

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the year ended 31 December 2018

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR YEAR ENDED 31 DECEMBER 2018**

	<b>3 Months Ended</b>		<b>12 Months Ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
Revenue	<b>256,769</b>	238,687	<b>907,670</b>	762,996
Operating profit	<b>49,785</b>	42,455	<b>169,772</b>	198,357
Interest expense	<b>(6,680)</b>	(6,312)	<b>(21,925)</b>	(18,857)
Interest income	<b>703</b>	1,023	<b>3,606</b>	3,232
Share of loss of associate & joint venture	<b>(117)</b>	(66)	<b>(182)</b>	(119)
Profit before tax	<b>43,691</b>	37,100	<b>151,271</b>	182,613
Taxation	<b>(10,555)</b>	(10,882)	<b>(38,668)</b>	(32,095)
Profit for the period	<b>33,136</b>	26,218	<b>112,603</b>	150,518
Profit attributable to:				
Ordinary equity holders of the Company	<b>30,046</b>	24,123	<b>94,926</b>	133,648
Non-controlling interest	<b>1,470</b>	474	<b>4,209</b>	3,591
Holder of private debt securities of the Company	<b>1,620</b>	1,621	<b>13,468</b>	13,279
	<b>33,136</b>	26,218	<b>112,603</b>	150,518
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	<b>7.02</b>	5.69	<b>22.20</b>	31.52
Diluted EPS	<b>6.74</b>	5.48	<b>21.34</b>	30.41

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 year ended 31 December 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR YEAR ENDED 31 DECEMBER 2018**

	<b>3 Months Ended 31 December</b>		<b>12 Months Ended 31 December</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
		(Restated)		(Restated)
Profit for the period	<b>33,136</b>	26,218	<b>112,603</b>	150,518
Other comprehensive income	<b>129</b>	(235)	<b>(195)</b>	(32)
<b>Total comprehensive income for the period</b>	<b>33,265</b>	25,983	<b>112,408</b>	150,486
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	<b>30,175</b>	23,888	<b>94,731</b>	133,616
Non-controlling interest	<b>1,470</b>	474	<b>4,209</b>	3,591
Holder of private debt securities of the Company	<b>1,620</b>	1,621	<b>13,468</b>	13,279
	<b>33,265</b>	25,983	<b>112,408</b>	150,486

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 year ended 31 December 2018

The figures are unaudited

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

	As at 31/12/2018	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	682,552	624,924	436,186
Inventories	649,961	798,984	870,967
Investment properties	206,016	204,787	177,750
Intangible assets	147,449	163,822	15,674
Investment in associates	9,116	9,907	10,220
Investment in joint venture	2,904	0	45
Other investments	7,843	310	340
Deferred tax assets	9,457	29,880	20,997
	<u>1,715,298</u>	<u>1,832,614</u>	<u>1,532,179</u>
<b>Current assets</b>			
Inventories	323,106	211,320	109,595
Trade receivables	125,082	132,323	54,259
Other receivables	37,643	35,961	16,550
Other current assets	8,550	13,629	6,340
Contract assets	221,216	131,617	138,229
Tax recoverable	9,611	8,177	8,964
Other investments	0	10,047	288
Cash and bank balances	136,962	141,409	149,176
	<u>862,170</u>	<u>684,483</u>	<u>483,401</u>
Assets of disposal group/Non-current assets held for sale	66,968	5,732	6,666
	<u>929,138</u>	<u>690,215</u>	<u>490,067</u>
<b>Total assets</b>	<u>2,644,436</u>	<u>2,522,829</u>	<u>2,022,246</u>
<b>Current liabilities</b>			
Borrowings	300,169	161,170	207,864
Trade payables	99,794	82,222	80,670
Other payables	184,037	201,412	102,476
Tax payable	5,747	5,058	1,994
Contract liabilities	60,990	65,131	56,149
	<u>650,737</u>	<u>514,993</u>	<u>449,153</u>
Liabilities directly associated with the assets held for sale	30,415	0	0
	<u>681,152</u>	<u>514,993</u>	<u>449,153</u>
<b>Net current assets</b>	<u>247,986</u>	<u>175,222</u>	<u>40,914</u>
<b>Non-current liabilities</b>			
Borrowings	600,492	662,662	428,690
Deferred tax liabilities	13,395	28,283	4,903
	<u>613,887</u>	<u>690,945</u>	<u>433,593</u>
<b>Total liabilities</b>	<u>1,295,039</u>	<u>1,205,938</u>	<u>882,746</u>
<b>Equity</b>			
Share capital	310,315	305,215	303,238
Reserves	764,088	736,894	636,475
<b>Equity attributable to ordinary equity holders of the Company</b>	<u>1,074,403</u>	<u>1,042,109</u>	<u>939,713</u>
Non-controlling interests	75,207	74,995	0
Private debt securities	199,787	199,787	199,787
<b>Total equity</b>	<u>1,349,397</u>	<u>1,316,891</u>	<u>1,139,500</u>
<b>Total equity and liabilities</b>	<u>2,644,436</u>	<u>2,522,829</u>	<u>2,022,246</u>
<b>Net assets (NA) per share (RM)</b>	<u>2.51</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 year ended 31 December 2018

