stage of completion, the extent of the property development cost incurred and the estimated/budgeted total property development cost.

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

The Group's disclosures about property development activities are included in Note 13 (b) to the financial statements.

Impairment review of goodwill

The Group is required to perform annual impairment test of cash generating unit ("CGU") to which the goodwill has been allocated. The Group estimated the recoverable amount of its CGU to which the goodwill is allocated based on fair value less cost of disposal. Fair value of the CGU is obtained from a valuation report performed by an independent third party valuer. The aforementioned impairment review did not give rise to any impairment loss.

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

In reviewing the fair value less cost of disposal of the CGU, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparables used.

The Group's disclosures about impairment assessment of goodwill are included in Note 16 to the financial statements.

INDEPENDENT AUDITORS' REPORT
To the members of Paramount Corporation Berhad

Impairment review of property, plant and equipment ("PPE")

The Group is required to perform impairment test of CGU whenever there is an indication that the CGU may be impaired. As at 31 December 2016, the Group's subsidiaries, KDU University College Sdn Bhd ("KDUUC") and KDU College (PJ) Sdn Bhd ("KDUPJ") were in loss-making position, thereby indicated potential impairment on their PPE. The PPE of KDUUC and KDUPJ, which mainly consists of the land and buildings, contributed approximately 56% of the PPE of the Group. The Group estimated the recoverable amounts of the CGUs based on fair value less cost of disposal. Fair value of the respective CGU is obtained from valuation reports performed by an independent third party valuer. The aforementioned impairment review did not give rise to any impairment loss.

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

In reviewing the fair value less cost of disposal of the CGU, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparables used.

The Group's disclosures about PPE are included in Note 12 to the financial statements.

Information other than the financial statements and auditors' report

Other information consists of the information included in the Company's 2016 Annual Report other than the financial statements of the Group and of the Company and our auditor's report thereon. The directors of the Company are responsible for the other information.

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
To the members of Paramount Corporation Berhad

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
To the members of Paramount Corporation Berhad

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

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

Other reporting responsibilities

The supplementary information set out in Note 46 on page 177 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Ng Yee Yee
No. 3176/05/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue	4	**573,141**	576,034
Other income		**40,590**	29,081
Property development costs	13(b)	**(247,936)**	(255,744)
Construction contract costs		**(5,732)**	(11,748)
Employee benefits expense	5	**(129,257)**	(122,254)
Depreciation		**(20,812)**	(19,262)
Other expenses		**(89,587)**	(88,795)
Finance costs	7	**(7,643)**	(5,660)
Share of (loss)/gain of associates		**(287)**	42
Profit before tax	8	**112,477**	101,694
Taxation	9	**(23,804)**	(27,513)
Profit net of tax		**88,673**	74,181
Profit attributable to:			
Ordinary equity holders of the Company		**75,016**	67,681
Holders of Private Debt Securities ("PDS") of the Company		**13,657**	6,500
		88,673	74,181
Earnings per share ("EPS") attributable to ordinary equity holders of the Company (sen)			
- Basic	10(a)	**17.74**	16.03
- Diluted	10(b)	**17.32**	15.82

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Profit net of tax	**88,673**	74,181
Foreign currency translation	**355**	861
Total comprehensive income	**89,028**	75,042
Total comprehensive income attributable to:		
Ordinary equity holders of the Company	**75,371**	68,542
Holders of PDS of the Company	**13,657**	6,500
	89,028	75,042

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Non-current assets			
Property, plant and equipment	12	**436,186**	435,089
Land held for property development	13(a)	**870,967**	837,395
Investment properties	14	**177,750**	154,040
Intangible asset	16	**15,674**	15,674
Investments in associates	18	**10,220**	10,153
Investment in a joint venture	19	**45**	-
Other investments	20	**340**	340
Deferred tax assets	32	**22,611**	27,228
		1,533,793	1,479,919
Current assets			
Property development costs	13(b)	**76,957**	125,709
Inventories	21	**28,789**	953
Trade receivables	22	**54,259**	91,976
Other receivables	23	**16,550**	14,542
Other current assets	24	**143,269**	52,083
Tax recoverable		**8,964**	4,579
Other investments	20	**288**	279
Cash and bank balances	27	**149,176**	149,644
		478,252	439,765
Non-current assets held for sale	15	**6,666**	10,539
		484,918	450,304
Total assets		**2,018,711**	1,930,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016
(cont'd)

	Note	2016 RM'000	2015 RM'000
Current liabilities			
Borrowings	28	**207,864**	102,187
Trade payables	29	**80,670**	78,464
Other payables	30	**103,536**	104,814
Tax payable		**1,994**	7,593
Other current liabilities	31	**56,631**	84,426
		450,695	377,484
Net current assets		**34,223**	72,820
Non-current liabilities			
Borrowings	28	**428,690**	447,430
Deferred tax liabilities	32	**4,903**	14,686
		433,593	462,116
Total liabilities		**884,288**	839,600
Equity			
Share capital	33	**211,467**	211,132
Reserves		**723,169**	679,704
Private debt securities	34	**199,787**	199,787
Total equity		**1,134,423**	1,090,623
Total equity and liabilities		**2,018,711**	1,930,223

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	← Non-distributable			→	Distributable		
	Share capital RM'000	Share premium RM'000	Employee share reserve# RM'000	Translation reserve RM'000	Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2016	**211,132**	**91,149**	**1,907**	**(268)**	**586,916**	**199,787**	**1,090,623**
Total comprehensive income	**-**	**-**	**-**	**355**	**75,016**	**13,657**	**89,028**
Transactions with owners							
Vesting of LTIP shares on 14 March 2016 (Note 35)	335	622	(957)	-	-	-	-
Award of LTIP shares to employees (Note 35)	-	-	3,321	-	-	-	3,321
Private debt securities distribution (Note 34)	-	-	-	-	-	(13,657)	(13,657)
Dividends (Note 11)	-	-	-	-	(34,892)	-	(34,892)
Total transactions with owners	335	622	2,364	-	(34,892)	(13,657)	(45,228)
At 31 December 2016	**211,467**	**91,771**	**4,271**	**87**	**627,040**	**199,787**	**1,134,423**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016
(cont'd)

		← Non-distributable		→	Distributable		
	Share capital RM'000	Share premium RM'000	Employee share reserve# RM'000	Translation reserve RM'000	Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2015	211,132	91,149	-	(1,129)	550,905	99,787	951,844
Total comprehensive income	-	-	-	861	67,681	6,500	75,042
Transactions with owners							
Issuance of private debt securities (Note 34)	-	-	-	-	-	100,000	100,000
Award of LTIP shares to employees (Note 35)	-	-	1,907	-	-	-	1,907
Private debt securities distribution (Note 34)	-	-	-	-	-	(6,500)	(6,500)
Dividends (Note 11)	-	-	-	-	(31,670)	-	(31,670)
Total transactions with owners	-	-	1,907	-	(31,670)	93,500	63,737
At 31 December 2015	211,132	91,149	1,907	(268)	586,916	199,787	1,090,623

This represents reserve relating to fair valuation of restricted shares and performance shares under the long term incentive plan ("LTIP").

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before tax	**112,477**	101,694
Adjustments for:		
Depreciation of property, plant and equipment	**19,748**	19,234
Depreciation of investment properties	**1,064**	28
Property, plant and equipment written off	**144**	41
Impairment of asset held for sale	**-**	100
Additions of allowance for impairment of receivables	**55**	99
Reversal of allowance for impairment of receivables	**(364)**	-
Share-based payment	**3,321**	1,907
Bad debts written off	**169**	179
(Gain)/loss on disposal of assets held for sale	**(8,777)**	154
Gain on disposal of property, plant and equipment	**(298)**	(965)
Unrealised foreign exchange (gain)/loss	**(15)**	222
Share of loss/(gain) of associates	**287**	(42)
Net derivative loss from interest rate swap	**418**	78
Interest expense	**7,643**	5,660
Interest income	**(2,720)**	(4,817)
Operating profit before working capital changes	**133,152**	123,572
(Increase)/decrease in receivables	**(55,337)**	20,628
Decrease in development properties	**51,956**	28,372
Increase in inventories	**(27,836)**	(554)
Decrease in payables	**(27,269)**	(24,137)
Cash generated from operations	**74,666**	147,881
Taxes paid	**(38,954)**	(38,450)
Interest paid	**(26,709)**	(21,909)
Net cash generated from operating activities	**9,003**	87,522

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016
(cont'd)

	2016 RM'000	2015 RM'000
Cash flows from investing activities		
Increase in land held for development	**(20,202)**	(296,993)
Grants received	**-**	14,101
Purchase of property, plant and equipment	**(20,251)**	(39,361)
Purchase of investment properties	**(23,129)**	(43,674)
Proceeds from disposal of property, plant and equipment	**521**	3,143
Proceeds from disposal of asset held for sale	**12,650**	2,946
Movement in other investment	**(9)**	(9)
Interest received	**2,720**	4,817
Investment in an associate	**-**	(1,310)
Investment in a joint venture	**(45)**	-
Net cash used in investing activities	**(47,745)**	(356,340)
Cash flows from financing activities		
Dividends paid	**(34,892)**	(31,670)
Proceeds from issuance of PDS	**-**	100,000
Payment of PDS distribution	**(13,657)**	(6,500)
Repayment of iMTN	**-**	(21,600)
Drawdown of borrowings	**115,675**	239,000
Repayment of borrowings	**(55,460)**	(55,411)
Placements in banks restricted for use	**(2,300)**	195
Net cash generated from financing activities	**9,366**	224,014
Net decrease in cash and cash equivalents	**(29,376)**	(44,804)
Cash and cash equivalents at beginning of year	**143,821**	188,625
Cash and cash equivalents at end of year (Note 27)	**114,445**	143,821

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

INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue	4	142,179	96,293
Other income		1,220	357
Employee benefits expense	5	(12,988)	(12,300)
Depreciation		(637)	(671)
Other expenses		(8,044)	(14,944)
Finance costs	7	(9,550)	(8,811)
Profit before tax	8	112,180	59,924
Taxation	9	(674)	(934)
Profit net of tax, representing total comprehensive income for the year		111,506	58,990
Total comprehensive income attributable to:			
Ordinary equity holders of the Company		97,849	52,490
Holders of PDS of the Company		13,657	6,500
		111,506	58,990

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Non-current assets			
Property, plant and equipment	12	**1,827**	1,735
Investment properties	14	**645**	660
Investments in subsidiaries	17	**667,776**	710,678
Investment in a joint venture	19	**45**	-
Other investments	20	**165**	165
		670,458	713,238
Current assets			
Other receivables	23	**411**	1,765
Due from subsidiaries	26	**566,478**	434,212
Cash and bank balances	27	**646**	23,705
		567,535	459,682
Total assets		**1,237,993**	1,172,920
Current liabilities			
Borrowings	28	**53,842**	-
Other payables	30	**4,480**	6,510
Tax payable		**216**	53
Due to subsidiaries	26	**157,963**	211,162
		216,501	217,725
Net current assets		**351,034**	241,957
Non-current liabilities			
Deferred tax liabilities	32	**59**	40
Total liabilities		**216,560**	217,765
Equity			
Share capital	33	**211,467**	211,132
Reserves		**610,179**	544,236
Private debt securities	34	**199,787**	199,787
		1,021,433	955,155
Total equity and liabilities		**1,237,993**	1,172,920

