

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2018

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR PERIOD ENDED 31 MARCH 2018**

	3 Months Ended 31 March		3 Months Ended 31 March	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
Revenue	<b>162,246</b>	144,102	<b>162,246</b>	144,102
Operating profit	<b>21,700</b>	18,836	<b>21,700</b>	18,836
Interest expense	<b>(4,278)</b>	(2,396)	<b>(4,278)</b>	(2,396)
Interest income	<b>598</b>	1,093	<b>598</b>	1,093
Share of loss of associate & joint venture	<b>(19)</b>	(39)	<b>(19)</b>	(39)
Profit before tax	<b>18,001</b>	17,494	<b>18,001</b>	17,494
Taxation	<b>(4,824)</b>	(5,530)	<b>(4,824)</b>	(5,530)
Profit for the period	<b>13,177</b>	11,964	<b>13,177</b>	11,964
Profit attributable to:				
Ordinary equity holders of the Company	<b>6,963</b>	6,984	<b>6,963</b>	6,984
Non-controlling interest	<b>1,185</b>	-	<b>1,185</b>	-
Holder of private debt securities of the Company	<b>5,029</b>	4,980	<b>5,029</b>	4,980
	<b>13,177</b>	11,964	<b>13,177</b>	11,964
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	<b>1.64</b>	1.65	<b>1.64</b>	1.65
Diluted EPS	<b>1.58</b>	1.59	<b>1.58</b>	1.59

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2017.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR PERIOD ENDED 31 MARCH 2018**

	<b>3 Months Ended 31 March 2018</b>		<b>3 Months Ended 31 March 2017</b>	
	<b>RM'000</b>	2017 RM'000 (Restated)	<b>RM'000</b>	2017 RM'000 (Restated)
Profit for the period	<b>13,177</b>	11,964	<b>13,177</b>	11,964
Other comprehensive income	<b>(584)</b>	448	<b>(584)</b>	448
<b>Total comprehensive income for the period</b>	<b>12,593</b>	12,412	<b>12,593</b>	12,412
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	<b>6,379</b>	7,432	<b>6,379</b>	7,432
Non-controlling interest	<b>1,185</b>	-	<b>1,185</b>	-
Holder of private debt securities of the Company	<b>5,029</b>	4,980	<b>5,029</b>	4,980
	<b>12,593</b>	12,412	<b>12,593</b>	12,412

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2017.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	As at 31/3/2018	As at 31/12/2017	As at 1/1/2017
	RM'000	RM'000 (Restated)	RM'000 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	631,403	624,924	436,186
Land held for property development	720,097	800,238	870,967
Investment properties	201,634	204,787	177,750
Intangible assets	163,415	163,822	15,674
Investment in associates	9,265	9,907	10,220
Investment in joint venture	0	0	45
Other investments	310	310	340
Deferred tax assets	30,907	30,510	20,997
	<u>1,757,031</u>	<u>1,834,498</u>	<u>1,532,179</u>
<b>Current assets</b>			
Property development costs	286,612	175,833	95,504
Inventories	25,784	26,640	30,922
Trade receivables	102,598	132,323	54,259
Other receivables	54,100	42,862	17,192
Other current assets	161,278	154,069	144,284
Tax recoverable	12,246	8,177	8,964
Other investments	0	10,047	288
Cash and bank balances	104,798	141,409	149,176
	<u>747,416</u>	<u>691,360</u>	<u>500,589</u>
Assets held for sale	300	5,732	6,666
	<u>747,716</u>	<u>697,092</u>	<u>507,255</u>
<b>Total assets</b>	<u>2,504,747</u>	<u>2,531,590</u>	<u>2,039,434</u>
<b>Current liabilities</b>			
Borrowings	225,112	161,170	207,864
Trade payables	62,300	82,222	80,670
Other payables	171,057	209,470	103,857
Tax payable	1,902	5,058	1,994
Other current liabilities	68,223	65,130	71,956
	<u>528,594</u>	<u>523,050</u>	<u>466,341</u>
<b>Net current assets</b>	<u>219,122</u>	<u>174,042</u>	<u>40,914</u>
<b>Non-current liabilities</b>			
Borrowings	655,929	662,662	428,690
Deferred tax liabilities	27,338	28,436	4,903
	<u>683,267</u>	<u>691,098</u>	<u>433,593</u>
<b>Total liabilities</b>	<u>1,211,861</u>	<u>1,214,148</u>	<u>899,934</u>
<b>Equity</b>			
Share capital	307,904	305,215	303,238
Reserves	709,015	737,445	636,475
<b>Equity attributable to ordinary equity holders of the Company</b>	<u>1,016,919</u>	<u>1,042,660</u>	<u>939,713</u>
Non-controlling interests	76,180	74,995	0
Private debt securities	199,787	199,787	199,787
<b>Total equity</b>	<u>1,292,886</u>	<u>1,317,442</u>	<u>1,139,500</u>
<b>Total equity and liabilities</b>	<u>2,504,747</u>	<u>2,531,590</u>	<u>2,039,434</u>
<b>Net assets (NA) per share (RM)</b>	<u>2.37</u>	<u>2.46</u>	<u>2.22</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2017.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 31 MARCH 2018**

