

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2018

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 SEPTEMBER 2018**

| | 3 Months Ended | | 9 Months Ended | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 30 September | 2017 | 30 September | 2017 |
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | (Restated) | | (Restated) |
| Revenue | 210,533 | 187,838 | 651,145 | 524,348 |
| Operating profit | 33,566 | 102,356 | 119,987 | 155,941 |
| Interest expense | (5,467) | (5,613) | (15,245) | (12,545) |
| Interest income | 715 | 850 | 2,903 | 2,209 |
| Share of loss of associate & joint venture | (20) | (4) | (65) | (53) |
| Profit before tax | 28,794 | 97,589 | 107,580 | 145,552 |
| Taxation | (7,210) | (7,593) | (28,113) | (21,213) |
| Profit for the period | 21,584 | 89,996 | 79,467 | 124,339 |
| Profit attributable to: | | | | |
| Ordinary equity holders of the Company | 15,615 | 82,820 | 64,880 | 109,564 |
| Non-controlling interest | 770 | 2,110 | 2,739 | 3,117 |
| Holder of private debt securities of the Company | 5,199 | 5,066 | 11,848 | 11,658 |
| | 21,584 | 89,996 | 79,467 | 124,339 |
| Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen): | | | | |
| Basic EPS | 3.65 | 19.52 | 15.20 | 25.85 |
| Diluted EPS | 3.56 | 18.80 | 14.82 | 24.90 |

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 30 September 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 SEPTEMBER 2018**

| | 3 Months Ended 30 September 2018 | | 9 Months Ended 30 September 2018 | |
|--|---|------------------------------|---|------------------------------|
| | RM'000 | 2017 RM'000 (Restated) | RM'000 | 2017 RM'000 (Restated) |
| Profit for the period | 21,584 | 89,996 | 79,467 | 124,339 |
| Other comprehensive income | 22 | 9 | (519) | 203 |
| Total comprehensive income for the period | 21,606 | 90,005 | 78,948 | 124,542 |
| Total comprehensive income attributable to: | | | | |
| Ordinary equity holders of the Company | 15,637 | 82,829 | 64,361 | 109,767 |
| Non-controlling interest | 770 | 2,110 | 2,739 | 3,117 |
| Holder of private debt securities of the Company | 5,199 | 5,066 | 11,848 | 11,658 |
| | 21,606 | 90,005 | 78,948 | 124,542 |

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 30 September 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

| | As at 30/9/2018 | As at 31/12/2017 | As at 1/1/2017 |
|--|--------------------|----------------------|----------------------|
| | RM'000 | RM'000 (Restated) | RM'000 (Restated) |
| Non-current assets | | | |
| Property, plant and equipment | 691,343 | 624,924 | 436,186 |
| Land held for property development | 588,184 | 800,238 | 870,967 |
| Investment properties | 203,525 | 204,787 | 177,750 |
| Intangible assets | 162,594 | 163,822 | 15,674 |
| Investment in associates | 9,285 | 9,907 | 10,220 |
| Investment in joint venture | 0 | 0 | 45 |
| Other investments | 7,843 | 310 | 340 |
| Deferred tax assets | 29,502 | 30,230 | 20,997 |
| | <u>1,692,276</u> | <u>1,834,218</u> | <u>1,532,179</u> |
| Current assets | | | |
| Property development costs | 347,585 | 175,833 | 95,504 |
| Inventories | 23,750 | 26,640 | 30,922 |
| Trade receivables | 104,895 | 132,323 | 54,259 |
| Other receivables | 63,730 | 42,862 | 17,192 |
| Other current assets | 195,290 | 154,069 | 144,284 |
| Tax recoverable | 14,201 | 8,177 | 8,964 |
| Other investments | 0 | 10,047 | 288 |
| Cash and bank balances | 148,918 | 141,409 | 149,176 |
| | <u>898,369</u> | <u>691,360</u> | <u>500,589</u> |
| Assets held for sale | 300 | 5,732 | 6,666 |
| | <u>898,669</u> | <u>697,092</u> | <u>507,255</u> |
| Total assets | <u>2,590,945</u> | <u>2,531,310</u> | <u>2,039,434</u> |
| Current liabilities | | | |
| Borrowings | 197,405 | 161,170 | 207,864 |
| Trade payables | 77,612 | 82,222 | 80,670 |
| Other payables | 165,491 | 209,471 | 103,857 |
| Tax payable | 14,411 | 5,058 | 1,994 |
| Other current liabilities | 79,032 | 65,130 | 71,956 |
| | <u>533,951</u> | <u>523,051</u> | <u>466,341</u> |
| Net current assets | <u>364,718</u> | <u>174,041</u> | <u>40,914</u> |
| Non-current liabilities | | | |
| Borrowings | 719,982 | 662,662 | 428,690 |
| Deferred tax liabilities | 25,659 | 28,777 | 4,903 |
| | <u>745,641</u> | <u>691,439</u> | <u>433,593</u> |
| Total liabilities | <u>1,279,592</u> | <u>1,214,490</u> | <u>899,934</u> |
| Equity | | | |
| Share capital | 310,315 | 305,215 | 303,238 |
| Reserves | 727,561 | 736,823 | 636,475 |
| Equity attributable to ordinary equity holders of the Company | <u>1,037,876</u> | <u>1,042,038</u> | <u>939,713</u> |
| Non-controlling interests | 73,690 | 74,995 | 0 |
| Private debt securities | 199,787 | 199,787 | 199,787 |
| Total equity | <u>1,311,353</u> | <u>1,316,820</u> | <u>1,139,500</u> |
| Total equity and liabilities | <u>2,590,945</u> | <u>2,531,310</u> | <u>2,039,434</u> |
| Net assets (NA) per share (RM) | <u>2.42</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 30 September 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 2018**