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital RM'000	Share premium RM'000	Non-distributable Employee share reserve # RM'000	Distributable Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2016	**211,132**	**91,149**	**1,907**	**451,180**	**199,787**	**955,155**
Total comprehensive income	**-**	**-**	**-**	**97,849**	**13,657**	**111,506**
Transactions with owners						
Vesting of LTIP shares on 14 March 2016 (Note 35)	**335**	**622**	**(957)**	**-**	**-**	**-**
Award of LTIP shares to employees (Note 35)	**-**	**-**	**3,321**	**-**	**-**	**3,321**
Private debt securities distribution (Note 34)	**-**	**-**	**-**	**-**	**(13,657)**	**(13,657)**
Dividends (Note 11)	**-**	**-**	**-**	**(34,892)**	**-**	**(34,892)**
Total transactions with owners	**335**	**622**	**2,364**	**(34,892)**	**(13,657)**	**(45,228)**
At 31 December 2016	**211,467**	**91,771**	**4,271**	**514,137**	**199,787**	**1,021,433**

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

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016
(cont'd)

	Share capital RM'000	Share premium RM'000	Non-distributable Employee share reserve # RM'000	Distributable Retained earnings (Note 36) RM'000	Private debt securities RM'000	Total equity RM'000
At 1 January 2015	211,132	91,149	-	430,360	99,787	832,428
Total comprehensive income	-	-	-	52,490	6,500	58,990
Transactions with owners						
Issuance of private debt securities (Note 34)	-	-	-	-	100,000	100,000
Award of LTIP shares to employees (Note 35)	-	-	1,907	-	-	1,907
Private debt securities distribution (Note 34)	-	-	-	-	(6,500)	(6,500)
Dividends (Note 11)	-	-	-	(31,670)	-	(31,670)
Total transactions with owners	-	-	1,907	(31,670)	93,500	63,737
At 31 December 2015	211,132	91,149	1,907	451,180	199,787	955,155

This represents reserve relating to fair valuation of restricted shares and performance shares under the long term incentive plan ("LTIP").

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before tax	**112,180**	59,924
Adjustments for:		
Depreciation of property, plant and equipment	**622**	656
Depreciation of investment properties	**15**	15
Interest expense	**9,550**	8,811
Impairment of investment in subsidiaries	**4,842**	11,748
Share-based payment	**1,552**	847
Gain on disposal of property, plant and equipment	**(128)**	(357)
Dividend income	**(101,501)**	(65,062)
Interest income	**(25,879)**	(16,035)
Operating profit before working capital changes	**1,253**	547
Decrease in receivables	**1,354**	5,305
(Decrease)/increase in payables	**(2,030)**	2,488
Cash generated from operations	**577**	8,340
Interest paid	**(9,550)**	(8,811)
Net tax paid	**(492)**	(25)
Net cash used in operating activities	**(9,465)**	(496)
Cash flows from investing activities		
Interest received	**25,879**	16,035
Dividends received	**101,501**	65,062
Investment in a joint venture	**(45)**	-
Subscription of ordinary shares in subsidiaries	**-**	(51,131)
Subscription of Non-cumulative Redeemable Convertible Preference Shares in subsidiaries	**-**	(29,029)
Redemption of Non-cumulative Redeemable Convertible Preference Shares by subsidiaries	**1,600**	15,000
Proceeds from disposal of property, plant and equipment	**245**	378
Purchase of property, plant and equipment	**(831)**	(102)
Net cash generated from investing activities	**128,349**	16,213

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016
(cont'd)

	2016 RM'000	2015 RM'000
Cash flows from financing activities		
Proceeds from issuance of PDS	**-**	100,000
Drawdown of borrowings	**35,000**	-
PDS distribution	**(13,657)**	(6,500)
Dividends paid	**(34,892)**	(31,670)
Changes in subsidiaries balances	**(147,236)**	(143,599)
Net cash used in financing activities	**(160,785)**	(81,769)
Net decrease in cash and cash equivalents	**(41,901)**	(66,052)
Cash and cash equivalents at beginning of year	**23,705**	89,757
Cash and cash equivalents at end of year (Note 27)	**(18,196)**	23,705

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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 24 March 2017.

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 requirements of the Companies Act, 1965 in Malaysia.

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

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

2.2 Changes in accounting policies

The new and revised FRSs, Amendments to FRS and IC Interpretations which are mandatory for companies with financial periods beginning on or after 1 January 2016 did not have any significant effect on the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

Description	Effective for annual periods beginning on or after
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017
FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
FRS 9 Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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

The directors expect that the adoption of the new FRS, Amendments to FRS and IC Interpretations which are issued but not yet effective for the financial year ended 31 December 2016 will not have any material impact on the financial statements of the Group and of the Company in the period of initial application, other than as disclosed below.

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

The amendments to FRS 107: *Statement of Cash Flows* requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9: *Financial Instruments* which reflects all phases of the financial instruments project and replaces FRS 139: *Financial Instruments: Recognition and Measurement* and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2013, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the 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 2013, with the exception of entities that are within the scope of MFRS 141: *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, 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 four years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and have opted to defer the adoption of the new MFRS Framework. 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 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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

Malaysian Financial Reporting Standards ("MFRS Framework") (cont'd.)

The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 January 2018. At the date of these financial statements, the Group and the Company have not completed their 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 Group. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2016 could be different if prepared under the MFRS Framework.

The new and amended standards (which are applicable upon adoption of MFRS Framework) that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: *Revenue*, MFRS 111: *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 will replace MFRS 117: *Leases*, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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

MFRS 16 Leases (cont'd.)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.4 Basis of consolidation (cont'd.)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Investment in subsidiaries

A subsidiary is an entity over which the Company controls and the Company has the following:

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.6 Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition, the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial 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.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136: *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.7 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of annual impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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

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 50 to 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold and leasehold buildings:	50 years
Plant and equipment:	10 years
Furniture and fittings:	10 years
Motor vehicles:	3 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.9 Investment properties (cont'd.)

Investment property under construction (''IPUC'') is measured at fair value (when the fair value is reliably determinable). When assessing whether the fair value of IPUC can be determined reliably the company considers, among other things:

(a) Is the asset being constructed in a developed liquid market?
(b) Has a construction contract with the contractor been signed?
(c) Have the required building and letting permits been obtained?
(d) What percentage of rentable area has been pre-leased to tenants?

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

IPUC are not depreciated as these assets are not yet available for use.

2.10 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets are measured in accordance to Note 2.8 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 in accordance with FRS 5: Non-current Assets Held for Sale and Discontinued Operations. Any differences are charged to profit or loss.

Assets once classified as held for sale are not depreciated.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

An asset held for sale is derecognised upon disposal and any gain or loss on derecognition is included in profit or loss in the year it is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

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 Inventories

Inventories are stated at lower of cost and net realisable value. Inventories of completed properties comprise relevant cost of land, development expenditure and related interest cost incurred during development period.

2.14 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.14 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.

2.15 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or 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.

Financial assets that are applicable to the Group and the Company are financial assets at fair value through profit or loss and loans and receivables, as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.15 Financial assets (cont'd.)

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. 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.

Derecognition

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 received is recognised in profit or loss.

2.16 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.17 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, deposits with licensed banks and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.18 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.

2.19 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 are recognised in the statements of financial position when, and only when, the Group or 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.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, due to subsidiaries and borrowings.

Trade payables, other payables and due to subsidiaries 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.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.19 Financial liabilities (cont'd.)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.23 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(d).

When the assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.24 Revenue and other income recognition

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

(a) Sale of development 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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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

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

(c) Revenue from educational fees

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

(g) Membership fees

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

(h) Management fees

Management fees are recognised when services are rendered.

2.25 Current and non-current classification

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

An asset is classified as current when it is:

(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within 12 months after the reporting period; or
(iv) cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.25 Current and non-current classification (cont'd.)

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within 12 months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

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

2.26 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.26 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

(c) Goods and service tax ("GST")

The net amount of GST being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.27 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

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

(c) Employee share scheme

Employees of the Group and of the Company receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share reserve, over the Vesting Period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the Vesting Period has expired and the Group's and the Company's best estimate of the number of shares that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for shares that do not ultimately vest, except for shares where vesting is conditional upon a market condition or a non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the shares do not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group, the Company or the employee, this is accounted for as a cancellation.

In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the Vesting Period is recognised immediately in profit or loss upon cancellation. The employee share reserve is transferred to retained earnings upon expiry of the shares. When the shares are vested, the employee share reserve is transferred to share capital if new shares are issued, or to treasury shares if the shares are vested by the reissuance of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.28 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.29 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.

2.30 Contingencies

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

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

2.31 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 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 Fair value measurement

The Group measures financial instruments, such as, derivative at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 41.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.32 Fair value measurement (cont'd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

2.32 Fair value measurement (cont'd.)

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

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

2.33 Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached will be met. Government grants related to assets, measured at nominal value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

3. Significant accounting estimates and judgements

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

3.1 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group and the Company have developed certain criteria based on FRS 140: *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Property development costs

The Group recognises property development revenue and costs in the income statement by using the stage of completion method. The stage of completion is determined by the proportion of property development costs incurred for work performed to date to the estimated total property development costs.

Significant estimate is required in determining the stage of completion, the extent of the construction or property development costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction or property development projects. In making the estimate, the Group evaluates based on past experience and by relying on the work of specialists.

(b) Impairment of goodwill

Goodwill is tested for impairment annually.

Fair value less cost to sell are undertaken for impairment assessment. Fair value is obtained from a valuation report performed by an independent third party valuer. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer. The details of the goodwill are disclosed in Note 16.

(c) Impairment of property, plant and equipment ("PPE")

The Group assesses whether there are any indicators of impairment for PPE at each reporting date. PPE are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group carried out the impairment test based on the fair value less cost to sell of the PPE. Fair value is obtained from a valuation report performed by an independent third party valuer. Significant estimate is involved in deriving the fair value as there are possible variations in the basis and assumptions used by the valuer. The details of the PPE are disclosed in Note 12.

(d) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

3.2 Key sources of estimation uncertainty (cont'd.)

(e) 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 estimate is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Depreciation of property, plant and equipment

The cost of freehold and leasehold building is depreciated on a straight-line basis over estimated useful life. Management estimates the useful life of this freehold and leasehold building to be 50 years from the date of completion or acquisition, based on normal life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the estimated useful life and residual value of the asset. The carrying amount of the Group's freehold and leasehold building is disclosed in Note 12.

(g) Employee share scheme

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share scheme, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of properties	**409,124**	413,384	**-**	-
Construction contracts	**9,221**	12,982	**-**	-
Educational fees	**152,411**	147,909	**-**	-
Club membership fee	**701**	742	**-**	-
Interest income from:				
- Deposits with licensed banks	**405**	964	**402**	959
- Advances to subsidiaries	**-**	-	**25,477**	15,076
Dividends from subsidiaries	**-**	-	**101,501**	65,062
Management fees from subsidiaries	**-**	-	**14,747**	15,143
Rental income on investment property	**1,279**	53	**52**	53
	573,141	576,034	**142,179**	96,293

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

5. Employee benefits expense

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Wages and salaries	**102,906**	98,681	**9,209**	9,263
Contributions to defined contribution plan	**12,563**	11,707	**1,097**	1,119
Share-based payment*	**3,321**	1,907	**1,552**	847
Other benefits	**10,483**	10,012	**1,130**	1,071
	129,273	122,307	**12,988**	12,300
Less: Amount included in costs of construction contracts (Note 25)	**(16)**	(53)	**-**	-
	129,257	122,254	**12,988**	12,300

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM6,234,000 (2015: RM5,133,000) and RM4,839,000 (2015: RM4,109,000) respectively.