	Share Capital RM'000	<-----Non Distributable-----> Employee Share Reserve# RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Non- controlling interests RM'000	Private debt securities RM'000	Total Equity RM'000
<b>As at 1 January 2018 (Restated)</b>	305,215	7,139	55	730,251	74,995	199,787	1,317,442
Total comprehensive income	-	-	(584)	6,963	1,185	5,029	12,593
<b>Transactions with owners</b>							
Vesting of LTIP shares	2,689	(2,689)	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(5,029)	(5,029)
Dividends	-	-	-	(32,120)	-	-	(32,120)
<b>Total transactions with owners</b>	<b>2,689</b>	<b>(2,689)</b>	<b>-</b>	<b>(32,120)</b>	<b>-</b>	<b>(5,029)</b>	<b>(37,149)</b>
<b>As at 31 March 2018</b>	<b>307,904</b>	<b>4,450</b>	<b>(529)</b>	<b>705,094</b>	<b>76,180</b>	<b>199,787</b>	<b>1,292,886</b>
<b>As at 1 January 2017 (Restated)</b>	303,238	4,271	87	632,117	-	199,787	1,139,500
Total comprehensive income	-	-	448	6,984	-	4,980	12,412
<b>Transactions with owners</b>							
Vesting of LTIP shares	1,951	(1,951)	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(4,980)	(4,980)
<b>Total transactions with owners</b>	<b>1,951</b>	<b>(1,951)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,980)</b>	<b>(4,980)</b>
<b>As at 31 March 2017</b>	<b>305,189</b>	<b>2,320</b>	<b>535</b>	<b>639,101</b>	<b>-</b>	<b>199,787</b>	<b>1,146,932</b>

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2017.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR PERIOD ENDED 31 MARCH 2018**

	<b>3 Months Ended</b>	
	<b>31/3/2018</b>	<b>31/3/2017</b>
	<b>RM'000</b>	<b>RM'000</b> (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	18,001	17,494
Adjustment for:		
Non-cash items	6,837	5,098
Non-operating items	3,680	1,173
<b>Operating profit before working capital changes</b>	<b>28,518</b>	<b>23,765</b>
Increase in receivables	(9,385)	(22,425)
Decrease/(increase) in development properties	3,158	(4,564)
Decrease in inventories	589	12,848
Decrease in payables	(47,727)	(21,347)
<b>Cash used in operations</b>	<b>(24,847)</b>	<b>(11,723)</b>
Taxes paid	(12,230)	(8,224)
Interest paid	(13,830)	(6,707)
Net cash used in operating activities	<b>(50,907)</b>	<b>(26,654)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in land held for development	(9,320)	2,917
Purchase of property, plant and equipment	(12,038)	(9,177)
Purchase of investment properties	(501)	(1,365)
Proceeds from disposal of property, plant and equipment	19	96
Proceeds from disposal of assets held for sale	5,432	211
Movement in other investment	10,048	288
Interest received	598	1,093
Net cash used in investing activities	<b>(5,762)</b>	<b>(5,937)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to ordinary equity holders of the Company	(32,120)	-
Proceeds from borrowings	62,721	18,856
Issuance of Islamic Medium Term Notes	-	29,052
PDS distribution	(5,029)	(4,980)
Placements in banks restricted for use	(5,219)	(353)
Repayment of borrowings	(26,958)	(26,146)
Net cash (used in)/generated from financing activities	<b>(6,605)</b>	<b>16,429</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(63,274)</b>	<b>(16,162)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>109,427</b>	<b>114,445</b>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>46,153</b>	<b>98,283</b>
	<b>31/3/2018</b>	<b>31/3/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and bank balances	79,477	120,131
Fixed deposits	25,321	17,380
Cash and bank balances	104,798	137,511
Cash and bank balances restricted for use	(10,537)	(6,104)
Fixed deposits maturing more than 3 months	(18,380)	-
Overdrafts	(29,728)	(33,124)
	<b>46,153</b>	<b>98,283</b>
Cash and bank balances held in HDA accounts	<b>39,539</b>	<b>93,726</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2017.