| | <-----Non Distributable-----> | | | | | | |
|--|-------------------------------|---|----------------------------------|---|--|---|---------------------------|
| | Share Capital RM'000 | 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 |
| As at 1 January 2018 (Restated) | 305,215 | 7,139 | 55 | 729,629 | 74,995 | 199,787 | 1,316,820 |
| Total comprehensive income | 0 | 0 | (519) | 64,880 | 2,739 | 11,848 | 78,948 |
| Transactions with owners | | | | | | | |
| Vesting of LTIP shares | 5,100 | (5,100) | 0 | 0 | 0 | 0 | 0 |
| Private debt securities distribution | 0 | 0 | 0 | 0 | 0 | (11,848) | (11,848) |
| Dividends paid to non-controlling interest | 0 | 0 | 0 | 0 | (4,044) | 0 | (4,044) |
| Dividends | 0 | 0 | 0 | (68,523) | 0 | 0 | (68,523) |
| Total transactions with owners | 5,100 | (5,100) | 0 | (68,523) | (4,044) | (11,848) | (84,415) |
| As at 30 September 2018 | 310,315 | 2,039 | (464) | 725,986 | 73,690 | 199,787 | 1,311,353 |
| As at 1 January 2017 (Restated) | 303,238 | 4,271 | 87 | 632,117 | 0 | 199,787 | 1,139,500 |
| Total comprehensive income | 0 | 0 | 203 | 109,564 | 3,117 | 11,658 | 124,542 |
| Transactions with owners | | | | | | | |
| Vesting of LTIP shares | 1,951 | (1,951) | 0 | 0 | 0 | 0 | 0 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 | 48,875 | 0 | 48,875 |
| Private debt securities distribution | 0 | 0 | 0 | 0 | 0 | (11,658) | (11,658) |
| Dividends paid to non-controlling interest | 0 | 0 | 0 | 0 | (3,052) | 0 | (3,052) |
| Dividends | 0 | 0 | 0 | (36,065) | 0 | 0 | (36,065) |
| Total transactions with owners | 1,951 | (1,951) | 0 | (36,065) | 45,823 | (11,658) | (1,900) |
| As at 30 September 2017 | 305,189 | 2,320 | 290 | 705,616 | 48,940 | 199,787 | 1,262,142 |