* During the financial year, the Group granted up to 6,063,200 (2015: 5,444,300) shares to employees and executive directors of the Group under the long term incentive plan (''LTIP''), comprises the restricted share incentive plan and performance-based share incentive plan. Further details are disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

6. Directors' remuneration

The details of the remuneration received/receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive:				
Salaries	**2,832**	2,535	**2,153**	2,036
Fees	**148**	113	**148**	113
Bonus and other benefits	**2,696**	1,994	**2,129**	1,578
Defined contribution plan	**558**	491	**409**	382
Executive directors' remuneration excluding benefits-in-kind	**6,234**	5,133	**4,839**	4,109
Estimated monetary value of benefits-in-kind	**215**	117	**190**	69
	6,449	5,250	**5,029**	4,178
Non-executive:				
Fees (Note 8)	**512**	504	**487**	484
	6,961	5,754	**5,516**	4,662

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	
	2016	2015
Executive director:		
RM2,450,001 - RM2,500,000	**-**	1
RM2,750,001 - RM2,800,000	**-**	1
RM3,100,001 - RM3,150,000	**1**	-
RM3,300,001 - RM3,350,000	**1**	-
Non-executive directors:		
RM50,000 and below	**3**	-
RM50,001 - RM100,000	**4**	5
RM100,001 - RM150,000	**-**	1

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

7. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
- Term loans	**20,656**	16,040	**-**	-
- Islamic Medium Term Notes (iMTN)	**5,067**	5,297	**-**	-
- Other borrowings	**1,100**	736	**639**	211
- Advances from subsidiaries	**-**	-	**8,911**	8,600
	26,823	22,073	**9,550**	8,811
Less: Interest expense capitalised in:				
- Investment properties (Note 14)	**(959)**	(1,811)	**-**	-
- Capital work-in-progress (Note 12(b))	**-**	(373)	**-**	-
- Land held for property development (Note 13)	**(15,017)**	(9,962)	**-**	-
- Property development costs (Note 13)	**(3,204)**	(4,267)	**-**	-
	7,643	5,660	**9,550**	8,811

8. Profit before tax

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive directors' remuneration (Note 6)	**512**	504	**487**	484
Auditors' remuneration				
- statutory audit	**413**	385	**105**	100
Operating lease:				
- minimum lease payments for premises	**2,813**	2,526	**681**	608
- minimum lease payments for equipment	**1,180**	1,330	**-**	-
Direct operating expenses of investment properties	**32**	34	**5**	6
Impairment of asset held for sale (Note 15)	**-**	100	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. Profit before tax (cont'd.)

The following items have been included in arriving at profit before tax (cont'd.):

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of:				
- property, plant and equipment	**19,748**	19,234	**622**	656
- investment properties	**1,064**	28	**15**	15
Property, plant and equipment written off	**144**	41	**-**	-
(Gain)/loss on disposal of:				
- assets held for sale	**(8,777)**	154	**-**	-
- property, plant and equipment	**(298)**	(965)	**(128)**	(357)
Additions of allowance for impairment of receivables (Notes 22 and 23)	**55**	99	**-**	-
Reversal of allowance for impairment of receivables (Notes 22 and 23)	**(364)**	-	**-**	-
Bad debts written off	**169**	179	**-**	-
Impairment of investment in subsidiaries	**-**	-	**4,842**	11,748
Interest income from:				
- deposits with licensed banks	**(2,720)**	(4,817)	**(402)**	(959)
- advances to subsidiaries	**-**	-	**(25,477)**	(15,076)
Rental income	**(7,214)**	(7,020)	**-**	-
Net foreign exchange (gain)/loss:				
- realised	**(460)**	(388)	**-**	-
- unrealised	**(15)**	222	**-**	-
Net derivative loss on interest rate swaps	**418**	78	**-**	-

During the financial year, the Group recognised a net loss of RM418,000 (2015: net loss of RM78,000) arising from fair value changes of interest rate swaps. The fair value changes are attributable to changes in interest rate yield. The method and assumptions applied in determining the fair value of interest rate swaps are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. Taxation

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current income tax:				
Malaysian income tax	**30,571**	45,171	**792**	684
(Over)/under provision in prior years	**(2,009)**	(513)	**(137)**	159
Real property gain tax	**408**	-	**-**	-
	28,970	44,658	**655**	843
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	**(2,850)**	(17,570)	**(55)**	(32)
(Over)/under provision in prior years	**(2,316)**	425	**74**	123
	(5,166)	(17,145)	**19**	91
Taxation	**23,804**	27,513	**674**	934

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. Taxation (cont'd.)

A reconciliation of tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	2016 RM'000	2015 RM'000
Group		
Profit before tax	**112,477**	101,694
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**26,994**	25,424
Effect of share of results of associates	**69**	(11)
Income not subject to tax	**(92)**	(482)
Effect of reduction in tax rate on deferred tax recognised	**-**	315
Effect of utilisation of tax incentive	**(5,000)**	(45)
Effect of PDS's distribution deductible for tax purposes	**(3,278)**	(1,625)
Effect of income subject to real property gain tax	**(1,676)**	-
Expenses not deductible for tax purposes	**9,403**	6,400
Utilisation of previously unrecognised tax losses	**-**	(1,345)
Utilisation of previously unabsorbed capital allowances	**-**	(1,933)
Utilisation of previously unrecognised other deductible temporary differences	**-**	(282)
Deferred tax assets not recognised in respect of unutilised tax losses and unabsorbed capital allowances	**1,709**	1,185
(Over)/under provision of deferred tax in prior years	**(2,316)**	425
Over provision of current income tax in prior years	**(2,009)**	(513)
Taxation	**23,804**	27,513
Company		
Profit before tax	**112,180**	59,924
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**26,923**	14,981
Income not subject to tax	**(24,653)**	(16,355)
Effect of PDS's distribution deductible for tax purposes	**(3,278)**	(1,625)
Expenses not deductible for tax purposes	**1,745**	3,651
Under provision of deferred tax in prior years	**74**	123
(Over)/under provision of current income tax in prior years	**(137)**	159
Taxation	**674**	934

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10. Earnings per share

(a) Basic

	Group	
	2016	**2015**
Profit attributable to ordinary equity holders of the Company (RM'000)	**75,016**	67,681
Issued ordinary shares at beginning of the year ('000)	**422,265**	422,265
Effect of vesting of LTIP shares ('000)	**558**	-
Weighted average number of ordinary shares in issue ('000)	**422,823**	422,265
Basic earnings per share (sen)	**17.74**	16.03

(b) Diluted

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the dilutive instruments of the Group.

	Group	
	2016	**2015**
Profit attributable to ordinary equity holders of the Company (RM'000)	**75,016**	67,681
Weighted average number of ordinary shares in issue ('000)	**422,823**	422,265
Dilutive effect on shares issued from the LTIP ('000)	**10,378**	5,444
Adjusted weighted average number of ordinary shares ('000)	**433,201**	427,709
Diluted earnings per share (sen)	**17.32**	15.82

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. Dividends

	Amount		Net dividends paid per ordinary share	
	2016 RM'000	2015 RM'000	2016 Sen	2015 Sen
Recognised during the year:				
For the financial year ended 31 December 2016				
Interim single tier dividend of 2.5 sen	**10,573**	-	**2.50**	-
For the financial year ended 31 December 2015				
Interim single tier dividend of 2.5 sen	**-**	10,557	**-**	2.50
Final single tier dividend of 5.75 sen	**24,319**	-	**5.75**	-
For the financial year ended 31 December 2014				
Final single tier dividend of 5.0 sen	**-**	21,113	**-**	5.00
	34,892	31,670	**8.25**	7.50

At the forthcoming Annual General Meeting, a final single tier dividend of 6.00 sen, in respect of the financial year ended 31 December 2016 on 424,295,920 ordinary shares, amounting to a dividend payable of RM25,457,755 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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			
At 1 January 2015	438,006	123,367	561,373
Additions	18,896	20,838	39,734
Reclassification	(19,937)	19,937	-
Grants received	(14,101)	-	(14,101)
Transfer to assets held for sale (Note 15)	(4,200)	-	(4,200)
Disposals	-	(8,853)	(8,853)
Write-offs	-	(938)	(938)
At 31 December 2015	**418,664**	**154,351**	**573,015**
Additions	**13,099**	**7,152**	**20,251**
Transfer from land held for development(Note 13(a))	**961**	**-**	**961**
Disposals	**-**	**(1,847)**	**(1,847)**
Write-offs	**-**	**(2,269)**	**(2,269)**
At 31 December 2016	**432,724**	**157,387**	**590,111**
Accumulated depreciation and impairment			
At 1 January 2015	29,661	96,864	126,525
Depreciation charge for the year	6,191	13,043	19,234
Transfer to assets held for sale (Note 15)	(261)	-	(261)
Disposals	-	(6,675)	(6,675)
Write-off	-	(897)	(897)
At 31 December 2015	**35,591**	**102,335**	**137,926**
Depreciation charge for the year	**6,261**	**13,487**	**19,748**
Disposals	**-**	**(1,624)**	**(1,624)**
Write-off	**-**	**(2,125)**	**(2,125)**
At 31 December 2016	**41,852**	**112,073**	**153,925**
Net carrying amount			
At 31 December 2016	**390,872**	**45,314**	**436,186**
At 31 December 2015	383,073	52,016	435,089

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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					
At 1 January 2015	14,573	105,055	51,499	266,879	438,006
Additions	-	(53)	950	17,999	18,896
Reclassification	33,314	-	194,519	(247,770)	(19,937)
Grants received	-	-	(14,101)	-	(14,101)
Transfer to assets held for sale (Note 15)	-	(4,200)	-	-	(4,200)
At 31 December 2015	**47,887**	**100,802**	**232,867**	**37,108**	**418,664**
Additions	**978**	**-**	**659**	**11,462**	**13,099**
Transfer from land held for development (Note 13(a))	**961**	**-**	**-**	**-**	**961**
At 31 December 2016	**49,826**	**100,802**	**233,526**	**48,570**	**432,724**
Accumulated depreciation					
At 1 January 2015	-	10,442	19,219	-	29,661
Depreciation charge for the year	-	1,344	4,847	-	6,191
Reclassification	-	1,254	(1,254)	-	-
Transfer to assets held for sale (Note 15)	-	(261)	-	-	(261)
At 31 December 2015	**-**	**12,779**	**22,812**	**-**	**35,591**
Depreciation charge for the year	**-**	**1,317**	**4,944**	**-**	**6,261**
At 31 December 2016	**-**	**14,096**	**27,756**	**-**	**41,852**
Net carrying amount					
At 31 December 2016	**49,826**	**86,706**	**205,770**	**48,570**	**390,872**
At 31 December 2015	47,887	88,023	210,055	37,108	383,073

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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

	Plant, equipment, furniture, fixtures, fitting and motor vehicles RM'000
Company	
Cost	
At 1 January 2015	5,016
Additions	102
Disposals	(912)
At 31 December 2015	**4,206**
Additions	**831**
Disposals	**(684)**
Write-offs	**(79)**
At 31 December 2016	**4,274**
Accumulated depreciation	
At 1 January 2015	2,706
Depreciation charge for the year	656
Disposals	(891)
At 31 December 2015	**2,471**
Depreciation charge for the year	**622**
Disposals	**(567)**
Write-offs	**(79)**
At 31 December 2016	**2,447**
Net carrying amount	
At 31 December 2016	**1,827**
At 31 December 2015	1,735

(a) The freehold land and building with carrying value of RM207,615,000 (2015: RM212,160,000) has been pledged as security for borrowings as disclosed in Note 28.