**PARAMOUNT CORPORATION BERHAD**  
**Interim Financial Report for the period ended 31 March 2018**

The figures are unaudited

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The financial statements of the Group for the financial year ending 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards. The impact of the transition to MFRS Framework on the Group's reported financial position, financial performance and cash flows, arising from the adoption of *MFRS 15: Revenue from contracts with customer*, are disclosed in Note A2. Other than as disclosed in Note A2, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

**A2. Changes in accounting policies**

Except for the adoption of MFRS Framework and *MFRS 15: Revenue from contracts with customer* as mentioned above, the accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 31 December 2017.

**MFRS 15 - Revenue from contracts with customer**

With the adoption of MFRS 15, revenue are recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue are recognised when the performance obligation is satisfied, which may be at a point in time or over time.

PARAMOUNT CORPORATION BERHAD  
Interim Financial Report for the period ended 31 March 2018

A2. Change in accounting policies (Cont'd)

Adoption of MFRS 15

	Quarter ended 31 March 2017				Year ended 31 December 2017			
	Previously stated	Effect of	Reclassification	Restated under	Previously stated	Effect of	Reclassification	Restated under
	under FRSs	MFRS 15		under	under FRSs	MFRS 15		under
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Income statement</u></b>								
Revenue	142,940	(1,035)	2,197	144,102	758,325	(7,146)	11,755	762,934
Operating profit	19,644	(808)	0	18,836	197,913	488	0	198,401
Profit before tax	18,302	(808)	0	17,494	182,169	488	0	182,657
Taxation	5,030	500	0	5,530	31,890	(302)	0	31,588
Profit for the period	13,272	(1,308)	0	11,964	150,279	790	0	151,069
Profit attributable to:								
Ordinary equity holders of the Company	8,292	(1,308)	0	6,984	133,409	790	0	134,199
Non-controlling interest	0	0	0	0	3,591	0	0	3,591
Holder of private debt securities of the Company	4,980	0	0	4,980	13,279	0	0	13,279
	<u>13,272</u>	<u>(1,308)</u>	<u>0</u>	<u>11,964</u>	<u>150,279</u>	<u>790</u>	<u>0</u>	<u>151,069</u>
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):								
Basic EPS	1.96	(0.31)	0	1.65	31.46	0.19	0	31.65
Diluted EPS	1.89	(0.30)	0	1.59	30.35	0.18	0	30.53
<b><u>Statement of comprehensive income</u></b>								
Profit for the period	13,272	(1,308)	0	11,964	150,279	790	0	151,069
Other comprehensive income	448	0	0	448	(32)	0	0	(32)
Total other comprehensive income	<u>13,720</u>	<u>(1,308)</u>	<u>0</u>	<u>12,412</u>	<u>150,247</u>	<u>790</u>	<u>0</u>	<u>151,037</u>
Total comprehensive income attributable to:								
Ordinary equity holders of the Company	8,740	(1,308)	0	7,432	133,377	790	0	134,167
Non-controlling interest	0	0	0	0	3,591	0	0	3,591
Holder of private debt securities of the Company	4,980	0	0	4,980	13,279	0	0	13,279
	<u>13,720</u>	<u>(1,308)</u>	<u>0</u>	<u>12,412</u>	<u>150,247</u>	<u>790</u>	<u>0</u>	<u>151,037</u>