- 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 30 September 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 SEPTEMBER 2018**

| | 9 Months Ended | |
|--|---------------------|-----------------------------------|
| | 30/9/2018 RM'000 | 30/9/2017 RM'000 (Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 107,580 | 145,552 |
| Adjustment for: | | |
| Non-cash items | 20,313 | 18,897 |
| Non-operating items | (31,003) | (67,586) |
| Operating profit before working capital changes | 96,890 | 96,863 |
| Decrease in receivables | 36,808 | 16,443 |
| Decrease/(increase) in development properties | 33,836 | (21,435) |
| Decrease in inventories | 2,624 | 21,798 |
| (Decrease)/increase in payables | (27,176) | 14,583 |
| Cash generated from operations | 142,982 | 128,252 |
| Taxes paid | (25,244) | (29,941) |
| Interest paid | (36,926) | (27,957) |
| Net cash generated from operating activities | 80,812 | 70,354 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase)/decrease in land held for development | (37,409) | 8,395 |
| Purchase of property, plant and equipment | (41,550) | (57,044) |
| Purchase of unquoted investment | (7,533) | 0 |
| Purchase of investment properties | (14,525) | (6,384) |
| Acquisition of subsidiaries | 0 | (141,594) |
| Proceeds from disposal of other investments | 0 | 30 |
| Proceeds from disposal of property, plant and equipment | 190 | 284 |
| Proceeds from disposal of assets held for sale | 5,432 | 211 |
| Movement in other investment | 10,048 | 288 |
| Interest received | 2,904 | 2,210 |
| Net cash used in investing activities | (82,443) | (193,604) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid to ordinary equity holders of the Company | (68,523) | (36,065) |
| Dividends paid to non-controlling interest | (4,044) | (3,052) |
| Proceeds from borrowings | 127,615 | 268,186 |
| Issuance of Islamic Medium Term Notes | 24,890 | 30,000 |
| PDS distribution | (11,848) | (11,658) |
| Placements in banks restricted for use | (16,811) | (3,962) |
| Repayment of borrowings | (97,167) | (106,740) |
| Net cash (used in)/generated from financing activities | (45,888) | 136,709 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (47,519) | 13,459 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 109,427 | 114,445 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 61,908 | 127,904 |
| | 30/9/2018 | 30/9/2017 |
| | RM'000 | RM'000 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 100,488 | 135,876 |
| Fixed deposits | 48,430 | 25,748 |
| Cash and bank balances | 148,918 | 161,624 |
| Cash and bank balances restricted for use | (22,349) | (9,713) |
| Fixed deposits restricted for use | (4,125) | 0 |
| Fixed deposits maturing more than 3 months | (14,036) | 0 |
| Overdrafts | (46,500) | (24,007) |
| | 61,908 | 127,904 |
| Cash and bank balances held in HDA accounts | 44,200 | 77,606 |

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

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 service 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. The financial impact to the Group is shown in Appendix 1.

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 | Final | 1,801,500 |
| | | | | <u>3,976,000</u> |

A8. Dividends paid

| | 9 months ended | |
|-------------------------------|----------------|---------------|
| | 30/9/2018 | 30/9/2017 |
| | RM'000 | RM'000 |
| Special dividends | | |
| 2017 - 7.50 sen single tier | 32,120 | 0 |
| Final dividends | | |
| 2017 - 6.00 sen single tier | 25,696 | 25,458 |
| (2016 - 6.00 sen single tier) | | |
| Interim dividends | | |
| 2018 - 2.50 sen single tier | 10,707 | 10,607 |
| (2017 - 2.50 sen single tier) | | |
| | <u>68,523</u> | <u>36,065</u> |

A9. Profit before tax

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

| | 3 months ended 30 September | | 9 months ended 30 September | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Depreciation of: | | | | |
| - Property, plant and equipment | 5,827 | 6,959 | 17,323 | 17,361 |
| - Investment properties | 528 | 513 | 1,571 | 1,515 |
| Amortisation of intangible assets | 410 | 0 | 1,229 | 0 |
| Additions/(reversal) of allowance for impairment of trade and other receivables | 201 | 222 | 498 | 818 |
| Bad debts written off | 17 | 27 | 17 | 27 |
| (Gain)/loss on disposal of: | | | | |
| - Property, plant and equipment | (128) | (77,791) | (187) | (77,829) |
| - Assets held for sale | 0 | 0 | 0 | (145) |
| Net derivative (gain)/loss on interest rate swap | (7) | 7 | (44) | 24 |
| Net foreign exchange (gain)/loss | (161) | (76) | (422) | (101) |

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 | 445,740 | 347,427 | 92,863 | 50,133 |
| Education | 205,308 | 176,856 | 28,730 | 87,544 |
| Investment & others | 108,283 | 137,072 | 81,962 | 127,571 |
| | <u>759,331</u> | <u>661,355</u> | <u>203,555</u> | <u>265,248</u> |
| Inter-segment elimination | (108,186) | (137,007) | (95,975) | (119,696) |
| | <u>651,145</u> | <u>524,348</u> | <u>107,580</u> | <u>145,552</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

On 25 May 2018, the Company acquired one ordinary share, representing 100% of the issued share capital of Magna Intelligent Sdn Bhd for a total cash consideration of RM1.00.