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR YEAR ENDED 31 DECEMBER 2018**

	<-----Non Distributable----->			Distributable Retained Earnings RM'000	Non- controlling interests RM'000	Private debt securities RM'000	Total Equity RM'000
	Share Capital RM'000	Employee Share Reserve# RM'000	Translation Reserve RM'000				
<b>As at 1 January 2018 - as reported</b>	305,215	7,139	55	724,384	74,995	199,787	1,311,575
<b>Effect on adoption of MFRS</b>	0	0	0	5,316	0	0	5,316
<b>At 1 January 2018 - as restated</b>	<u>305,215</u>	<u>7,139</u>	<u>55</u>	<u>729,700</u>	<u>74,995</u>	<u>199,787</u>	<u>1,316,891</u>
Total comprehensive income	0	0	(195)	94,926	4,209	13,468	112,408
<b>Transactions with owners</b>							
Vesting of LTIP shares	5,100	(5,100)	0	0	0	0	0
Award of LTIP to employees	0	6,086	0	0	0	0	6,086
Acquisition of subsidiary	0	0	0	0	45	0	45
Private debt securities distribution	0	0	0	0	0	(13,468)	(13,468)
Dividends paid to non-controlling interest	0	0	0	0	(4,042)	0	(4,042)
Dividends	0	0	0	(68,523)	0	0	(68,523)
<b>Total transactions with owners</b>	<u>5,100</u>	<u>986</u>	<u>0</u>	<u>(68,523)</u>	<u>(3,997)</u>	<u>(13,468)</u>	<u>(79,902)</u>
<b>As at 31 December 2018</b>	<b>310,315</b>	<b>8,125</b>	<b>(140)</b>	<b>756,103</b>	<b>75,207</b>	<b>199,787</b>	<b>1,349,397</b>
<b>As at 1 January 2017 (Restated)</b>	303,238	4,271	87	627,040	0	199,787	1,134,423
<b>Effect on adoption of MFRS</b>	0	0	0	5,077	0	0	5,077
<b>At 1 January 2017 - as restated</b>	<u>303,238</u>	<u>4,271</u>	<u>87</u>	<u>632,117</u>	<u>0</u>	<u>199,787</u>	<u>1,139,500</u>
Total comprehensive income	0	0	(32)	133,648	3,591	13,279	150,486
<b>Transactions with owners</b>							
Vesting of LTIP shares	1,977	(1,977)	0	0	0	0	0
Award of LTIP to employees	0	4,845	0	0	0	0	4,845
Acquisition of subsidiaries	0	0	0	0	74,456	0	74,456
Private debt securities distribution	0	0	0	0	0	(13,279)	(13,279)
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)
<b>Total transactions with owners</b>	<u>1,977</u>	<u>2,868</u>	<u>0</u>	<u>(36,065)</u>	<u>71,404</u>	<u>(13,279)</u>	<u>26,905</u>
<b>As at 31 December 2017</b>	<b>305,215</b>	<b>7,139</b>	<b>55</b>	<b>729,700</b>	<b>74,995</b>	<b>199,787</b>	<b>1,316,891</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.