(b) The Group's capital work-in-progress includes borrowing costs capitalised arising from borrowings drawndown specifically for the purpose of the construction of the building. In the previous financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to RM373,000.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

(a) Land held for property development

	Group	
	2016 RM'000	2015 RM'000
Freehold land		
At 1 January	**603,842**	354,532
Additions	**6,424**	263,314
Transfer to property, plant and equipment (Note 12)	**(249)**	-
Transfer to investment properties (Note 14)	**(169)**	-
Transfer to property development costs (Note 13(b))	**(21,890)**	(14,004)
At 31 December	**587,958**	603,842
Leasehold land		
At 1 January/31 December	**65,828**	65,828
Development costs		
At 1 January	**167,725**	110,080
Costs incurred during the financial year	**80,820**	77,367
Transfer to property, plant and equipment (Note 12)	**(712)**	-
Transfer to investment properties (Note 14)	**(517)**	-
Transfer to property development costs (Note 13(b))	**(30,135)**	(19,722)
At 31 December	**217,181**	167,725
Carrying amount at 31 December	**870,967**	837,395

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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

(b) Property development costs, at cost

	Group	
	2016 RM'000	**2015 RM'000**
Freehold land		
At 1 January	**204,999**	196,001
Reversal of completed projects	**(8,180)**	(4,949)
Transfer from land held for property development (Note 13(a))	**21,890**	14,004
Transfer to inventories (Note 21)	**(8,311)**	(57)
At 31 December	**210,398**	204,999
Cumulative property development costs		
At 1 January	**1,403,676**	1,288,183
Cost incurred during the year	**175,948**	198,866
Transfer from land held for property development(Note 13(a))	**30,135**	19,722
Transfer to inventories (Note 21)	**(20,478)**	(896)
Reversal of completed projects	**(137,106)**	(102,199)
At 31 December	**1,452,175**	1,403,676
Cumulative costs recognised in income statement		
At 1 January	**(1,482,966)**	(1,334,370)
Recognised during the financial year	**(247,936)**	(255,744)
Reversal of completed projects	**145,286**	107,148
At 31 December	**(1,585,616)**	(1,482,966)
Property development costs at 31 December	**76,957**	125,709

The freehold land held for property development with carrying value of RM494,815,000 (2015: RM553,471,000) has been pledged as security for term loans as disclosed in Note 28.

The Group's land held for property development and property development costs include borrowing costs arising from borrowings drawndown specifically for the purpose of the development and construction of the projects. During the financial year, the borrowing costs capitalised under land held for property development and property development costs amounted to RM15,017,000 (2015: RM9,962,000) and RM3,204,000 (2015: RM4,267,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

14. Investment properties

	Freehold buildings RM'000	Freehold land RM'000	Investment properties under construction RM'000	Total RM'000
Group				
Cost				
At 1 January 2015	1,382	2,835	104,658	108,875
Additions	-	-	45,485	45,485
At 31 December 2015	**1,382**	**2,835**	**150,143**	**154,360**
Additions	**-**	**-**	**24,088**	**24,088**
Transfer from land held for development (Note 13(a))	**-**	**-**	**686**	**686**
Reclassification	**91,514**	**6,436**	**(97,950)**	**-**
At 31 December 2016	**92,896**	**9,271**	**76,967**	**179,134**
Accumulated depreciationand impairment losses				
At 1 January 2015	292	-	-	292
Depreciation charge for the year	28	-	-	28
At 31 December 2015	**320**	**-**	**-**	**320**
Depreciation charge for the year	**1,064**	**-**	**-**	**1,064**
At 31 December 2016	**1,384**	**-**	**-**	**1,384**
Net carrying amount				
At 31 December 2016	**91,512**	**9,271**	**76,967**	**177,750**
At 31 December 2015	1,062	2,835	150,143	154,040

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

14. Investment properties (cont'd.)

	Company Building RM'000
Cost	
At 1 January 2015/31 December 2015/31 December 2016	750
Accumulated depreciation	
At 1 January 2015	75
Depreciation charge for the year	15
At 31 December 2015	**90**
Depreciation charge for the year	**15**
At 31 December 2016	**105**
Net carrying amount	
At 31 December 2016	**645**
At 31 December 2015	660

The freehold land and buildings of the Group with carrying value of RM148,881,000 (2015: RM38,721,090) has been pledged as security for term loans as disclosed in Note 28.

The fair value of the investment properties of the Group and of the Company disclosed were estimated based on valuation performed by independent third party valuers. Details of valuation techniques and inputs used are disclosed in Note 41.

The Group's investment properties under construction include borrowing costs arising from borrowings drawndown specifically for the purpose of the construction of the investment properties. During the financial year, the borrowing costs capitalised amounted to RM959,000 (2015: RM1,811,000). The Group ceased to capitalise the borrowing costs upon substantial completion of the construction of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

15. Non-current assets held for sale

Non-current assets held for sale represent property, plant and equipment and investment properties owned by the Group and are carried at cost.

	RM'000
Group	
Carrying amount	
At 1 January 2015	9,900
Transfer from property, plant and equipment (Note 12)	3,939
Disposals	(3,200)
Impairment (Note 8)	(100)
At 31 December 2015	**10,539**
Disposals	**(3,873)**
At 31 December 2016	**6,666**

As at 31 December 2016, RM6,666,000 pertains to real properties held for sale which remain unsold as a result of the volatile real property market or certain terms and conditions in the sales and purchase agreement are still unfulfilled. The Group has taken necessary actions and these real properties are being actively marketed at a price that is reasonable, given the change in circumstances.

16. Intangible asset

	Group	
	2016 RM'000	**2015 RM'000**
Goodwill	**15,674**	15,674

The recoverable amount of the CGU is determined based on fair value less cost to sell of education unit which is estimated based on best information available in an active market to reflect the amount obtainable in an arm's length transaction, less cost of disposal. The assumptions used in fair value are based on observable market prices of recent transactions of similar assets within the similar locations.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in the assumptions used in fair value would cause the carrying value of the CGU allocated to goodwill to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

17. Investments in subsidiaries

	Company	
	2016 RM'000	**2015 RM'000**
Unquoted shares, at cost	**303,351**	304,411
Investment in Non-cumulative Redeemable Convertible Preference Shares ("NCRCPS")	**459,230**	460,830
Less: Declaration of surplus of assets	**(35,400)**	-
Less: Accumulated impairment losses	**(59,405)**	(54,563)
	667,776	710,678

The salient terms of the NCRCPS subscribed are summarised below:

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

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

(iii) The NCRCPS are convertible at the issuer's option at any time into ordinary shares of RM1 each in the issuer at a conversion rate to be determined by the issuer.

Declaration of surplus of assets is in relation to member's voluntary winding-up of Paramount Projects Sdn Bhd and Paramount Global Assets Sdn Bhd on 12 July 2016 and 8 September 2016 respectively.

Details of the subsidiaries are as follows:

	Effective interest			
Name of subsidiaries	**2016 %**	**2015 %**	**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	RM5,000	Property investment
Paramount Engineering & Construction Sdn. Bhd.	**100**	100	RM5,000	Building and engineering contractor
Paramount Construction Sdn. Bhd.	**100**	100	RM5,000	Building and engineering contractor
Paramount Property Construction Sdn. Bhd.	**100**	100	RM5,000	Building and engineering contractor
Seleksi Megah Sdn. Bhd.	**100**	100	RM5,000	Property development
Paramount Projects Sdn. Bhd.	**100**	100	RM1,000	In the process of winding-up
Paramount Property (Shah Alam) Sdn. Bhd.	**100**	100	RM5,000	Property development

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

17. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Effective interest 2016 %	Effective interest 2015 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia (cont'd.)				
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	In the process of winding-up
Paramount Utropolis Retail Sdn. Bhd.	**100**	100	RM5,000	Property investment and management
KDU Management Development Centre Sdn. Bhd.	**100**	100	RM10,000	Management and educational services
Paramount Property Development Sdn. Bhd.	**100**	100	RM5,000	Property development
Jasarim Bina Sdn. Bhd.	**100**	100	RM5,000	Property investment
Broad Projects Sdn. Bhd.	**100**	100	RM5,000	Investment holding and car park operator
KDU College (PJ) Sdn. Bhd.	**100**	100	RM5,000	Educational services
KDU University College (PG) Sdn. Bhd.	**100**	100	RM15,000	Educational services
Paramount Property (Glenmarie) Sdn. Bhd.	**100**	100	RM5,000	Property development
Paramount Property (Cjaya) Sdn. Bhd	**100**	100	RM5,000	Property development
Utropolis Sdn. Bhd.	**100**	100	RM1	Inactive
Paramount Property (PG) Sdn. Bhd.	**100**	100	RM5,000	Property development
Carp Legacy Sdn. Bhd.	**100**	100	RM5,000	Investment holding and car park operator
Paramount Property (PW) Sdn. Bhd.	**100**	100	RM5,000	Property development and investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

17. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Effective interest 2016 %	Effective interest 2015 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia (cont'd.)				
Paramount Construction (PG) Sdn. Bhd.	**100**	100	RM5,000	Building and engineering contractor
Paramount Property (Sepang) Sdn. Bhd.	**100**	100	RM5,000	Property development
Paramount Education (Klang) Sdn. Bhd.	**100**	100	RM1,000	Inactive
Paramount Coworking Sdn. Bhd.	**100**	-	***	Inactive
Super Ace Resources Sdn. Bhd. (Note 19)	**-**	100	*	Inactive
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
*** Paid-up capital of RM100
AUD Represents currency denoted in Australian Dollars

(i) On 12 July 2016 and 8 September 2016, Paramount Projects Sdn Bhd and Paramount Global Assets Sdn Bhd, both wholly owned subsidiaries, have been placed under members' voluntary winding-up.

(ii) On 20 December 2016, the Company incorporated Paramount Coworking Sdn. Bhd. with an issued and paid-up share capital of 100 ordinary shares of RM1 each, for RM100.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

18. Investments in associates

	Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**10,978**	10,978
Share of post-acquisition reserves	**(758)**	(825)
	10,220	10,153

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

	Group	
	2016 RM'000	2015 RM'000
Assets and liabilities		
Current assets, representing total assets	**27,090**	26,402
Current liabilities, representing total liabilities	**(6,650)**	(6,096)
Results		
Revenue	**15**	19
(Loss)/profit for the year	**(574)**	84

During the year, the share of post-acquisition reserves includes the effect of foreign currency translation gains of RM356,000 (2015: RM717,000).