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 30 September 2018 were as follows:

| | RM'000 |
|-----------------------------------|----------------|
| Approved and contracted for:- | |
| Land held for development | 134,730 |
| Payment under DRA (Note: B6(i)) | 150,000 |
| Investment properties | 9,718 |
| Property, plant & equipment | 121,221 |
| | <u>415,669</u> |
| Approved but not contracted for:- | |
| Property, plant & equipment | 16,752 |
| | <u>432,421</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:

| | Current Quarter RM'000 | Financial Year-to-date RM'000 |
|--|---------------------------------------|--|
| Property, plant and equipment Additions | <u>13,407</u> | <u>41,550</u> |

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

| | |
|---|--------------------------|
| 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 Ms. Teh Say Yan, the sister of Datin Teh Geok Lian, a director of subsidiaries | 801 |
| Sale of property to Mr. Benjamin Teo Jong Hian, the son of Dato' Teo Chiang Quan and a director of subsidiaries | 781 |
| Sale of property to Mr. Chew Sun Teong, Group CEO and a director of the Company | 780 |
| Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest | 653 |
| Sale of property to Ms. Eunice Teo Wan Tian, the daughter of Dato' Teo Chiang Quan | 641 |
| Rental charges paid to CF Land Sdn Bhd, a company in which Mr. Ee Ching Wah, Mr. Kee Keok Kuay and Dr. Sim Guan Seng, directors of subsidiaries have substantial interest | 189 |
| Rental charges and license fees paid to Damansara Uptown Retail Centre Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest | 148 |
| Rental charges paid to CNS Corporation Sdn Bhd, a company in which Dr. Sim Guan Seng, a director of subsidiaries has substantial interest | 135 |
| Sale of motor vehicle to Dato' Teo Chiang Quan, a director of the Company | 87 |
| Rental charges paid to Damansara Uptown Car Parks Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest | 81 |
| Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest | 43 |
| Rental income received from Damansara Uptown Retail Centre Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest | 8 |
| | <hr/> 7,365 <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

3Q2018 vs 3Q2017

| | 3Q2018 | 3Q2017 | Var. | | 9M2018 | 9M2017 | Var. |
|---|----------------|---------------|-------------|--|----------------|---------------|-------------|
| | RM'000 | RM'000 | % | | RM'000 | RM'000 | % |
| Revenue | 210,533 | 187,838 | 12% | | 651,145 | 524,348 | 24% |
| Operating profit | 33,566 | 102,356 | -67% | | 119,987 | 155,941 | -23% |
| Profit before interest & tax | 33,546 | 102,352 | -67% | | 119,922 | 155,888 | -23% |
| Profit before tax | 28,794 | 97,589 | -70% | | 107,580 | 145,552 | -26% |
| Profit after tax | 21,584 | 89,996 | -76% | | 79,467 | 124,339 | -36% |
| Profit attributable to ordinary equity holders of the Company | 15,615 | 82,820 | -81% | | 64,880 | 109,564 | -41% |

For 3Q2018, the Group recorded a revenue of RM210.5 million, an increase of 12% compared with the corresponding quarter last year of RM187.8 million while the profit before tax (PBT) was RM28.8 million (3Q2017: RM97.6 million). The PBT in 3Q2018 was RM68.8 million lower than 3Q2017 mainly due to the gain on disposal of Sri KDU campus to Alpha REIT that was completed in 3Q2017.

Revenue of the property division had increased by 24% to RM144.4 million (3Q2017: RM116.8 million) while the PBT had increased by 88% to RM28.1 million (3Q2017: RM14.9 million). The higher PBT contribution in 3Q2018 was mainly from Utropolis Glenmarie's serviced apartments (Urbano) in Shah Alam and the Utropolis Batu Kawan's residential and commercial developments.

The education division recorded a revenue of RM66 million, lower by 7% compared with the corresponding quarter last year of RM71 million. The PBT for the division in 3Q2018 was RM6.5 million, being RM6.1 million lower than 3Q2017 of RM12.6 million (excluding the gain on disposal of the Sri KDU campus). This was largely due to the rental expense incurred by Sri KDU under the sale and leaseback agreement with Alpha REIT coupled with the lower contribution from the R.E.A.L Education Group.