	As at 31 December 2017			As at 1 January 2017		
	Previously stated	Effect of	Restated under	Previously stated	Effect of	Restated under
	under FRSs	MFRS 15	under	under FRSs	MFRS 15	under
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Statement of financial position</u></b>						
Property development costs	182,109	(6,276)	175,833	76,957	18,547	95,504
Inventory	26,374	266	26,640	28,789	2,133	30,922
Other receivables	35,961	6,901	42,862	16,550	642	17,192
Other current assets	140,310	13,759	154,069	143,269	1,017	144,286
Other payables	201,999	7,471	209,470	103,536	321	103,857
Other current liabilities	65,131	0	65,131	56,631	15,325	71,956
Deferred tax assets	31,670	(1,160)	30,510	22,611	(1,614)	20,997
Deferred tax liabilities	28,283	153	28,436	4,903	0	4,903
Retained earnings	724,384	5,867	730,251	627,040	5,077	632,117

### A3. Audit report qualification

The audit report for the financial year ended 31 December 2017 was not subject to any qualification.

### A4. Seasonal or cyclical factors

The operations of the Group were not materially affected by any factor of a seasonal or cyclical nature.

### A5. Exceptional or unusual items

Save for items disclosed in Note A9, there were no items of an exceptional or unusual nature that have affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year to date.

### A6. Changes in estimates of amounts reported previously

There were no significant changes in estimates in prior periods that have materially affected the current quarter and financial year to date results.

### A7. Debt and equity securities

Save for item disclosed below, there were no other issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year to date.

#### Employee share scheme

On 15 March 2018, the Company issued 3,976,000 shares to its eligible employees pursuant to the vesting of the Restricted Share Incentive Plan ("RS Award") and Performance-based Incentive Plan ("PS Award") of the Long Term Incentive Plan ("LTIP"). The details of the vested shares are as below:

	LTIP	Grant date	Vesting	No. of shares
(i)	2015 RS Award	13 March 2015	Third	811,900
(ii)	2016 RS Award	14 March 2016	Second	612,300
(iii)	2017 RS Award	13 March 2017	First	750,300
(iv)	2015 PS Award	13 March 2015	First	<u>1,801,500</u>
				<u>3,976,000</u>

### A8. Dividends paid

	3 months ended	
	31/3/2018	31/3/2017
	RM'000	RM'000
Special dividends		
2017 - 7.50 sen single tier	32,120	0

## A9. Profit before tax

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

	3 months ended 31 March		3 months ended 31 March	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of:				
- Property, plant and equipment	5,749	4,627	5,749	4,627
- Investment properties	522	467	522	467
Amortisation of intangible assets	406	0	406	0
Additions/(reversal) of allowance for impairment of trade and other receivables	118	10	118	10
(Gain)/loss on disposal of:				
- Property, plant and equipment	(19)	(23)	(19)	(23)
- Assets held for sale	0	(145)	0	(145)
Net derivative (gain)/loss on interest rate swap	(30)	15	(30)	15
Net foreign exchange (gain)/loss	(202)	(166)	(202)	(166)

Save for the items disclosed in the Income Statement and the note above, other items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

## A10. Segment reporting for the current financial year to date

<u>Analysis by Business Segment</u>	Revenue		Profit before tax	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property	91,392	103,233	8,715	13,087
Education	70,770	40,839	12,723	6,922
Investment & others	17,565	10,436	14,235	(1,367)
	<u>179,727</u>	<u>154,508</u>	<u>35,673</u>	<u>18,642</u>
Inter-segment elimination	(17,481)	(10,406)	(17,672)	(1,148)
	<u>162,246</u>	<u>144,102</u>	<u>18,001</u>	<u>17,494</u>

## A11. Carrying amount of revalued assets

The valuations of property, plant and equipment and investment properties have been brought forward without amendments from the financial statements for the financial year ended 31 December 2017.

## A12. Subsequent events

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial report.

### A13. Changes in composition of the Group

There was no change in composition of the Group since the last annual reporting date.

### A14. Changes in contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities of the Group since the last annual reporting date.