Reconciliation of net assets to carrying amount as at 31 December:

	Group	
	2016 RM'000	2015 RM'000
Net assets	**20,440**	20,306
Interest in associates	**50%**	50%
Group's share of net assets, representing carrying amount of investment in associates	**10,220**	10,153

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

18. Investments in associates (cont'd.)

Name of associates	Effective interest 2016 %	Effective interest 2015 %	Paid-up capital '000	Principal activities
Incorporated in Commonwealth of Australia				
VIP Paramount Pty Ltd*	50	50	**	Trustee
VIP Paramount Unit Trust*	50	50	AUD6,000	Inactive

* Equity accounted based on 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. Investment in a joint venture

	Group and Company 2016 RM'000
Unquoted shares, at cost	**45**

Details of the joint venture are as follows:

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

Assets and liabilities

Current assets, representing total assets	**89**
Current liabilities, representing total liabilities	**-**

Name of joint venture	Effective Interest 2016 %	Effective Interest 2015 %	Paid-up capital '000	Principal activities
Incorporated in Malaysia				
Super Ace Resources Sdn. Bhd. (Note 17)	**45**	-	RM100	Inactive

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

19. Investment in joint venture (cont'd.)

On 25 August 2016, the Company entered into a Joint Venture Agreement (the "JVA") with Lasseters Properties Sdn Bhd ("LPSB") and Lasseters Management (M) Sdn Bhd ("LMSB") to jointly participate in the equity of Super Ace Resources Sdn Bhd ("SAR") which was previously a wholly-owned subsidiary and now a joint venture vehicle to be used for the purpose of jointly developing and/or acquiring a building to be erected on a stratified title, to advise on the design and fit-out of the building suitable for use as a hotel and to identify and procure a hotel operator to manage and operate the hotel (the Proposed Hotel Project). On 20 September 2016, SAR increased its issued and paid-up capital to RM100,000 based on the proportion of LPSB (54%), LMSB (1%) and the Company (45%). As a result, SAR has ceased to be a wholly-owned subsidiary of the Company.

20. Other investments

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-current:				
Club memberships, at cost	**483**	483	**165**	165
Less: Accumulated impairment losses	**(143)**	(143)	**-**	-
	340	340	**165**	165
Current:				
Proceeds Account	**33**	32	**-**	-
Finance Service Reserve Account ("FSRA")	**1**	1	**-**	-
Other deposits with licensed banks	**254**	246	**-**	-
	288	279	**-**	-
	628	619	**165**	165

Pursuant to the Sukuk Programme as disclosed in Note 28, KDU University College Sdn. Bhd. ("KDUUC"), a wholly owned subsidiary of the Group shall maintain a Proceeds Account and a Finance Service Reserve Account.

The Proceeds Account shall be maintained and operated solely by KDUUC while there is no occurrence of an event of default. Upon occurrence of an event of default, and if not remedied within the remedy period, the account shall be operated solely by the security agent appointed by the lenders ("Security Agent").

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

20. Other investments (cont'd.)

The Proceeds Account shall capture all proceeds from the issuance of the Sukuk Programme, proceeds from the operations of KDUUC and any shareholder's contribution and/or advances remitted to KDUUC.

The FSRA shall be operated solely by the Security Agent. KDUUC shall maintain an amount equivalent to the aggregate Sukuk Profit distribution payments under the Sukuk Programme for the next six months in the FSRA at all times.

As at the reporting date, the balances in the Proceeds Account and FSRA are placed in short term deposits for varying periods of between five months and twelve months and earn interest of 3.05% to 3.20% (2015: 3.05% to 3.20%) per annum. Both the Proceeds Account and FSRA are secured against the Sukuk Programme as disclosed in Note 28.

Other deposits with licensed banks relates to deposit pledged as security for bank guarantee facility granted by a licensed bank. The said deposit is placed for a period of 4 months (2015: 4 months) and earns interest of 3.10% (2015: 3.10%) per annum.

21. Inventories

	Group	
	2016 RM'000	**2015 RM'000**
At cost		
Completed properties (Note 13(b))	**28,789**	953

22. Trade receivables

	Group	
	2016 RM'000	**2015 RM'000**
Third parties	**27,444**	44,443
Stakeholders' sum	**25,784**	36,569
Retention sums on contracts	**1,230**	11,526
	54,458	92,538
Less: Allowance for impairment	**(199)**	(562)
Trade receivables, net	**54,259**	91,976

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

22. Trade receivables (cont'd.)

Ageing analysis of trade receivables

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

	Group	
	2016 RM'000	**2015 RM'000**
Neither past due nor impaired	**38,261**	66,880
1 to 30 days past due not impaired	**10,010**	20,620
31 to 60 days past due not impaired	**2,261**	1,812
61 to 90 days past due not impaired	**1,242**	1,816
91 to 120 days past due not impaired	**2,354**	848
More than 121 days past due not impaired	**131**	-
	15,998	25,096
Impaired	**199**	562
	54,458	92,538

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

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

Receivables that are impaired

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Trade receivables - nominal amount	**199**	562
Less: Allowance for impairment	**(199)**	(562)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

22. Trade receivables (cont'd.)

Movement in allowance accounts:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	**562**	489
Addition during the year (Note 8)	**35**	73
Reversal for the year (Note 8)	**(336)**	-
Written off during the year	**(62)**	-
At 31 December	**199**	562

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.

23. Other receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits	**13,037**	10,702	**355**	250
Sundry receivables	**3,553**	3,768	**56**	1,515
Derivative asset from interest rate swap	**-**	120	**-**	-
	16,590	14,590	**411**	1,765
Less: Allowance for impairment	**(40)**	(48)	**-**	-
Other receivables, net	**16,550**	14,542	**411**	1,765

The Group uses interest rate swap to hedge interest rate risk arising from a floating rate term loan. The nominal amount for the interest rate swap is RM62,700,000 (2015: RM62,700,000). The interest rate swap receives floating interest equal to Kuala Lumpur Interbank Offered Rate ("KLIBOR"), pays a fixed rate of interest of 3.75% per annum, and matures on 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

23. Other receivables (cont'd.)

Movement in allowance accounts:

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**48**	43
Addition during the year (Note 8)	**20**	26
Reversal during the year (Note 8)	**(28)**	-
Written off during the year	**-**	(21)
At 31 December	**40**	48

24. Other current assets

	Group	
	2016	**2015**
	RM'000	**RM'000**
Prepaid expenses	**4,720**	1,783
Accrued billings in respect of property development costs	**136,929**	47,175
Due from customers on contracts (Note 25)	**1,620**	3,125
	143,269	52,083

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

25. Due from/(to) customers on contracts

	Group	
	2016 RM'000	**2015 RM'000**
Construction contract costs incurred to date	**1,681,077**	1,674,520
Less: Reversal for completed projects	**(597,525)**	(640,961)
Construction contract costs incurred to date for contracts in progress	**1,083,552**	1,033,559
Attributable profits	**95,881**	91,020
Less: Reversal for completed projects	**(38,471)**	(32,351)
Attributable profits to date for contracts in progress	**57,410**	58,669
	1,140,962	1,092,228
Less: Progress billings	**(1,776,813)**	(1,772,551)
Add: Reversal for completed projects	**635,996**	673,312
Progress billings to date for contracts in progress	**(1,140,817)**	(1,099,239)
	145	(7,011)
Due from customers on contracts (Note 24)	**1,620**	3,125
Due to customers on contracts (Note 31)	**(1,475)**	(10,136)
	145	(7,011)

The costs incurred to date on construction contracts of the Group include employee benefits expense of RM16,000 (2015: RM53,000) incurred during the financial year.

26. Due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, repayable on demand and bear interest of 4.70% to 6.50% (2015: 4.70% to 6.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

27. Cash and bank balances

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash on hand and at banks	**96,512**	107,023	**614**	1,195
Deposits with licensed banks	**52,664**	42,621	**32**	22,510
Cash and bank balances	**149,176**	149,644	**646**	23,705
Cash and bank balances restricted for use	**(756)**	(332)	**-**	-
Deposits restricted for use	**(4,994)**	(3,118)	**-**	-
Bank overdraft (Note 28)	**(28,981)**	(2,373)	**(18,842)**	-
Cash and cash equivalents	**114,445**	143,821	**(18,196)**	23,705

Included in cash and cash equivalents of the Group are amounts of RM74,317,000 (2015: RM80,170,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966. Also, included in cash and bank balances of the Group are amount of RM756,000 (2015: RM332,000) in relation to sinking fund held in trust until the formation of Joint Management Body (““JMB””), which are restricted in usage.

Included in deposits with licensed banks of the Group are amount of RM4,994,000 (2015: RM3,118,000) in the Financial Service Reserve Account (“FSRA”) and Debt Service Reserve Account (“DSRA”) which are restricted in usage and do not form part of cash and cash equivalents. The FSRA is secured against the Sukuk Programme as disclosed in Note 28.

Included in cash on hand and at banks of the Group and of the Company are interest-bearing bank balances amounting to RM11,393,000 (2015: RM16,436,000) and RM554,000 (2015: RM1,094,000) which bear interest ranging from 1.50% to 2.50% (2015: 1.50% to 2.50%) per annum.

Deposits with licensed banks are made for varying periods of between 1 day and 3 months (2015: 1 day and 3 months) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The effective interest rates as at 31 December 2016 for the Group and the Company were 1.50% to 4.00% (2015: 1.50% to 3.65%) per annum and 1.50% to 4.00% (2015: 1.50% to 3.65%) per annum respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

28. Borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Unsecured:				
Bank overdraft - Floating rate (Note 27)	**18,842**	-	**18,842**	-
Revolving credit - Floating rate	**35,000**	-	**35,000**	-
	53,842	-	**53,842**	-
Secured:				
Bank overdraft - Floating rate (Note 27)	**10,139**	2,373	**-**	-
Revolving credit - Floating rate	**15,344**	-	**-**	-
Term loans - Floating rate	**128,539**	99,814	**-**	-
	154,022	102,187	**-**	-
	207,864	102,187	**53,842**	-
Non-current				
Secured:				
Term loans - Floating rate	**328,928**	347,782	**-**	-
iMTN - Floating rate	**99,762**	99,648	**-**	-
	428,690	447,430	**-**	-
Total	**636,554**	549,617	**53,842**	-

The maturities of the borrowings as at 31 December 2016 and 31 December 2015 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within one year	**207,864**	102,187	**53,842**	-
More than 1 year and less than 2 years	**58,298**	51,486	**-**	-
More than 2 years and less than 5 years	**173,740**	87,520	**-**	-
More than 5 years	**196,652**	308,424	**-**	-
	636,554	549,617	**53,842**	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

28. Borrowings (cont'd.)

On 31 January 2013, KDUUC received approval from the Securities Commission in Malaysia for the issuance of up to RM350,000,000 iMTN pursuant to an iMTN Programme ("Sukuk Programme").

The Sukuk Programme bears interest ("Sukuk Profit") at the prevailing cost of funds of the iMTN holder ("Cost of Funds") plus 0.75% per annum for the first four years since the first drawdown date and Cost of Funds plus 1.00% per annum from the fifth year up to the seventh year. The average effective Sukuk Profit rate is 4.91% (2015: 5.00%) per annum during the financial year.