9M2018 vs 9M2017

The Group's revenue for 9M2018 was RM651.1 million, an increase of 24% compared to the corresponding period last year (9M2017: RM524.3 million) while the Group's PBT was RM107.6 million (9M2017: RM145.6 million). Excluding the gain on disposal of 9.4 acres of industrial land in Kota Damansara ("KD Land Disposal") that was completed in 2Q2018, the Group's revenue and PBT for 9M2018 would be RM559 million (9M2017: RM524.3 million) and RM64.4 million (9M2017: RM67.8 million (excluding the gain on disposal of the Sri KDU campus), respectively.

Revenue of the property division had increased by 28% to RM445.7 million (9M2017: RM347.4 million) while the PBT was RM92.9 million (9M2017: RM50.1 million). Excluding the KD Land Disposal, 9M2018 PBT would be RM49.7 million, which was marginally lower than that of 9M2017. This was mainly due to completion of certain phases of Sejati Residences and Utropolis Glenmarie's serviced apartments in 2017.

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

| Location | For period ended 30/9/18 | | | As at 30/9/18 |
|---------------------------------|---------------------------------|--------------------|-------------------------|----------------------------|
| | Launched units | Units sold* | Sales value RM'M | Unbilled sales RM'M |
| Central region - Selangor | 952 | 669 | 558 | 612 |
| Northern region - Kedah, Penang | 876 | 511 | 229 | 308 |
| Total | 1,828 | 1,180 | 787 | 920 |

* - Includes sales of units from launches in earlier years

B1. Review of performance (cont'd)

Revenue of the education division grew by 16% to RM205.3 million (9M2017: RM176.9 million). PBT had decreased by 8% to RM28.7 million (9M2017: RM31.2 million (excluding the gain on disposal of Sri KDU)). The lower PBT in 9M2018 was mainly attributable to the rental expense of Sri KDU for the 9M2018 offset by the profit contribution arising from the consolidation of the R.E.A.L Education Group.

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

| | 3Q2018 RM'000 | 2Q2018 RM'000 | Var. % |
|---|------------------|------------------|-----------|
| Revenue | 210,533 | 278,366 | -24% |
| Operating profit | 33,566 | 64,721 | -48% |
| Profit before interest & tax | 33,546 | 64,695 | -48% |
| Profit before tax | 28,794 | 60,785 | -53% |
| Profit after tax | 21,584 | 44,706 | -52% |
| Profit attributable to ordinary equity holders of the Company | 15,615 | 42,302 | -63% |

The Group's PBT for 3Q2018 of RM28.8 million was RM11.2 million higher than that of the preceding quarter's PBT of RM17.6 million (excluding the KD Land Disposal). The higher PBT was mainly attributable from the Utropolis Glenmarie's serviced apartments in Shah Alam.

B3. Prospects

During the nine months ended 30 September 2018, the Group achieved sales of RM787 million. The Group targets 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. The gross development values of the projects launched in the nine months ended 30 September 2018 was RM1.1 billion. In addition, the Group has achieved a new milestone, its unbilled sales stood at RM920 million as at 30 September 2018 on the back of its 7 on-going projects. This is expected to contribute positively to the Group's financial performance in the near future.

During the quarter ended 30 September 2018, the Group launched Phase 2 of Suasana and Phase 2 of Keranji on the back of encouraging sales achieved for the earlier phases. The commercial development at Atwater is targeted to be launched in 4Q2018. In addition, the Group will be launching in 4Q2018, a new mixed development project located in the vicinity of Klang's main business and commercial area, where the Group is constructing a new Sri KDU international school targeting for completion in 2020.