### A15. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 31 March 2018 were as follows:

	<b>RM'000</b>
Approved and contracted for:-	
Land held for development	134,730
Payment under DRA (Note: B6(i))	150,000
Investment properties	4,655
Property, plant & equipment	66,179
	<u>355,564</u>
Approved but not contracted for:-	
Investment properties	14,428
Property, plant & equipment	89,924
	<u>104,352</u>
	<u>459,916</u>

### A16. Capital expenditure

The major additions and disposals to the property, plant and equipment during the current quarter and financial year to date were as follows:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Property, plant and equipment Additions	<u>12,038</u>	<u>12,038</u>

**A17. Related party transactions****Financial  
Year-to-date  
RM'000**

Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest	218
Rental charges paid to Damansara Uptown Retail Centre Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest	53
Sale of properties to Datin Teh Geok Lian, Ms. Tay Lee Kong, Mr. Beh Chun Chong, and Mr. Wang Chong Hwa, directors of subsidiaries	3,018
Sale of property to Chew Sun Teong, Group CEO and a director of the Company	780
Sale of property to Mr. Benjamin Teo Jong Hian, the child of Dato' Teo Chiang Quan and director of subsidiaries	781
Sale of property to Ms. Eunice Teo Wan Tian, the daughter of Dato' Teo Chiang Quan	641
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	14
Rental charges paid to CNS Corporation Sdn Bhd and CF Land Sdn Bhd, in which certain directors of a subsidiary have substantial interest	108
	<hr/>
	5,613
	<hr/>

The directors are of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of performance**

1Q2018 vs 1Q2017

	<b>1Q2018 RM'000</b>	<b>1Q2017 RM'000</b>	<b>Var. %</b>
Revenue	<b>162,246</b>	144,102	13%
Operating profit	<b>21,700</b>	18,836	15%
Profit before interest & tax	<b>21,681</b>	18,797	15%
Profit before Tax	<b>18,001</b>	17,494	3%
Profit after tax	<b>13,177</b>	11,964	10%
Profit attributable to ordinary equity holders of the Company	<b>6,963</b>	6,984	0%

For 1Q2018, the Group recorded a higher revenue of RM162.2 million, an increase of 13% compared with the corresponding quarter last year (1Q2017: RM144.1 million) with higher contribution from the education division. Profit before tax (PBT), was marginally higher at RM18 million (1Q2017: RM17.5 million) mainly due to higher contribution from the Education division was off-set by the lower progressive billings recorded from the property division as detailed below.

Revenue for the property division decreased by 11% to RM91.4 million (1Q2017: RM103.2 million) mainly due to lower level of construction activities achieved coupled with the completion of certain phases within the high-end Sejati Residences comprising semi-detached and superlink properties in Cyberjaya and Utropolis Glenmarie's serviced apartments in Shah Alam in 2017. Hence, the PBT for the division had also decreased by 34% to RM8.7 million (1Q2017: RM13.1 million).

The sales status and unbilled sales of the property division are as follow:

Projects	Location	For period ended 31/3/18			As at 31/3/18
		Launched units	Units sold**	Sales value RM'M	Unbilled sales RM'M
Central region	Klang valley	493	189	143	445
Northern region	Kedah, Penang	462	187	84	291
<b>Total</b>		<b>955</b>	<b>376</b>	<b>227</b>	<b>736</b>

\*\* - Includes sales of units from prior years launches

Revenue for the education division was significantly higher at RM70.8 million (1Q2017: RM40.8 million) mainly due to consolidation of R.E.A.L. Education Group of RM27 million from 11 April 2017 coupled with the higher student enrolment at KDU University College (Glenmarie and Penang). PBT for the division, was also higher at RM12.7 million compared with RM6.9 million recorded in 1Q2017 mainly due to contribution from R.E.A.L. Education Group of RM4.9 million and lower LBT reported by KDU University College Glenmarie.

**B2. Material changes in Profit Before Tax for the quarter reported on as compared with the immediate preceding quarter**

	<b>1Q2018 RM'000</b>	<b>4Q2017 RM'000</b>	<b>Var. %</b>
Revenue	<b>162,246</b>	238,789	-32%
Operating profit	<b>21,700</b>	42,428	-49%
Profit before interest & tax	<b>21,681</b>	42,362	-49%
Profit before Tax	<b>18,001</b>	37,073	-51%
Profit after tax	<b>13,177</b>	25,727	-49%
Profit attributable to ordinary equity holders of the Company	<b>6,963</b>	23,632	-71%

Group PBT for 1Q2018 of RM18 million was significantly lower compared with the preceding quarter's PBT of RM37.1 million mainly due to the lower progressive billings recorded from the property division was mitigated by the higher contribution from the education division. The lower level of construction activities achieved coupled with the completion of certain phases within the high-end Sejati Residences and Utropolis Glenmarie's serviced apartments were the main contributors to the lower progressive billings recorded in the current quarter as compared to 4Q2017.