The Sukuk Programme is secured by the following:

(i) First legal charge over the building as disclosed in Note 12(a);
(ii) A debenture incorporating a fixed and floating charge on the assets of KDUUC both present and future;
(iii) A legal assignment of all relevant takaful/insurance policies taken up by KDUUC in respect of the capital work-in-progress and the endorsement of the security agent appointed by the lenders as loss payee;
(iv) A legal charge and assignment of the Proceeds Account and FSRA as disclosed in Note 20 and Note 27; and
(v) Assignment of all construction contracts and performance bonds (if any) taken out over the construction of the building as disclosed in Note 12.

During the financial year, the Company obtained revolving credit facilities amounting to RM50,000,000 for working capital purposes.

The term loans and revolving credit of the Group are secured by the following:

(i) Fixed charge and deposit of land titles over the leasehold land and buildings and land held for property development of the Group as disclosed in Notes 12 and 13 respectively; and
(ii) Fixed charge and deposit of land titles over the investment properties of the Group as disclosed in Note 14.

The bank overdrafts of the Group are secured by corporate guarantee of the Company.

The effective interest rates of the borrowings as at 31 December 2016 and 31 December 2015 are as follows:

	2016 per annum	2015 per annum
Term loans:		
- Floating rates	**4.6% - 5.0%**	4.6% - 5.0%
- Revolving credit	**4.5% - 4.8%**	N/A
- Bank overdraft	**4.7% - 6.5%**	4.7%

The management of the interest rate risk of the Group is disclosed in Note 42(c).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

29. Trade payables

	Group	
	2016 RM'000	2015 RM'000
Trade payables	**57,616**	45,620
Retention sums on contracts	**23,054**	32,844
	80,670	78,464

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2015: 30 to 90 days).

30. Other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sundry payables	**75,073**	77,448	**4,464**	6,494
Tenants deposits	**170**	114	**16**	16
Refundable deposits	**27,901**	27,159	**-**	-
Derivative liability from interest rate swap	**392**	93	**-**	-
	103,536	104,814	**4,480**	6,510

Sundry payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2015: 30 to 90 days).

The Group uses interest rate swap to hedge interest rate risk arising from a floating rate term loan. The nominal amount for the interest rate swaps is RM57,000,000 (2015: RM57,000,000). The interest rate swaps receive floating interest equal to the KLIBOR, pays a fixed rate of interest of 3.98% and 4.08% (2015: 3.98% and 4.08%) per annum, and matures on 30 June 2018.

31. Other current liabilities

	Group	
	2016 RM'000	2015 RM'000
Progress billings in respect of property development costs	**21,693**	44,523
Due to customers on contracts (Note 25)	**1,475**	10,136
Tuition fees received in advance	**33,463**	29,767
	56,631	84,426

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

32. Deferred tax (assets)/liabilities

Group	2016 RM'000	2015 RM'000
At 1 January	**(12,542)**	4,603
Recognised in the income statement (Note 9)	**(5,166)**	(17,145)
At 31 December	**(17,708)**	(12,542)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(22,611)**	(27,228)
Deferred tax liabilities	**4,903**	14,686
	(17,708)	(12,542)

	At 1 January 2016 RM'000	Recognised in the income statement RM'000	At 31 December 2016 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	**14,686**	**(9,783)**	**4,903**
Deferred tax assets of the Group:			
Unutilised tax losses and unabsorbed capital allowances	**(12,979)**	**(1,252)**	**(14,231)**
Deferred development expenditure	**(13,926)**	**4,322**	**(9,604)**
Others	**(323)**	**1,547**	**1,224**
	(27,228)	**4,617**	**(22,611)**
	(12,542)	**(5,166)**	**(17,708)**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

32. Deferred tax (assets)/liabilities (cont'd.)

	At 1 January 2015 RM'000	Recognised in the income statement RM'000	At 31 December 2015 RM'000
Deferred tax liabilities of the Group:			
Property, plant and equipment	18,080	(3,394)	14,686
Deferred tax assets of the Group:			
Unutilised tax losses and unabsorbed capital allowances	(5,477)	(7,502)	(12,979)
Deferred development expenditure	(4,107)	(9,819)	(13,926)
Others	(3,893)	3,570	(323)
	(13,477)	(13,751)	(27,228)
	(4,603)	(17,145)	(12,542)

Company	2016 RM'000	2015 RM'000
At 1 January	**40**	(51)
Recognised in the income statement (Note 9)	**19**	91
At 31 December	**59**	40

	At 1 January 2016 RM'000	Recognised in the income statement RM'000	At 31 December 2016 RM'000
Deferred tax liabilities of the Company:			
Property, plant and equipment	**40**	**19**	**59**

	At 1 January 2015 RM'000	Recognised in the income statement RM'000	At 31 December 2015 RM'000
Deferred tax assets of the Company:			
Property, plant and equipment	(51)	91	40

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

32. Deferred tax (assets)/liabilities (cont'd.)

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

	Group	
	2016 **RM'000**	**2015** **RM'000**
Unutilised tax losses	**23,909**	16,467
Unabsorbed capital allowances	**4,682**	2,944
Other deductible temporary differences	**582**	11
	29,173	19,422

The unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences of the Group are available indefinitely for offsetting against future taxable profits of the respective subsidiaries within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that they may be used to offset taxable profits of respective subsidiaries of the Group.

33. Share capital

	Number of ordinary shares		Amounts	
	2016 **'000**	**2015** **'000**	**2016** **RM'000**	**2015** **RM'000**
Authorised share capital				
At 1 January/ 31 December	**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid				
At 1 January	**422,265**	422,265	**211,132**	211,132
Ordinary shares issued pursuant to LTIP (Note 35)	**669**	-	**335**	-
At 31 December	**422,934**	422,265	**211,467**	211,132

During the financial year, the Company issued 669,100 ordinary shares of RM0.50 each to its eligible employees, pursuant to the first vesting of the 2015 Restricted Shares Award that was granted on 13 March 2015 under the LTIP.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

34. Private debt securities

	Group & Company	
	2016 RM'000	2015 RM'000
Private debt securities	**199,787**	199,787

The PDS holders are conferred a right to receive distribution on a semi-annual basis from their issue date at the rates of 2.75% and 3.00% above the COF per annum and a rate of 6.5% per annum, subject to a yearly step-up rate after the first call date.

The PDS have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on or after, 6 February 2019 in the amount of RM100,000,000, 21 September 2020 and 21 September 2022, in the amount of RM50,000,000 each, together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

These PDS were issued for the Company's working capital purposes as well as to finance future capital expenditure, land bank for development and investment in education business.

35. Employee share scheme

On 17 September 2013, the long term incentive plan (''LTIP'') was implemented, which includes the allotment and issuance of new ordinary shares of RM0.50 each in the Company to eligible employees and executive directors of the Group, provided that the total number of shares so allotted shall not at any time exceed ten percentage (10%) of the issued and paid-up share capital of the Company (''LTIP shares'').

The details of the LTIP shares are as below:

<u>2015 LTIP</u>

(a) On 13 March 2015, the Company made its first award of up to 5,444,300 LTIP shares, comprising the following:

  (i) 2,200,100 LTIP shares under the restricted share incentive plan ("2015 RS Award") to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2016; and
  (ii) up to 3,244,200 LTIP shares under the performance-based share incentive plan ("2015 PS Award") to be vested on 13 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35. Employee share scheme (cont'd.)

2016 LTIP

(b) On 14 March 2016, the Company made its second award of up to 6,063,200 LTIP shares, comprising:

(i) 2,362,600 LTIP shares under the restricted share incentive plan ("2016 RS Award") to be vested one-third annually over a period of three (3) years with the first vesting commencing 14 March 2017; and

(ii) up to 3,700,600 LTIP shares under the performance-based share incentive plan ("2016 PS Award") to be vested on 14 March 2019.

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

LTIP movement

	Group and Company	
	2016 RM'000	**2015 RM'000**
At 1 January	**1,907**	-
First award of up to 5,444,300 LTIP shares	**1,257**	1,907
Second award of up to 6,063,200 LTIP shares	**2,064**	-
Vesting of 2015 RS Award	**(957)**	-
At 31 December	**4,271**	1,907

On 17 March 2016, there is an allotment and issuance of 669,100 new ordinary shares of RM0.50 each, at issue price of RM1.43, in the Company pursuant to the vesting of RS Award under the restricted share incentive plan of the Company's LTIP.

Fair value of shares granted

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35. Employee share scheme (cont'd.)

The following table lists the inputs to the shares scheme pricing model:

	2016 LTIP	2015 LTIP
Fair value per share		
- Restricted shares incentive plan		
- 1st vesting	**RM1.459**	RM1.468
- 2nd vesting	**RM1.383**	RM1.399
- 3rd vesting	**RM1.312**	RM1.334
- Performance shares incentive plan	**RM1.087**	RM1.089
Dividend yield (%)	**5.50%**	4.90%
Expected volatility (%)	**24.77%**	22.98%
Risk-free interest rate (% p.a)	**3.27%**	3.48%
Expected life of the scheme (Years)		
- Restricted shares incentive plan	**Annually for 3 years**	Annually for 3 years
- Performance shares incentive plan	**3 years**	3 years
Underlying share price	**RM1.54**	RM1.54

The expected life of the share scheme is based on the contractual life of the scheme. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the scheme, is indicative of future trends, which may not necessarily be the actual outcome.

36. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single tier system.

37. Operating lease arrangements

(a) The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease agreements for the use of land, buildings and certain plant and equipment. These leases have an average life of 3 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:

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

37. Operating lease arrangements (cont'd.)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum lease payments:				
Not later than 1 year	**2,565**	1,689	**669**	669
Later than 1 year and not later than 5 years	**2,266**	1,630	**613**	1,297
	4,831	3,319	**1,282**	1,966

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	
	2016 RM'000	2015 RM'000
Not later than 1 year	**646**	694
Later than 1 year and not later than 5 years	**540**	323
	1,186	1,017

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

38. Commitments

	Group	
	2016 RM'000	**2015 RM'000**
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	**45,225**	10,618
- Investment properties	**6,496**	23,778
Approved but not contracted for:		
- Property, plant and equipment	**224,666**	180,796
- Investment properties	**10,383**	20,638
	286,770	235,830

39. 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 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, had substantial interests	**33**	352	**4**	41
Interior design contracts paid to Damansara Uptown Interiors Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan, has financial interest	**-**	1,196	**-**	-
Sale of properties to Mr Ooi Hun Peng, Mr Beh Chun Chong, Datin Teh Geok Lian, directors of subsidiaries	**2,966**	-	**-**	-
Sale of a property to Ms Chong Beng Keok, vice chancellor of a subsidiary	**874**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

39. Related party disclosures (cont'd.)

(a) Sale and purchase of goods and services (cont'd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of properties to Dato' Teo Chiang Quan and Mr Chew Sun Teong, directors of the Company	**4,682**	-	**-**	-
Sale of motor vehicle to Mr Chew Sun Teong, a director of the Company	**133**	-	**133**	-
Sale of motor vehicles to Ms Tay Lee Kong, Mr Wang Chong Hwa, Mr Ooi Hun Peng and Mr Chuan Yeong Meng, Datin Teh Geok Lian, Mr Beh Chun Chong, directors of subsidiaries	**240**	251	**126**	68
Rental charges paid to Damansara Uptown One Sdn. Bhd., a company in which a brother of Dato' Teo Chiang Quan, has financial interest	**669**	621	**669**	621