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 31 DECEMBER 2018**

	12 Months Ended	
	31/12/2018 RM'000	31/12/2017 RM'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	151,271	182,613
Adjustment for:		
Non-cash items	27,246	28,535
Non-operating items	24,999	(57,554)
<b>Operating profit before working capital changes</b>	<b>203,516</b>	<b>153,594</b>
Increase in receivables	(84,570)	(93,091)
Decrease in development properties	59,263	65,848
Decrease in inventories	10,165	4,182
Increase in payables	26,406	33,429
<b>Cash generated from operations</b>	<b>214,780</b>	<b>163,962</b>
Taxes paid	(46,414)	(61,077)
Interest paid	(44,267)	(37,851)
Net cash generated from operating activities	<b>124,099</b>	<b>65,034</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in land held for development	(54,799)	(80,206)
Addition in course development	0	(67)
Investment in a joint venture	(2,160)	0
Investment in associates	(86)	0
Purchase of property, plant and equipment	(59,745)	(49,994)
Purchase of investment properties	(760)	(28,817)
Dilution/(acquisition) of subsidiaries	45	(152,235)
Proceeds from disposal of other investments	0	0
Proceeds from disposal of property, plant and equipment	270	166,478
Proceeds from disposal of assets held for sale	5,432	211
Movement in other investment	2,210	(9,759)
Movement in assets held for sale	(13,420)	0
Interest received	3,671	3,870
Net cash used in investing activities	<b>(119,342)</b>	<b>(150,519)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to ordinary equity holders of the Company	(68,523)	(36,065)
Dividends paid to non-controlling interest	(4,042)	(3,052)
Proceeds from borrowings	175,656	303,974
Issuance of Islamic Medium Term Notes	24,890	30,000
PDS distribution	(13,468)	(13,279)
Placements in banks restricted for use	(2,314)	(17,949)
Repayment of borrowings	(154,103)	(183,162)
Net cash (used in)/generated from financing activities	<b>(41,904)</b>	<b>80,467</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(37,147)</b>	<b>(5,018)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<b>109,427</b>	<b>114,445</b>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>72,280</b>	<b>109,427</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and bank balances	100,628	86,148
Fixed deposits	36,334	55,261
Cash and bank balances	136,962	141,409
Cash and bank balances restricted for use	(19,686)	(6,476)
Fixed deposits restricted for use	(35)	(5,139)
Fixed deposits maturing more than 3 months	(6,292)	(12,084)
Overdrafts	(38,669)	(8,283)
	<b>72,280</b>	<b>109,427</b>
Cash and bank balances held in HDA accounts	<b>50,408</b>	<b>77,606</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.

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**

	12 months ended	
	31/12/2018	31/12/2017
	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 31 December		12 months ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of:				
- Property, plant and equipment	6,094	7,013	23,417	24,374
- Investment properties	380	345	1,951	1,860
Amortisation of intangible assets	410	1,224	1,639	1,224
Additions/(reversal) of allowance for impairment of trade and other receivables	(86)	(224)	412	594
Bad debts written off	223	92	240	119
(Gain)/loss on disposal of:				
- Property, plant and equipment	66	(34)	(121)	(77,863)
- Assets held for sale	0	0	0	(145)
Net derivative (gain)/loss on interest rate swap	(9)	(220)	(53)	(196)
Net foreign exchange (gain)/loss	(59)	(247)	(481)	(348)

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	631,781	516,782	128,843	85,208
Education	276,084	246,447	38,372	95,222
Investment & others	129,134	270,591	93,094	252,189
	<u>1,036,999</u>	<u>1,033,820</u>	<u>260,309</u>	<u>432,619</u>
Inter-segment elimination	(129,329)	(270,824)	(109,038)	(250,006)
	<u>907,670</u>	<u>762,996</u>	<u>151,271</u>	<u>182,613</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**

