

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2019

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR PERIOD ENDED 31 MARCH 2019**

	<b>3 Months Ended 31 March</b>		<b>3 Months Ended 31 March</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue	<b>191,444</b>	162,246	<b>191,444</b>	162,246
Operating profit	<b>25,813</b>	21,700	<b>25,813</b>	21,700
Interest expense	<b>(7,180)</b>	(4,278)	<b>(7,180)</b>	(4,278)
Interest income	<b>626</b>	598	<b>626</b>	598
Share of loss of associate & joint venture	<b>(68)</b>	(19)	<b>(68)</b>	(19)
Profit before tax	<b>19,191</b>	18,001	<b>19,191</b>	18,001
Taxation	<b>(7,186)</b>	(4,824)	<b>(7,186)</b>	(4,824)
Profit for the period	<b>12,005</b>	13,177	<b>12,005</b>	13,177
Profit attributable to:				
Ordinary equity holders of the Company	<b>6,165</b>	6,963	<b>6,165</b>	6,963
Non-controlling interest	<b>664</b>	1,185	<b>664</b>	1,185
Holder of private debt securities of the Company	<b>5,176</b>	5,029	<b>5,176</b>	5,029
	<b>12,005</b>	13,177	<b>12,005</b>	13,177
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	<b>1.44</b>	1.64	<b>1.44</b>	1.64
Diluted EPS	<b>1.39</b>	1.58	<b>1.39</b>	1.58

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2018.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR PERIOD ENDED 31 MARCH 2019**

	<b>3 Months Ended 31 March 2019</b>		<b>3 Months Ended 31 March 2018</b>	
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>12,005</b>	13,177	<b>12,005</b>	13,177
Other comprehensive income	<b>(1)</b>	(584)	<b>(1)</b>	(584)
<b>Total comprehensive income for the period</b>	<b>12,004</b>	12,593	<b>12,004</b>	12,593
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	<b>6,164</b>	6,379	<b>6,164</b>	6,379
Non-controlling interest	<b>664</b>	1,185	<b>664</b>	1,185
Holder of private debt securities of the Company	<b>5,176</b>	5,029	<b>5,176</b>	5,029
	<b>12,004</b>	12,593	<b>12,004</b>	12,593

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2018.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 31 March 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	<b>As at 31/3/2019</b>	<b>As at 31/12/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	695,077	682,552
Right-of-use asset	103,534	0
Inventories - land held for property development	763,090	649,961
Investment properties	211,354	206,016
Intangible assets	147,040	147,449
Investment in associates	9,082	9,116
Investment in a joint venture	3,129	2,904
Other investments	7,843	7,843
Deferred tax assets	43,797	41,611
	<u>1,983,946</u>	<u>1,747,452</u>
<b>Current assets</b>		
Inventories - property development costs	341,570	297,665
Inventories - completed properties and other inventories	46,331	25,441
Trade receivables	90,631	109,936
Other receivables	40,474	52,789
Other current assets	5,049	8,550
Contract assets	198,323	221,216
Tax recoverable	11,988	10,626
Cash and bank balances	106,436	136,962
	<u>840,802</u>	<u>863,185</u>
Assets of disposal group/Non-current assets held for sale	65,025	64,993
	<u>905,827</u>	<u>928,178</u>
<b>Total assets</b>	<u>2,889,773</u>	<u>2,675,630</u>
<b>Current liabilities</b>		
Borrowings	497,521	453,922
Lease liabilities	11,280	0
Trade payables	97,435	99,794
Other payables	137,201	184,037
Tax payable	4,014	6,060
Contract liabilities	50,640	60,990
	<u>798,091</u>	<u>804,803</u>
Liabilities directly associated with the assets held for sale	38,364	30,415
	<u>836,455</u>	<u>835,218</u>
<b>Net current assets</b>	<u>69,372</u>	<u>92,960</u>
<b>Non-current liabilities</b>		
Borrowings	608,608	446,739
Lease liabilities	94,413	0
Deferred tax liabilities	47,184	47,388
	<u>750,205</u>	<u>494,127</u>
<b>Total liabilities</b>	<u>1,586,660</u>	<u>1,329,345</u>
<b>Equity</b>		
Share capital	316,862	310,315
Reserves	760,593	760,976
<b>Equity attributable to ordinary equity holders of the Company</b>	<u>1,077,455</u>	<u>1,071,291</u>
Non-controlling interests	75,871	75,207
Private debt securities	149,787	199,787
<b>Total equity</b>	<u>1,303,113</u>	<u>1,346,285</u>
<b>Total equity and liabilities</b>	<u>2,889,773</u>	<u>2,675,630</u>
<b>Net assets (NA) per share (RM)</b>	<u>2.49</u>	<u>2.50</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2018.