(b) Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term employee benefits	**16,122**	15,046	**8,147**	7,904
Defined contribution plan	**1,802**	1,484	**759**	751
	17,924	16,530	**8,906**	8,655

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

39. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive	**6,449**	5,250	**5,029**	4,178
Non-executive	**512**	504	**487**	484
	6,961	5,754	**5,516**	4,662

40. Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies in Note 2.15 and Note 2.19 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	22	**54,259**	91,976	**-**	-
Other receivables (other than derivative asset)	23	**16,550**	14,422	**411**	1,765
Amount due from subsidiaries	26	**-**	-	**566,478**	434,212
Other investment	*	**288**	279	**-**	-
Cash and bank balances	27	**149,176**	149,644	**646**	23,705
Total loans and receivables		**220,273**	256,321	**567,535**	459,682
Derivative asset, included in other receivables, representing total financial asset at fair value through profit or loss	23	**-**	120	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

40. Classification of financial instruments (cont'd.)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	29	**80,670**	78,464	**-**	-
Other payables (other than derivative liability)	*	**101,074**	102,978	**4,266**	6,354
Amount due to subsidiaries	26	**-**	-	**157,963**	211,162
Borrowings	28	**636,554**	549,617	**53,842**	-
Total financial liabilities carried at amortised cost		**818,298**	731,059	**216,071**	217,516
Derivative liability, included in other payables, representing total financial liability at fair value through profit or loss	30	**392**	93	**-**	-

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

41. Fair value of assets and liabilities

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
Group				
Assets for which fair values are disclosed				
Investment properties	**-**	**-**	**111,660**	**111,660**
Assets and liabilities measured at fair value				
Derivative				
Interest rate swap - liabilities	**-**	**(392)**	**-**	**(392)**
Company				
Assets for which fair values are disclosed				
Investment properties	**-**	**-**	**1,800**	**1,800**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

41. Fair value of assets and liabilities (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015				
Group				
Assets for which fair values are disclosed				
Investment properties	-	-	8,160	8,160
Assets and liabilities measured at fair value				
Derivative				
Interest rate swap - assets	-	120	-	120
Interest rate swap - liabilities	-	(93)	-	(93)
Company				
Assets for which fair values are disclosed				
Investment properties	-	-	1,800	1,800

During the year, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy.

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The valuation technique applied is swap model, using present value calculation. The model incorporates various inputs including credit quality of counterparties and interest rate yield.

Level 3 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

Investment properties

The valuation of investment properties which comprise of freehold land and buildings are performed by independent third party valuers which are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

The fair value of the investment properties under construction is not presented as it cannot be determined reliably.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

41. Fair value of assets and liabilities (cont'd.)

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

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade receivables (current & non current)	22
Other receivables (current)	23
Trade and other payables (current)	29 & 30
Borrowings (current & non current)	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

42. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

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

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables, other receivables and due from subsidiaries. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with reputable licensed banks.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

42. 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 RM564,971,000 (2015: RM506,041,000) relating to guarantee extended in support of banking and other credit facilities granted to subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2016		2015	
	RM'000	**% of total**	**RM'000**	**% of total**
Group				
Property development	**46,311**	**85%**	77,251	84%
Construction	**7,550**	**14%**	14,294	16%
Education	**398**	**1%**	431	*
	54,259	**100%**	91,976	100%

* Represents 0.47%.

As at 31 December 2016, approximately 6% (2015: 22%) of the Group's trade receivables is due from one 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2016 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities:				
Trade and other payables	**184,206**	**-**	**-**	**184,206**
Borrowings	**217,525**	**284,580**	**251,477**	**753,582**
Total undiscounted financial liabilities	**401,731**	**284,580**	**251,477**	**937,788**
Company				
Financial liabilities:				
Other payables	**4,480**	**-**	**-**	**4,480**
Borrowings	**56,737**	**-**	**-**	**56,737**
Due to subsidiaries	**165,387**	**-**	**-**	**165,387**
Total undiscounted financial liabilities	**226,604**	**-**	**-**	**226,604**

	2015 RM'000			
	On demand or within one year	One to five years	More than five years	Total
Group				
Financial liabilities:				
Trade and other payables	181,535	-	-	181,535
Borrowings	122,375	403,843	121,712	647,930
Total undiscounted financial liabilities	303,910	403,843	121,712	829,465
Company				
Financial liabilities:				
Other payables	6,354	-	-	6,354
Due to subsidiaries	221,087	-	-	221,087
Total undiscounted financial liabilities	227,441	-	-	227,441

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their floating rate borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swap to effectively convert its floating rate term loan to a fixed rate term loan.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rate had been 50 basis points lower/higher with all other variables held constant, the Company's property, plant and equipment, investment properties, land held for development and property development costs would have been RM3,210,000 (2015: RM2,736,000) lower/higher arising mainly as a result of lower/higher interest expense on floating rate term loans capitalised in land held for development and property development costs. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

43. 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	2016	2015
Total debts (RM'000)	28	**636,554**	549,617
Total equity (RM'000)		**1,134,423**	1,090,623
Debts to equity ratio		**56%**	50%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

44. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) Property - the development and construction of residential and commercial properties and property investment;
(ii) Education - the operation of private educational institutions; and
(iii) Investment and others - investment holding and provision of Group-level corporate services.

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

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

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

	Property		Education		Investment and others		Adjustments and eliminations		Note	Per consolidated financial statements	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000		2016 RM'000	2015 RM'000
Revenue :											
External customers	**420,273**	427,108	**152,411**	147,909	**457**	1,017	**-**	-		**573,141**	576,034
Inter-segment sales	**227**	-	**-**	-	**99,223**	95,507	**(99,450)**	(95,507)	A	**-**	-
Total revenue	**420,500**	427,108	**152,411**	147,909	**99,680**	96,524	**(99,450)**	(95,507)		**573,141**	576,034
Results:											
Interest income	**5,264**	5,759	**3,295**	2,696	**28,073**	18,830	**(34,387)**	(22,468)	A	**2,245**	4,817
Interest expense	**3,324**	495	**5,076**	4,973	**9,549**	8,811	**(10,306)**	(8,619)	A	**7,643**	5,660
Depreciation and amortisation	**3,309**	2,026	**16,866**	16,387	**637**	849	**-**	-		**20,812**	19,262
Share of results of associates	**-**	-	**-**	-	**(287)**	42	**-**	-		**(287)**	42
Segment profit	**82,464**	83,881	**36,379**	21,650	**111,003**	70,996	**(117,369)**	(74,833)	B	**112,477**	101,694
Assets:											
Investment in associates and joint venture	**-**	-	**-**	-	**10,265**	10,153	**-**	-		**10,265**	10,153
Additions to non-current assets	**115,321**	343,469	**15,431**	36,870	**831**	45,561	**-**	-	C	**131,583**	425,900
Segment assets	**1,771,383**	1,510,533	**546,945**	605,579	**630,757**	620,509	**(930,374)**	(806,398)	D	**2,018,711**	1,930,223
Segment liabilities	**1,195,009**	896,999	**237,239**	237,450	**228,019**	334,023	**(775,979)**	(628,872)	E	**884,288**	839,600

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

44. Segment information (cont'd.)

(a) Inter-segment revenues and expenses are eliminated on consolidation.

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

	2016 RM'000	2015 RM'000
Inter-segment dividends	**(101,501)**	(65,062)
Inter-segment interests	**(24,081)**	(13,849)
Other inter-segment transactions	**8,213**	4,078
	(117,369)	(74,833)

(c) Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	**20,251**	39,734
Land held for property development	**87,244**	340,681
Investment properties	**24,088**	45,485
	131,583	425,900

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

	2016 RM'000	2015 RM'000
Investment in associates	**(770)**	(482)
Inter-segment assets	**(846,794)**	(749,302)
Unrealised gains from inter-segment transactions	**(82,810)**	(56,614)
	(930,374)	(806,398)

(e) Inter-segment liabilities are eliminated on consolidation.

The revenue and non-current assets of the Group based on geographical location of customers and assets are attributed to Malaysia.

As at 31 December 2016 and 2015, there is no revenue concentration from a single customer that exceeds 10% of the total Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

45. Significant event subsequent to the financial year end

(a) On 11 January 2017, the Company announced the proposed acquisition of 66% equity interest in R.E.A.L Education Group Sdn Bhd for a total cash purchase consideration of RM183,000,000. As at reporting date, the acquisition is yet to complete.

(b) On 13 March 2017, the Company made its third award of up to 7,456,600 LTIP shares, comprising:

(i) 2,440,400 LTIP shares under the restricted share incentive plan ("2017 RS Award") to be vested one-third annually over a period of three (3) years with the first vesting commencing 13 March 2018; and

(ii) Up to 5,016,200 LTIP shares under the performance-based share incentive plan ("2017 PS Award") to be vested on 13 March 2020.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

46. 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 2016 and 2015 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
- Realised	**788,907**	773,816	**514,196**	451,220
- Unrealised	**17,617**	11,962	**(59)**	(40)
	806,524	785,778	**514,137**	451,180
Total share of retained earnings from associates				
- Realised	**(770)**	(482)	**-**	-
Less: Consolidation adjustments	**(178,714)**	(198,380)	**-**	-
Retained earnings as per financial statements	**627,040**	586,916	**514,137**	451,180

05

OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS

AS AT 22 MARCH 2017

Issued share capital of the Company: 424,295,920 ordinary shares which confer the right to one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares Held	%
1 – 99	116	2.12	3,868	0.00
100 – 1,000	373	6.80	245,621	0.06
1,001 – 10,000	2,981	54.36	14,550,621	3.43
10,001 – 100,000	1,705	31.09	49,759,931	11.73
100,001 – 21,214,795*	306	5.58	212,319,379	50.04
21,214,796 and above**	3	0.05	147,416,500	34.74
Total	5,484	100.00	424,295,920	100.00

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

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholder	No. of Shares Held	%
1.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Paramount Equities Sdn Bhd (CBM-Team 2)	56,000,000	13.20
2.	Paramount Equities Sdn Bhd	54,180,000	12.77
3.	Southern Palm Industries Sdn Bhd	37,236,500	8.78
4.	Southern Acids (M) Berhad	19,316,500	4.55
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An for Deutsche Bank AG Singapore (PWM Asing)	13,400,000	3.16
6.	Bunga Indah (M) Sdn Bhd	11,583,000	2.73
7.	Southern Realty (Malaya) Sdn Bhd	10,496,500	2.47
8.	Eliyezer Resources Sdn Bhd	6,244,000	1.47
9.	Amanahraya Trustees Berhad Public Optimal Growth Fund	5,500,000	1.30
10.	Teo Chiang Quan	5,337,500	1.26
11.	Amanahraya Trustees Berhad PB Growth Fund	5,087,000	1.20
12.	Amanahraya Trustees Berhad Public Smallcap Fund	4,396,100	1.04
13.	Ong Keng Siew	3,987,700	0.94
14.	Kenanga Nominees (Asing) Sdn Bhd RHB Securities Singapore Pte. Ltd. for Teo Pek Swan (6Q-31037)	3,565,000	0.84
15.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (KIB)	3,548,200	0.84