- (i) 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.
- (ii) On 26 November 2018, the Company acquired one ordinary share, representing 100% of the issued share capital of Paramount Greencity 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 31 December 2018 were as follows:

	<b>RM'000</b>
Approved and contracted for:-	
Land held for development	134,732
Payment under DRA (Note: B6(i))	132,541
Investment properties	9,284
Property, plant & equipment	112,068
	<u>388,625</u>
Approved but not contracted for:-	
Property, plant & equipment	12,585
	<u>401,210</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>18,195</u>	<u>59,745</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. Eunice Teo Wan Tian and Mr. Benjamin Teo Jong Hian, children of Dato' Teo Chiang Quan	1,422
Rental charges paid to Damansara Uptown One Sdn Bhd, Damansara Uptown Retail Centre Sdn Bhd and Damansara Uptown Car Parks Sdn Bhd, companies in which a brother of Dato' Teo Chiang Quan has substantial interest	1,287
Sale of property to Ms. Teh Say Yan, sister of Datin Teh Geok Lian	801
Sale of property to Ms. Lim Lai Bee and Mr. Yam Jia Wei, spouse and son of Datuk Seri Yam Kong Choy, a director of the Company	786
Sale of property to Mr. Chew Sun Teong, Group CEO and a director of the Company	780
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	252
Rental charges paid to CNS Corporation Sdn Bhd, a company in which Dr. Sim Guan Seng, a director of subsidiaries has substantial interest	150
Sale of motor vehicle to Dato' Teo Chiang Quan	87
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	66
Rental income received from Damansara Uptown Retail Centre Sdn Bhd	8
	<hr/>
	8,657
	<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**

**4Q2018 vs 4Q2017**

	<b>4Q2018 RM'000</b>	<b>4Q2017 RM'000 (Restated)</b>	<b>Var. %</b>		<b>FY2018 RM'000</b>	<b>FY2017 RM'000 (Restated)</b>	<b>Var. %</b>
Revenue	<b>256,769</b>	238,687	8%		<b>907,670</b>	762,996	19%
Operating profit	<b>49,785</b>	42,455	17%		<b>169,772</b>	198,357	-14%
Profit before interest & tax	<b>49,668</b>	42,389	17%		<b>169,590</b>	198,238	-14%
Profit before tax	<b>43,691</b>	37,100	18%		<b>151,271</b>	182,613	-17%
Profit after tax	<b>33,136</b>	26,218	26%		<b>112,603</b>	150,518	-25%
Profit attributable to ordinary equity holders of the Company	<b>30,046</b>	24,123	25%		<b>94,926</b>	133,648	-29%

For 4Q2018, the Group recorded a revenue of RM256.8 million, an increase of 8% compared with the corresponding quarter last year of RM238.8 million while the profit before tax (PBT) was RM43.7 million (4Q2017: RM37.1 million).

Revenue of the property division had increased by 10% to RM186.0 million (4Q2017: RM169.1 million) while the PBT had increased marginally to RM36.0 million (4Q2017: RM35.5 million). The higher revenue in 4Q2018 was mainly from the Greenwoods, Salak Tinggi and the Utropolis Batu Kawan, Penang developments.

The education division recorded a revenue of RM70.8 million, marginally higher compared to the corresponding quarter last year of RM69.6 million. The PBT for the division in 4Q2018 was RM9.6 million, an increase of RM1.9 million compared with the corresponding quarter last year of RM7.7 million. This was mainly due to the lower amortisation of goodwill arising from the acquisition of the R.E.A.L Education Group.

**FY2018 vs FY2017**

The Group's revenue for FY2018 was RM907.7 million, an increase of 19% compared to the corresponding period last year (FY2017: RM763 million) while the Group's PBT was RM151.3 million (FY2017: RM182.6 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 FY2018 would be RM815.6 million (FY2017: RM763 million) and RM108.1 million (FY2017: RM104.8 million (excluding the gain on disposal of the Sri KDU campus), respectively.