As at 30 September 2018, the Group's land bank is as follow:

| Location | No. of projects | Original land size (Acres) | Remaining undeveloped land (Acres) |
|---------------------------------|-----------------|----------------------------|------------------------------------|
| Central region - Selangor | 6 | 862.8 | 320.8 |
| Northern region - Kedah, Penang | 4 | 1,117.9 | 401.1 |
| Total | 10 | 1,980.7 | 721.9 |

The K-12 segment will be the main driver within the education segment with R.E.A.L targeting the mass affluent segment while Sri KDU offers premium private and international schools. The Group is cognizant that the target customers of the R.E.A.L private and international schools are more price sensitive. Hence, student attrition is analysed while internal processes are streamlined to deliver quality education at reasonable cost. In addition, more aggressive marketing efforts, including social media and digital marketing, will be undertaken to improve student enrolments. The Group believes there is untapped growth potential in the pre-school and enrichment centre segments. In line with this, the Group has opened three (3) new pre-school centres in Klang Valley and a new language programme has been launched under the enrichment centre segment, "Mandarin for Life" during the year. The student enrolments at the new pre-school centres and the franchisees response received thus far has been encouraging. 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)

For the tertiary business, the Group has restructured the international marketing strategy and intensify its social media and digital marketing to promote its flagship schools. The total tertiary student enrolments has improved during the nine (9) months ended 30 September 2018 as compared to the corresponding period last year.

In line with the Group's asset light strategy, it will continue to build strategic partnerships to undertake property development projects on joint venture basis if such opportunities arise. In addition, the Group seeks to unlock value through the monetisation of land bank and strategic divestments. The Group has entered into a strategic partnership with the University of Wollongong, one of Australia's leading regional public universities, in relation to the Group's tertiary education business. The Group does not expect any financial impact arising from this exercise for the financial year ending 31 December 2018 as the target completion is in 1Q2019.

Barring any unforeseen circumstances, the Group is confident 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:

| | Current Quarter RM'000 | Financial Year-to-date RM'000 |
|--------------|---------------------------------------|--|
| Income tax | 7,327 | 30,940 |
| Deferred tax | (117) | (2,827) |
| | <u>7,210</u> | <u>28,113</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 21 November 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 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.

B6. Corporate proposal (cont'd)

(iii) KDU University College (PG) Sdn Bhd (KDUPG) and KDU University College Sdn Bhd (KDUUC), being wholly-owned subsidiary companies of Paramount, had, on 25 October 2018 entered into the following conditional sale and purchase agreements (SPA's) with Dynamic Gates Sdn Bhd (DGSB or Purchaser):

- (a) The sale and purchase between KDUPG as the vendor and DGSB as the purchaser in relation to the KDU Penang University College Campus premises located in Bandar George Town, Daerah Timor Laut, Pulau Pinang (Jalan Anson Campus Properties) for a total disposal consideration of RM50,000,000 to be satisfied via the combination of RM35,000,000 in cash and issuance of 15,000,000 new cumulative redeemable non-convertible preference shares (CRNCPS) in DGSB at an issue price of RM1.00 per CRNCPS;
- (b) The sale and purchase between KDUPG as the vendor and DGSB as the purchaser in relation to the KDU Penang University College Campus premises held under title bearing particulars H.S.(D) 47091, PT No. 5828, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang (Batu Kawan Campus Properties) for a total disposal consideration of RM120,000,000 to be satisfied via the combination of RM84,000,000 in cash and issuance of 36,000,000 new CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS; and
- (c) The sale and purchase between KDUUC as the vendor and DGSB as the purchaser in relation to the Utropolis Glenmarie Campus Premises held under title bearing particulars Geran No. 312848, Lot No. 91902 Mukim Damansara, Daerah Petaling, Selangor (Utropolis Glenmarie Campus Properties) for a total disposal consideration of RM250,000,000 to be satisfied via the combination of RM175,000,000 in cash and issuance of 75,000,000 new CRNCPS in DGSB at an issue price of RM1.00 per CRNCPS.

(The Jalan Anson Campus Properties, Batu Kawan Campus Properties and Utropolis Glenmarie Campus Properties are hereinafter collectively referred to as the "Subject Campus Properties").

In addition to the above, Janahasil Sdn Bhd ("Janahasil"), a wholly-owned subsidiary company and DGSB will enter into a master lease agreement which will take effect upon the completion of the SPAs to lease the Jalan Anson Campus Properties, the Batu Kawan Campus Properties and the Utropolis Glenmarie Campus Properties from DGSB. Thereafter, Janahasil will onward sublease the Jalan Anson Campus Properties and Batu Kawan Campus Properties to KDUPG and the Utropolis Glenmarie Campus Properties to KDUUC.

DGSB was incorporated as the special purpose vehicle for the purpose of the securitisation exercise undertaken by the Group. The Proposed Transaction is to streamline the assets owned by the Group to achieve a more efficient capital structure.