ANALYSIS OF SHAREHOLDINGS
AS AT 22 MARCH 2017

	Name of Shareholder	No. of Shares Held	%
16.	Amanahraya Trustees Berhad PB Smallcap Growth Fund	2,870,600	0.68
17.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (KNGA Sml Cap Fd)	2,603,800	0.61
18.	Cheong Hon Keong	2,435,000	0.57
19.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Industry Growth Fund (N14011930270)	2,389,000	0.56
20.	RHB Nominees (Tempatan) Sdn Bhd OSK Technology Ventures Sdn. Bhd.	2,375,000	0.56
21.	Neoh Choo Ee & Company, Sdn. Berhad	2,197,800	0.52
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Win Kee (8106483)	2,136,300	0.50
23.	Bernard Chang Tze Wah	2,120,000	0.50
24.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Kenanga)	1,741,600	0.41
25.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Teh Wao Kheng (PB)	1,712,000	0.40
26.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	1,669,200	0.39
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,660,525	0.39
28.	Mikdavid Sdn Bhd	1,516,500	0.36
29.	Gemas Bahru Estates Sdn. Bhd.	1,508,500	0.36
30.	Yeo Khee Huat	1,505,000	0.35

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Shareholder	No. of Shares Held	%	No. of Shares Held	%
Paramount Equities Sdn Bhd	110,180,000	25.97	-	-
Dato’ Teo Chiang Quan	5,610,500	1.32	111,033,500 (1)	26.17
Southern Palm Industries Sdn Bhd	37,236,500	8.78	19,316,500 (2)	4.55
Southern Edible Oil Industries (M) Sdn Bhd	1,165,500	0.27	56,553,000 (3)	13.33
Southern Realty (Malaya) Sdn Bhd	10,496,500	2.47	57,718,500 (4)	13.60
Banting Hock Hin Estate Co Sdn Bhd	644,000	0.15	68,215,000 (5)	16.08

ANALYSIS OF SHAREHOLDINGS
AS AT 22 MARCH 2017

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Deemed Interest	
Name of Director	No. of Shares Held	%	No. of Shares Held	%
Dato' Teo Chiang Quan	5,610,500	1.32	111,033,500 [1]	26.17
Ong Keng Siew	3,987,700	0.94	-	-
Jeffrey Chew Sun Teong	638,800	0.15	-	-
Dato' Md Taib bin Abdul Hamid	-	-	175,000 [6]	0.04
Datuk Seri Michael Yam Kong Choy	132,500	0.03	-	-
Quah Poh Keat	-	-	956,800 [7]	0.23

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

Notes:
(1) By virtue of his deemed interest in Paramount Equities Sdn Bhd and the shareholdings of his family members.
(2) By virtue of its deemed interest in Southern Acids (M) Berhad.
(3) By virtue of its deemed interest in Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(4) By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(5) By virtue of its deemed interest in Southern Realty (Malaya) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
(6) By virtue of his deemed interest in Thamass Sdn Bhd.
(7) By virtue of his deemed interest in the shareholding of his spouse.

EMPLOYEES SHARE SCHEME

Name of Group Chief Executive Officer & Executive Director: Jeffrey Chew Sun Teong

2015 Long Term Incentive Plan (LTIP) Award			
Type of LTIP Shares	Awarded	Vested	Outstanding
Restricted Shares (**RS**)	444,800	296,600	148,200
Performance-based Shares (**PS**)	Up to 996,400	-	Up to 996,400

2016 LTIP Award			
Type of LTIP Shares	Awarded	Vested	Outstanding
RS	501,700	167,200	334,500
PS	Up to 1,260,400	-	Up to 1,260,400

2017 LTIP Award			
Type of LTIP Shares	Awarded	Vested	Outstanding
RS	576,600	-	576,600
PS	Up to 1,382,000	-	Up to 1,382,000

LIST OF TOP 10 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 31.12.2016
1	Lots 17171-17176, 17182, 17184-17185 PT 56231-56327, 56556-56557 Mukim Dengkil, Daerah Sepang Selangor Darul Ehsan	02.01.2015	Land approved for commercial and residential development - Greenwoods	-	Freehold	9,909,029	**242,485**
2	Lot PT 35291 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	KDU University College campus	2 years	Freehold	435,626	**207,615**
3	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 approved for commercial and residential use (Held for future development)	-	Freehold	1,449,367	**178,588**
4	Lot PT 510, Pekan Hicom District of Petaling Selangor Darul Ehsan	07.06.2012	Land approved for industrial and commercial development - Sekitar26	-	Freehold	537,095	**107,103**
5	Lot PT 35292 Mukim of Damansara District of Petaling Selangor Darul Ehsan	31.01.2012	Retail mall and car park - Paramount Utropolis Marketplace	-	Freehold	257,004	**94,011**
6	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)	6 - 15 years	99 years lease expiring 25.01.2104	520,579	**86,692**
7	Lot PT 5827 Mukim 13, Seberang Prai Selatan Penang	05.12.2014	Land approved for commercial and residential use (Held for future development)	-	Freehold	1,250,172	**82,373**
8	Mukim of Sungai Petani District of Kuala Muda Kedah Darul Aman	23.06.2006	Land approved for commercial and residential development - Bukit Banyan	-	Freehold	7,305,154	**81,242**
9	Lot 94 Section 13 Town of Petaling Jaya District of Petaling Selangor Darul Ehsan	20.02.2008	Land approved for commercial and residential use (Held for future development)	-	99 years lease expiring 04.06.2063	225,680	**71,060**
10	The land in Mukim 17, Daerah Prai Tengah, Penang held under: Lots 557-558, 560, 565-566, 570-572, 575, 1652-1653, 1657-1658, 1660-1661, 1663-1664, 1860, 1952-1954	08.04.2013, 21.06.2013, 09.08.2014, 18.08.2014, 19.08.2014, 03.12.2014 and 27.07.2016	Agriculture land (Held for future development)	-	Freehold	3,013,465	**53,932**

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements:

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

NOTICE OF FORTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh Annual General Meeting of the Company will be held at Ballroom I, Main Wing, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 May 2017 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. (Please see Explanatory Note A)
2. To approve the declaration of a single-tier final dividend of 6.0 sen per share in respect of the year ended 31 December 2016. **Resolution 1**
3. To approve the payment of Directors' fees of RM635,163.95 for the year ended 31 December 2016. **Resolution 2**
4. To re-elect the following Directors who retire pursuant to Article 119(a) of the Company's Articles of Association:
   (a) Dato' Teo Chiang Quan **Resolution 3**
   (b) Dato' Rohana Tan Sri Mahmood **Resolution 4**
5. To re-elect Mr Quah Poh Keat who retires pursuant to Article 119(e) of the Company's Articles of Association. **Resolution 5**
6. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

7. **Re-appointment of Tan Sri James Foong Cheng Yuen as a Director**

   "That Tan Sri James Foong Cheng Yuen, whose term of office shall expire at the conclusion of the meeting in accordance with the resolution passed at the Annual General Meeting of the Company held on 25 May 2016 pursuant to Section 129(6) of the Companies Act 1965, which was then in force, be and is hereby re-appointed as a Director of the Company." (Please see Explanatory Note B) **Resolution 7**

8. **Authority for Mr Quah Chek Tin to continue in office as an Independent Non-Executive Director**

   "That authority be and is hereby given to Mr Quah Chek Tin who has served as an Independent Non-Executive Director of the Company for a term of more than nine years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note C) **Resolution 8**

9. **Authority to Directors to allot and issue shares**

   "That subject always to the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 75 of the Companies Act, 2016, to allot and issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital of the Company as at the date of such allotment, and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Please see Explanatory Note D) **Resolution 9**

NOTICE OF FORTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders, a single-tier final dividend of 6.0 sen per share in respect of the year ended 31 December 2016, will be paid on 15 June 2017 to shareholders whose names appear in the Record of Depositors on 31 May 2017.

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 31 May 2017 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
NG WAI PENG
Secretaries

Petaling Jaya
Selangor Darul Ehsan
26 April 2017

NOTES

Record of Depositors

In respect of deposited securities, only members whose names appear in the Record of Depositors on 9 May 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the Forty-Seventh Annual General Meeting (**AGM**).

Appointment of Proxy

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf provided that the member specifies in the instrument appointing a proxy the proportion of the member's shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 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 24 hours before the time appointed for holding the above meeting.

NOTICE OF FORTY-SEVENTH ANNUAL GENERAL MEETING

Explanatory Note A

Item 1 on the Agenda is meant for discussion only as the Audited Financial Statements do not require the formal approval of the shareholders pursuant to Sections 248(2) and 340(1)(a) of the Companies Act, 2016. Hence, the matter will not be put forward for voting.

Explanatory Note B

Upon re-appointment as a Director of the Company, Tan Sri James Foong Cheng Yuen shall be subject to retirement by rotation in accordance with Article 119(a) of the Company's Articles of Association.

Explanatory Note C

The Board had, through the Nominating Committee, conducted an assessment on the independence of all Independent Non-Executive Directors (**INED**) of the Company including Mr Quah Chek Tin who has served as an INED for more than nine (9) years and had recommended that Mr Quah Chek Tin be authorised to remain as an INED of the Company based on the justifications as set out in the Statement on Corporate Governance on pages 57 and 58 of this annual report.

Explanatory Note D

The Ordinary Resolution proposed under item 9, if passed, will renew the powers given to the Directors at the last AGM, authority to allot and issue up to ten per centum (10%) of the issued share capital of the Company as at the date of such allotment for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM.

As at the date of this notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Forty-Sixth AGM held on 25 May 2016, which will lapse at the conclusion of the Forty-Seventh 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.

Voting by poll

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice shall be voted by poll.

PROXY FORM

Paramount Corporation Berhad (8578-A)

PARAMOUNT

I/We____
(name of shareholder as per NRIC or name of company, in capital letters)

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

Contact No. __________________of ____

____
(full address)

being a member of Paramount Corporation Berhad (**the Company**) hereby appoint

Name	Address	NRIC No. / Passport No.	No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC No. / Passport No.	No. of Shares	%

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held at Ballroom I, Main Wing, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 May 2017 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	Final Dividend		
Resolution 2	Directors' Fees		
Re-election of Directors:			
Resolution 3	Dato' Teo Chiang Quan		
Resolution 4	Dato' Rohana Tan Sri Mahmood		
Resolution 5	Mr Quah Poh Keat		
Resolution 6	Re-appointment of Auditors and to fix their remuneration		
Resolution 7	Re-appointment of Tan Sri James Foong Cheng Yuen as a Director		
Resolution 8	Authority for Mr Quah Chek Tin to continue in office as an Independent Non-Executive Director		
Resolution 9	Authority to Directors to allot and issue shares		

Dated this __________ day ___________2017.

CDS ACCOUNT NO.	NO. OF SHARES HELD

Signature/Common Seal

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf provided that the member specifies in the instrument appointing a proxy the proportion of the member's shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 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/her 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.
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 SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 24 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 9 May 2017 (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 SS21/58
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
Tel : +603 7712 3333
Fax : +603 7712 3322

www.pcb.my