Revenue of the property division had increased by 22% to RM631.6 million (FY2017: RM516.6 million) while the PBT was RM128.9 million (FY2017: RM85.1 million). Excluding the KD Land Disposal, FY2018 revenue and PBT would be RM539.5 and RM85.7 million, respectively which were higher than that of FY2017. The higher revenue was mainly due to the strong sales achieved from new launches in 2018 such as the Atwater service apartments and the Utropolis Batu Kawan service apartments (Phase 2). However, this was mitigated by the 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:

<b>Location</b>	<b>For year ended 31/12/18</b>			<b>As at 31/12/18</b>
	<b>Launched units</b>	<b>Units sold*</b>	<b>Sales value RM'M</b>	<b>Unbilled sales RM'M</b>
Central region - Selangor	952	874	710	682
Northern region - Kedah, Penang	876	679	294	313
<b>Total</b>	<b>1,828</b>	<b>1,553</b>	<b>1,004</b>	<b>995</b>

\* - Includes sales of units from launches in earlier years

### B1. Review of performance (cont'd)

Revenue of the education division grew by 12% to RM276.1 million (FY2017: RM246.4 million) while the PBT was RM38.3 million, marginally lower compared to RM38.9 million (excluding the gain on disposal of Sri KDU) in 2017. This was mainly attributable to the full year rental expense incurred by Sri KDU but was mitigated by the profit contribution arising from the full year consolidation of the R.E.A.L Education Group and the lower loss recorded by KDU University College Glenmarie.

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

	4Q2018 RM'000	3Q2018 RM'000	Var. %
Revenue	256,769	210,533	22%
Operating profit	49,785	33,566	48%
Profit before interest & tax	49,668	33,546	48%
Profit before tax	43,691	28,794	52%
Profit after tax	33,136	21,584	54%
Profit attributable to ordinary equity holders of the Company	30,046	15,615	92%

The Group's PBT for 4Q2018 of RM43.7 million was RM14.9 million higher than that of the preceding quarter's PBT of RM28.8 million. The property division's PBT was higher by RM7.9 million mainly contributed by the Sejati Residences and the Greenwoods developments. For the Education Division, KDU University College Penang and the R.E.A.L Education Group were the main contributors to the improvement in PBT.

### B3. Prospects

Amid escalating trade tensions and tighter global financial conditions, the Malaysian economy recorded a respectable growth of 4.7% in 2018. For 2019, the Malaysian economy is expected to continue to expand at a steady pace. Private sector demand is expected to remain the main driver of growth amid fiscal rationalisation while the external sector would be weighed down by weaker global demand.

#### Paramount Property

Despite the challenging conditions, Paramount Property continued to aggressively pursue its strategies, and succeeded to buck industry trends. Amidst a down trending market, the property division achieved its property sales target of RM1.0 billion in 2018, surpassing its 2017 sales by 23%. The Central region achieved RM710.0 million of sales whereas the Northern region contributed sales of RM294.0 million. Anchored by seven (7) on-going projects in the Central and Northern regions, the Group's unbilled sales stood at a record of RM995 million as at 31 December 2018, exceeding RM610 million recorded last year. This is expected to contribute positively to the Group's financial performance in the near future.

For 2019, the Group foresees the property sector to remain soft. Nevertheless, there are nascent hopes of a recovery, given the initiatives introduced by the government in Budget 2019. Raising the income levels would be an effective way of resolving the unaffordability of homeownership in Malaysia and to address the mismatch between demand and supply of properties.

Paramount Property will continue to pursue its tried and tested strategies which have fuelled its continuous growth thus far. In 2019, Paramount Property looks forward to launching seven projects (including new phases of existing projects) with an estimated gross development value of RM1.3 billion, albeit adopting a more cautious approach in response to market conditions. For the central region, Paramount Property will be expanding its footprint to Klang, Selangor, an integrated property-education development project of 33.3 acres located at Jalan Goh Hock Huat, Klang. It will be anchored by a new 1,500 student capacity Sri KDU International School campus and is supported by residential and various lifestyle components. In addition, Atwater, Section 13, Petaling Jaya commercial development will be launched to complement the residential units that were 84% sold last year. For the northern region, the Paramount Property would also be launching the third phase of its serviced apartments in Batu Kawan on the back of strong sales achieved thus far. The opening of the KDU Penang University College, Batu Kawan campus targeted in September 2019 is a game-changer for Penang – marking the arrival of the university metropolis concept in Penang.