**PARAMOUNT CORPORATION BERHAD**  
Interim Financial Report for the period ended 31 March 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 31 MARCH 2019**

	<-----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
<b>As at 1 January 2019</b>	310,315	8,125	(140)	752,991	75,207	199,787	1,346,285
Total comprehensive income	-	-	(1)	6,165	664	5,176	12,004
<b>Transactions with owners</b>							
Vesting of LTIP shares	6,547	(6,547)	-	-	-	-	-
Redemption of Private debt securities	-	-	-	-	-	(50,000)	(50,000)
Private debt securities distribution	-	-	-	-	-	(5,176)	(5,176)
<b>Total transactions with owners</b>	<b>6,547</b>	<b>(6,547)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,176)</b>	<b>(55,176)</b>
<b>As at 31 March 2019</b>	<b>316,862</b>	<b>1,578</b>	<b>(141)</b>	<b>759,156</b>	<b>75,871</b>	<b>149,787</b>	<b>1,303,113</b>
<b>As at 1 January 2018</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>

# - 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 2018.

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR PERIOD ENDED 31 MARCH 2019**

	<b>3 Months Ended</b>	
	<b>31/3/2019</b>	<b>31/3/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	19,191	18,001
Adjustment for:		
Non-cash items	10,379	6,837
Non-operating items	6,634	3,680
<b>Operating profit before working capital changes</b>	<b>36,204</b>	<b>28,518</b>
Decrease/(increase) in receivables	58,015	(9,385)
Decrease in development properties	27,916	3,158
(Increase)/decrease in inventories	(20,890)	589
Decrease in payables	(59,454)	(47,727)
<b>Cash generated from/(used in) operations</b>	<b>41,791</b>	<b>(24,847)</b>
Taxes paid	(12,981)	(12,230)
Interest paid	(18,684)	(13,830)
Net cash generated from/(used in) operating activities	<b>10,126</b>	<b>(50,907)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in land held for development	(173,449)	(9,320)
Subscription of shares in an associate	(127)	-
Subscription of shares in a joint venture company	(225)	-
Purchase of property, plant and equipment	(17,821)	(12,038)
Purchase of investment properties	(5,322)	(501)
Proceeds from disposal of property, plant and equipment	6	19
Proceeds from disposal of assets held for sale	-	5,432
Movement in other investment	-	10,048
Movement in asset held for sale	7,918	-
Interest received	626	598
Net cash used in investing activities	<b>(188,394)</b>	<b>(5,762)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to ordinary equity holders of the Company	-	(32,120)
Proceeds from borrowings	85,560	62,721
Issuance of Islamic Medium Term Notes	127,500	-
Redemption of PDS	(50,000)	-
PDS distribution	(5,176)	(5,029)
Withdrawal/(placements) in banks restricted for use	14,187	(5,219)
Repayment of borrowings	(21,324)	(26,958)
Lease rental payment	(2,550)	-
Net cash generated from/(used in) financing activities	<b>148,197</b>	<b>(6,605)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,071)</b>	<b>(63,274)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>72,315</b>	<b>109,427</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>42,244</b>	<b>46,153</b>
	<b>31/3/2019</b>	<b>31/3/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and bank balances	102,424	79,477
Fixed deposits	4,012	25,321
Cash and bank balances	106,436	104,798
Cash and bank balances restricted for use	(10,403)	(10,537)
Fixed deposits maturing more than 3 months	(1,388)	(18,380)
Overdrafts	(52,401)	(29,728)
	<b>42,244</b>	<b>46,153</b>
Cash and bank balances held in HDA accounts	<b>56,629</b>	<b>39,539</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 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 interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. 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 2018.

**A2. Changes in accounting policies**

Except for the adoption of MFRS 16: Leases as mentioned below, 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 2018.

***MFRS 16 - Leases***

In April 2017, MASB issued MFRS 16: Leases which sets out principles for the recognition, measurement, presentation and disclosure of leases, and replaces the existing MFRS 117: Leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, apart from those where the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis, including non-cancellable lease payments as well as payments to be made in optional periods if the lessee is reasonably certain to exercise the option of not terminating the lease. The Group has adopted MFRS 16, Leases with a date of initial application on 1 January 2019.

Lessor accounting is substantially unchanged from the existing MFRS 117. However, MFRS 16 requires enhanced disclosure to be provided by lessors that will improve information disclosed about lessor's risk exposure, particularly to residual value risk.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach.

The Group applied MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities at 1 January 2019 with no restatement of comparative information.