The purchase of the Subject Campus Properties by DGSB will be financed via proceeds raised by DGSB through the issuance of asset-backed securities, namely medium-term notes of up to RM300,000,000.

(iv) On 8 November 2018, the Company proposed to undertake the following proposals:

- (a) a bonus issue of 171,308,768 new ordinary shares in the Company ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) existing ordinary shares in the Company ("Paramount Shares") held on an entitlement date to be determined and announced later ("Entitlement Date"); and
- (b) an issue of 171,308,768 free warrants in the Company ("Warrants") on the basis of two (2) Warrants for every five (5) existing Paramount Shares held on the Entitlement Date.

B6. Corporate proposal (cont'd)

- (v) On 19 November 2018, the Company entered into a Share Purchase Agreement (SPA) with UOWM Sdn Bhd (UOWM) for the proposed disposal of the Company's controlling equity interest in KDU University College Sdn Bhd (KDUUC), KDU University College (PG) Sdn Bhd (KDUPG) and KDU College (PJ) Sdn Bhd (KDUPJ) to UOWM for a total sale consideration of RM38,500,000.00 through the disposal of:
- (a) 9,750,000 ordinary shares in KDUUC representing 65% of the issued ordinary share capital of KDUUC for a cash consideration of RM16,000,000.00;
 - (b) 9,750,000 ordinary shares in KDUPG representing 65% of the issued ordinary share capital of KDUPG for a cash consideration of RM22,000,000.00; and
 - (c) 3,500,000 ordinary shares in KDUPJ representing 70% of the issued ordinary share capital of KDUPJ for a cash consideration of RM500,000.00

B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 30 September 2018 and 30 September 2017 were as follows:

| | 30/9/2018 RM'000 | 30/9/2017 RM'000 |
|--|---------------------|---------------------|
| <u>Short-term borrowings</u> | | |
| Bank overdraft - Secured | 17,760 | 10,115 |
| Bank overdraft - Unsecured | 28,740 | 13,892 |
| Revolving credit - Secured | 42,063 | 37,400 |
| Revolving credit - Unsecured | 35,000 | 50,000 |
| Current portion of long term loans - Secured | 73,842 | 68,795 |
| | <u>197,405</u> | <u>180,202</u> |
| <u>Long-term borrowings (Secured)</u> | | |
| Term loans | 566,316 | 571,363 |
| Islamic Medium Term Notes (IMTN) | 153,666 | 128,627 |
| | <u>719,982</u> | <u>699,990</u> |
| Total borrowings | <u>917,387</u> | <u>880,192</u> |

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

| | | |
|------------------------|-------|-------|
| Floating interest rate | 4.96% | 4.72% |
| Fixed interest rate | 5.02% | 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) IMTN - Increase was to finance the construction expenditure for university campus in Batu Kawan.
- (ii) Revolving credit & overdrafts - Increase was to finance the project expenditure.

B8. Derivative financial instrument

The outstanding interest rate swap contracts as at 30 September 2018 were as follows:

| | Contract amount | Net Fair value Assets/ (Liabilities) |
|---------------------|----------------------------|---|
| | RM'000 | RM'000 |
| Interest rate swap* | | |
| - More than 3 years | 12,523 | (24) |

* 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)

| | Current Quarter RM'000 | Financial Year-to-date RM'000 |
|--------------------|---------------------------------------|--|
| Interest rate swap | 7 | 44 |

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 21 November 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 30 September 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.

| | Current Quarter | Financial Year-to-date |
|---|----------------------------|-----------------------------------|
| Profit attributable to equity holders of the Company (RM'000) | 15,615 | 64,880 |
| Weighted average number of ordinary shares ('000) | 428,272 | 426,947 |
| Basic EPS (sen) | <u>3.65</u> | <u>15.20</u> |

(b) Diluted EPS

| | | |
|--|-------------|--------------|
| Profit attributable to equity holders of the Company (RM'000) | 15,615 | 64,880 |
| Weighted average number of ordinary shares ('000) | 428,272 | 426,947 |
| Effect of dilution ('000) | 10,856 | 10,856 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 439,128 | 437,803 |
| Diluted EPS (sen) | <u>3.56</u> | <u>14.82</u> |