### B3. Prospects (cont'd)

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

Location	No. of projects	Original land size (Acres)	Remaining gross undeveloped land (Acres)
Central region - Selangor	6	880.0	218.8
Northern region - Kedah, Penang	4	1,117.9	337.6
<b>Total</b>	<b>10</b>	<b>1,997.9</b>	<b>556.4</b>

In addition to the above, the Group will be replenishing its land bank in 2019 by another 41.4 acres of land located close to the existing project, Sejati Residences, Cyberjaya with a projected gross development value of RM570 million pursuant to the expected completion of the land sale and purchase in 1Q 2019. The Group is working towards launching the first phase of the development in 4Q 2019 in line with the strategy to improve the speed to market for better cost management.

In line with the Group's asset light strategy, the Group will jointly develop a Transit-Oriented Development with projected GDV of RM1 billion in Section 14, Petaling Jaya with the land owner, Kumpulan Hartanah Selangor Berhad. In addition, the Group expects contribution from its land development business to complement its property development business.

On the co-working space front, the Group is planning to open another three co-working sites in 2019, expanding its footprint in Klang Valley. This is on the back of encouraging uptake from its existing total floor space of 23,500 sq ft (Starling Mall, Petaling Jaya and Utropolis Marketplace, Shah Alam) and in line with the growing acceptance of co-working space among young entrepreneurs, start-ups and multinational companies.

#### Paramount Education

In spite of the challenging economic conditions affecting the K-12 segment, price wars are likely to persist as the effects of lower birth rates over the past two decades become more evident coupled with the increase in capacity which is expected to level off.

Given the near full capacity of the Sri KDU schools, Paramount Education's growth strategy would be focusing on the REAL Schools. Strategies are in place to beef up the academic quality, restructure the curriculum to meet the needs of target markets as well as undertake refurbishment and upgrade of school premises and facilities to improve the appeal of the schools to parents and students. In addition, more aggressive marketing efforts, including social media and digital marketing are undertaken to improve its market reach.

In 2019, REAL Kids has added one new pre-school centre in Rawang, Selangor making it the 34th centre operated by REAL Kids across Klang Valley and five states in Peninsular Malaysia. In addition, the Group is also sourcing for suitable locations to open another three to five centres.

On the tertiary education front, the agreement for the strategic partnership between Paramount and UOWM Sdn Bhd (owned by the University of Wollongong) is expected to be completed in 2Q 2019. The entry of University of Wollongong, a well-established and high-ranking public research and teaching university from Australia, will enhance value for the KDU tertiary institutions, and help differentiate KDU from other education institutions in the market. In addition, the asset securitisation proposal involving the sale of the university campuses and the subsequent leaseback by the tertiary institutions would also be completed in 2Q 2019, generating recurring rental income to the Group. Hence, the Group will continue to explore opportunities to unlock the value of these real estate assets to enhance returns on capital employed and create long-term shareholder value.

In line with the Group's strategic plan of becoming a pure-play property company, it will continue to explore opportunities to unlock value of its investments. Barring any unforeseen circumstances, the Group is expected to remain resilient for the financial year ending 31 December 2019, against prevailing market challenges and uncertainties.

### 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	15,185	46,125
Deferred tax	(4,630)	(7,457)
	<u>10,555</u>	<u>38,668</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 28 February 2019.

- (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.
- (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").