### B3. Prospects

Amid the stronger global economic conditions, the Malaysian economy is projected to grow by 5.5% - 6.0% in 2018. Domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving sentiments.

According to the National Property Information Centre, the property market is foreseen to stabilise in 2018, having endured challenging moments in the last two years. The forecast economic growth, accommodative monetary policy as well as continuous incentives for the housing sector will help sustain the momentum in the property sector.

During the quarter ended 31 March 2018, the Group achieved sales of RM227 million and target to achieve property sales of approximately RM1.0 billion backed by new launches of properties of approximately RM1.2 billion for the financial year 2018. In addition, the Group's unbilled sales of RM736 million as at 31 March 2018 is expected to contribute positively to the Group's financial performance in the near future.

The Group is encouraged by the sales achieved in its recently launched serviced apartments Atwater in the first quarter of 2018 and the Group's flagship project of Utropolis Batu Kawan, an integrated university metropolis located within the vicinity of IKEA Batu Kawan. On the back of the overwhelming response with all units were taken-up on the official day of launch of first phase of Keranji (a component of the Greenwoods township development), the Group is preparing to launch the second phase this year to meet the strong demand for affordable properties in Salak Perdana, Sepang.

Further, the Group is targeting to launch in 2018, a mix development project located in the vicinity of Klang's main business and commercial area for which the Group will also be constructing a new Sri KDU international school. This is in line with the Group's strategy to derive synergy from its strong branding and expertise in its property and education businesses.

As at 31 March 2018, the Group's land bank is as follow:

Projects	Location	No. of projects	Original land size (Acres)	Undeveloped (Acres)
Central region	Klang valley	8	872.3	330.3
Northern region	Kedah, Penang	4	1,117.9	401.1
<b>Total</b>		<b>12</b>	<b>1,990.2</b>	<b>731.4</b>

In respect of the education segment, competition will remain intense amidst a highly price sensitive environment, with slow market growth and high market penetration for the tertiary segment. The K-12 segment is expected to see continued mushrooming of new entrants into the market.

The Group will remain focus on delivering quality education and will leverage on proven, long standing track record of the KDU brand to grow the student population.

The K-12 segment will be the main driver within the education segment with R.E.A.L targeting the affordable segment while Sri KDU offers premium private and international schools. In addition, the acquisition of R.E.A.L. Education Group in April 2017 has broaden the Group's spectrum of offerings to pre-school and enrichment centres and it will contribute a full year of results in 2018. The Group believes there is untapped growth potential in the pre-school and enrichment centre segments. In this regard, the Group has opened three (3) new pre-school centres in the Klang Valley during the quarter ended 31 March 2018. In addition, the Group will also leverage on the synergies and opportunities for student continuity and retention, with R.E.A.L Kids kindergarten students moving to R.E.A.L Schools or Sri KDU national and international schools, and for R.E.A.L School students moving to KDU University Colleges.

### B3. Prospects (Cont'd)

Responding to market conditions, the tertiary education segment will increase its marketing efforts to tap into new markets within Malaysia, whilst enhancing strategies for international marketing and relationship building with recruitment agencies as well as intensifying promotional activities through various media, particularly the digital marketing. Towards this end, the student enrolment at KDU University College (Glenmarie and Penang) has shown encouraging improvement for the quarter ended 31 March 2018 as compared to the corresponding quarter last year.

In line with the Group's asset light strategy, it will continue to pursue sale & leaseback of assets and to build strategic partnerships to undertake development projects on joint venture basis if such opportunities arise.

Barring any unforeseen circumstances, the Group is expected to deliver a better operating performance for the current financial year ending 31 December 2018.

### B4. Profit forecast or profit guarantee

There were no profit forecast or profit guarantee for the current quarter and financial year to date.