A2. Change in accounting policies

Adoption of MFRS 15

| | 9 Months ended 30 June 2017 | | | | Year ended 31 December 2017 | | | |
|--|-------------------------------------|--------------------------|-------------------------|-----------------------------|-------------------------------------|--------------------------|-------------------------|-----------------------------|
| | Previously stated under FRSs RM'000 | Effect of MFRS 15 RM'000 | Reclassification RM'000 | Restated under MFRSs RM'000 | Previously stated under FRSs RM'000 | Effect of MFRS 15 RM'000 | Reclassification RM'000 | Restated under MFRSs RM'000 |
| <u>Income statement</u> | | | | | | | | |
| Revenue | 518,592 | (3,431) | 9,187 | 524,348 | 758,325 | (7,146) | 11,755 | 762,934 |
| Operating profit | 154,833 | 1,108 | 0 | 155,941 | 197,913 | 488 | 0 | 198,401 |
| Profit before tax | 144,444 | 1,108 | 0 | 145,552 | 182,169 | 488 | 0 | 182,657 |
| Taxation | 20,947 | 266 | 0 | 21,213 | 31,890 | 320 | 0 | 32,210 |
| Profit for the period | 123,497 | 842 | 0 | 124,339 | 150,279 | 168 | 0 | 150,447 |
| Profit attributable to: | | | | | | | | |
| Ordinary equity holders of the Company | 108,722 | 842 | 0 | 109,564 | 133,409 | 168 | 0 | 133,577 |
| Non-controlling interest | 3,117 | 0 | 0 | 3,117 | 3,591 | 0 | 0 | 3,591 |
| Holder of private debt securities of the Company | 11,658 | 0 | 0 | 11,658 | 13,279 | 0 | 0 | 13,279 |
| | <u>123,497</u> | <u>842</u> | <u>0</u> | <u>124,339</u> | <u>150,279</u> | <u>168</u> | <u>0</u> | <u>150,447</u> |
| Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen): | | | | | | | | |
| Basic EPS | 25.65 | 0.20 | 0 | 25.85 | 31.46 | 0.04 | 0 | 31.50 |
| Diluted EPS | 24.71 | 0.19 | 0 | 24.90 | 30.35 | 0.04 | 0 | 30.39 |
| <u>Statement of comprehensive income</u> | | | | | | | | |
| Profit for the period | 123,497 | 842 | 0 | 124,339 | 150,279 | 168 | 0 | 150,447 |
| Other comprehensive income | 203 | 0 | 0 | 203 | (32) | 0 | 0 | (32) |
| Total other comprehensive income | <u>123,700</u> | <u>842</u> | <u>0</u> | <u>124,542</u> | <u>150,247</u> | <u>168</u> | <u>0</u> | <u>150,415</u> |
| Total comprehensive income attributable to: | | | | | | | | |
| Ordinary equity holders of the Company | 108,925 | 842 | 0 | 109,767 | 133,377 | 168 | 0 | 133,545 |
| Non-controlling interest | 3,117 | 0 | 0 | 3,117 | 3,591 | 0 | 0 | 3,591 |
| Holder of private debt securities of the Company | 11,658 | 0 | 0 | 11,658 | 13,279 | 0 | 0 | 13,279 |
| | <u>123,700</u> | <u>842</u> | <u>0</u> | <u>124,542</u> | <u>150,247</u> | <u>168</u> | <u>0</u> | <u>150,415</u> |

| | As at 31 December 2017 | | | As at 1 January 2017 | | |
|---|-------------------------------------|--------------------------|-----------------------------|-------------------------------------|--------------------------|-----------------------------|
| | Previously stated under FRSs RM'000 | Effect of MFRS 15 RM'000 | Restated under MFRSs RM'000 | Previously stated under FRSs RM'000 | Effect of MFRS 15 RM'000 | Restated under MFRSs RM'000 |
| <u>Statement of financial position</u> | | | | | | |
| 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 | 7,472 | 209,471 | 103,536 | 321 | 103,857 |
| Other current liabilities | 65,131 | 0 | 65,131 | 56,631 | 15,325 | 71,956 |
| Deferred tax assets | 31,670 | (1,440) | 30,230 | 22,611 | (1,614) | 20,997 |
| Deferred tax liabilities | 28,283 | 494 | 28,777 | 4,903 | 0 | 4,903 |
| Retained earnings | 724,384 | 5,245 | 729,629 | 627,040 | 5,077 | 632,117 |