**B6. Corporate proposal (cont'd)**

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.
- (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 31 December 2018 and 31 December 2017 were as follows:

	31/12/2018 RM'000	31/12/2017 RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	13,796	8,283
Bank overdraft - Unsecured	24,873	0
Revolving credit - Secured	44,250	41,713
Revolving credit - Unsecured	50,000	10,000
Current portion of long term loans - Secured	167,250	101,174
	<u>300,169</u>	<u>161,170</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	446,739	533,996
Islamic Medium Term Notes (IMTN)	153,753	128,666
	<u>600,492</u>	<u>662,662</u>
Total borrowings	<u>900,661</u>	<u>823,832</u>

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

Floating interest rate	4.99%	4.73%
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 31 December 2018 were as follows:

	Contract amount RM'000	Net Fair value Assets/ (Liabilities) RM'000
Interest rate swap* - More than 3 years	12,530	(15)

\* 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	9	53

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 28 February 2019, there were no changes in material litigation since the last annual reporting date of 31 December 2017.

## B11. Dividends payable

The Board of Directors has proposed a single tier final dividend of 6.0 sen per share, (2017: 6.0 sen) in respect of the financial year ended 31 December 2018.

- (i) A proposed single tier final dividend of 6.0 sen, for the financial year ended 31 December 2018 has been recommended by the directors;
- (ii) Amount per share - single tier 6.0 sen; and
- (iii) Previous corresponding period - a single tier final dividend of 6.00 sen per share

The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced.

The total dividend for the current financial year to date is 8.50 sen per share, single tier. (2017: 8.50 sen per share, single tier)

## 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)	30,046	94,926
Weighted average number of ordinary shares ('000)	428,272	427,609
Basic EPS (sen)	<u>7.02</u>	<u>22.20</u>

### (b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	30,046	94,926
Weighted average number of ordinary shares ('000)	428,272	427,609
Effect of dilution ('000)	17,193	17,193
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	445,465	444,802
Diluted EPS (sen)	<u>6.74</u>	<u>21.34</u>

A2. Change in accounting policies

Adoption of MFRS 15

	12 Months ended 31 December 2017			
	Previously stated	Effect of	Reclassified	Restated
	under FRSs	MFRS 15	under	under
	RM'000	RM'000	RM'000	RM'000
<b>Income statement</b>				
Revenue	758,325	(6,779)	11,450	762,996
Operating profit	197,913	444	0	198,357
Profit before tax	182,169	444	0	182,613
Taxation	31,890	(205)	0	31,685
Profit for the period	150,279	239	0	150,518
Profit attributable to:				
Ordinary equity holders of the Company	133,409	239	0	133,648
Non-controlling interest	3,591	0	0	3,591
Holder of private debt securities of the Company	13,279	0	0	13,279
	<u>150,279</u>	<u>239</u>	<u>0</u>	<u>150,518</u>
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	31.46	0.06	0	31.52
Diluted EPS	30.35	0.05	0	30.40
<b>Statement of comprehensive income</b>				
Profit for the period	150,279	239	0	150,518
Other comprehensive income	(32)	0	0	(32)
Total other comprehensive income	<u>150,247</u>	<u>239</u>	<u>0</u>	<u>150,486</u>
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	133,377	239	0	133,616
Non-controlling interest	3,591	0	0	3,591
Holder of private debt securities of the Company	13,279	0	0	13,279
	<u>150,247</u>	<u>239</u>	<u>0</u>	<u>150,486</u>

	As at 31 December 2017			As at 1 January 2017		
	Previously stated	Effect of	Restated	Previously stated	Effect of	Restated
	under FRSs	MFRS 15	under	under FRSs	MFRS 15	under
	RM'000	RM'000	MFRSs	RM'000	RM'000	RM'000
<b>Statement of financial position</b>						
Inventories - Non current	800,238	(1,254)	798,984	870,967	0	870,967
Inventories - Current	208,483	2,837	211,320	105,746	3,849	109,595
Contract assets	126,681	4,936	131,617	136,929	1,300	138,229
Other payables	201,999	(587)	201,412	103,536	(1,060)	102,476
Contract liabilities	65,131	0	65,131	56,631	(482)	56,149
Deferred tax assets	31,670	(1,790)	29,880	22,611	(1,614)	20,997
Retained earnings	724,384	5,316	729,700	627,040	5,077	632,117