### B5. Taxation

The taxation charge included the following:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Income tax	7,159	7,159
Deferred tax	(2,335)	(2,335)
	<u>4,824</u>	<u>4,824</u>

The effective tax rate for the current quarter was higher than the statutory income tax rate in Malaysia due to the losses of certain subsidiaries that were not available for full set off against taxable profits of other subsidiaries and certain expenses which were not deductible for tax purposes.

### B6. Corporate proposal

Save for the proposal disclosed below, there were no corporate proposals announced but not completed as at 11 May 2018.

- (i) On 22 December 2017, the Group entered into a Development Rights Agreement ("DRA") with Kumpulan Hartanah Selangor Berhad (KHSB) to accept the rights granted by KHSB to the proposed development of two (2) contiguous parcels of leasehold commercial land measuring approximately 9.662 acres in total area situated in Section 14, Bandar Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan.
- (ii) On 2 January 2018, the Group entered into a sale and purchase agreement with EM Hub Sdn Bhd ("EHSB") for the proposed disposal of two (2) contiguous parcels of leasehold land held under titles H.S.(D) 242971 PT 10568 and H.S.(D) 242972 PT 10570, all situated in Mukim Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 9.4 acres in total area to EHSB for a total cash consideration of RM92,129,400.00.
- (iii) On 12 January 2018, the Group entered into a Sale and Purchase Agreement (SPA) with Makmur Asiamaju Sdn Bhd for the proposed acquisition of a piece of freehold residential land measuring approximately 41.406 acres in total area held under title H.S.(D) 36154 PT 50495 situated in Mukim Dengkil, Daerah Sepang, Negeri Selangor at a total cash consideration of RM149,702,565.00.

## B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 31 March 2018 and 31 March 2017 were as follows:

	<b>31/3/2018</b>	<b>31/3/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Short-term borrowings</u>		
Bank overdraft - Secured	16,956	10,078
Bank overdraft - Unsecured	12,772	23,046
Revolving credit - Secured	43,000	19,200
Revolving credit - Unsecured	50,000	50,000
Current portion of long term loans - Secured	102,384	121,537
	<u>225,112</u>	<u>223,861</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	527,255	309,753
Islamic Medium Term Notes (IMTN)	128,674	128,846
	<u>655,929</u>	<u>438,599</u>
Total borrowings	<u>881,041</u>	<u>662,460</u>

The weighted average interest rate at the end of the reporting period were as follows:

Floating interest rate	4.79%	4.75%
Fixed interest rate	5.06%	5.06%

There were no bank borrowings denominated in foreign currencies as at the reporting date.

The increase in bank borrowings was mainly due to:

- (i) Term loans - Increase was mainly to finance the acquisition of REAL Education Group and project expenditure;
- (ii) Revolving credit - Increase was to finance the project expenditure.

## B8. Derivative financial instrument

The outstanding interest rate swap contracts as at 31 March 2018 were as follows:

	<b>Contract amount</b>	<b>Net Fair value Assets/ (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest rate swap*		
- More than 3 years	82,030	(88)

\* The contracts effectively swapped the Group's floating interest rate to fixed interest rate to hedge against interest rate fluctuation.

**B9. Fair value gain/(loss)**

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Interest rate swap	30	30

Basis of fair value measurement: The differences between floating and fixed interest rates.

Reason for gain: The floating interest rate has moved favourably for the Group from the last measurement date.

**B10. Changes in material litigation**

As at 11 May 2018, there were no changes in material litigation since the last annual reporting date of 31 December 2017.

**B11. Dividends payable**

The Board does not recommend the payment of any dividend for the current financial quarter ended 31 March 2018.

**B12. Earnings per share****(a) Basic EPS**

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Current Quarter</b>	<b>Financial Year-to-date</b>
Profit attributable to equity holders of the Company (RM'000)	6,963	6,963
Weighted average number of ordinary shares ('000)	425,621	425,621
Basic EPS (sen)	1.64	1.64

**(b) Diluted EPS**

Profit attributable to equity holders of the Company (RM'000)	6,963	6,963
Weighted average number of ordinary shares ('000)	425,621	425,621
Effect of dilution ('000)	15,490	15,490
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	441,111	441,111
Diluted EPS (sen)	1.58	1.58