On transition to MFRS 16, the Group recognised an amount of RM107,041,000 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

**A3. Audit report qualification**

The audit report for the financial year ended 31 December 2018 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 items 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.

(i) Employee share scheme

On 20 March 2019, the Company issued 5,072,800 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
(a)	2016 RS Award	14 March 2016	Third	737,400
(b)	2017 RS Award	13 March 2017	Second	803,800
(c)	2018 RS Award	11 June 2018	First	690,300
(d)	2016 PS Award	14 March 2016	Final	<u>2,841,300</u>
				<u>5,072,800</u>

(ii) RM200 Million Private Debt Securities

On 7 February 2019, the Group has redeemed RM50,000,000 in nominal value of the PDS.

(iii) RM800 Million Sukuk Murabahah Programme

On 25 February and 26 March 2019, Paramount Capital Resources Sdn. Bhd., a wholly owned subsidiary of the Company, made the first and second issuance of RM121,168,000 and RM6,332,000 in nominal value of Sukuk Murabahah respectively, with a ten (10) years tenure under the Sukuk Murabahah Programme.

#### A8. Dividends paid

	3 months ended	
	31/3/2019	31/3/2018
	RM'000	RM'000
Special dividends		
2017 - 7.50 sen single tier	0	32,120

**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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of:				
- Property, plant and equipment	5,903	5,749	5,903	5,749
- Right-of-use asset	3,579	0	3,579	0
- Investment properties	487	522	487	522
Interest expense on:				
- Borrowings	5,848	4,278	5,848	4,278
- Lease liabilities	1,332	0	1,332	0
Amortisation of intangible assets	410	406	410	406
Additions/(reversal) of allowance for impairment of trade and other receivables	825	118	825	118
(Gain)/loss on disposal of:				
- Property, plant and equipment	(3)	(19)	(3)	(19)
Net derivative (gain)/loss on interest rate swap	(8)	(30)	(8)	(30)
Net foreign exchange (gain)/loss	(269)	(202)	(269)	(202)

Save for the items disclosed in the Income Statement and the note above, other items pursuant to Appendix 9B Note16 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property	122,199	91,392	14,623	8,715
Education	69,277	70,770	9,587	12,723
Investment & others	16,939	17,565	100	14,235
	208,415	179,727	24,310	35,673
Inter-segment elimination	(16,971)	(17,481)	(5,119)	(17,672)
	191,444	162,246	19,191	18,001

**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 2018.

**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 21 February 2019, the Company incorporated Paramount FoodPrint Sdn. Bhd. with share capital of RM100, represented by 100 ordinary shares.
- On 5 March 2019, the Company acquired Paramount Property (Seaview) Sdn. Bhd. (formerly known as Success Pridecity Sdn. Bhd.) with a share capital of RM1 represented by 1 ordinary share.



#### 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 2019 were as follows:

	<b>RM'000</b>
Approved and contracted for:-	
Payment under DRA (Note: B6(i))	113,000
Investment properties	9,065
Property, plant & equipment	107,229
	<u>229,294</u>
Approved but not contracted for:-	
Property, plant & equipment	10,384
	<u>10,384</u>
	<u>239,678</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	17,821	17,821

#### A17. Related party transactions

	<b>Financial Year-to-date RM'000</b>
Rental charges and license fees 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	466
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	69
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	35
Rental charges paid to Mr Chew Sun Teong, a director of the Company	4
	<u>574</u>

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**

1Q2019 vs 1Q2018

	1Q2019 RM'000	1Q2018 RM'000	Var. %
Revenue	191,444	162,246	18%
Operating profit	25,813	21,700	19%
Profit before interest & tax	25,745	21,681	19%
Profit before Tax	19,191	18,001	7%
Profit after tax	12,005	13,177	-9%
Profit attributable to ordinary equity holders of the Company	6,165	6,963	-11%

For 1Q2019, the Group recorded a higher revenue of RM191.4 million, an increase of 18% compared with the corresponding quarter last year (1Q2018: RM162.2 million) with higher contribution from the property division. The Group's profit before tax (PBT), was 7% higher at RM19.2 million (1Q2018: RM18 million) mainly due to the higher property division's PBT by RM5.9 million but was mitigated by the lower education division's PBT by RM3.1 million as detailed below.

Revenue of the property division had increased by 34% to RM122.1 million (1Q2018: RM91.3 million) while the PBT had increased 68% to RM14.6 million (1Q2018: RM8.7 million). The higher revenue in 1Q2019 was mainly from the more advanced stage of completion at the Utropolis Glenmarie, Shah Alam development coupled with contribution from new phases that were launched in FY2018, namely the Greenwoods, Salak Tinggi and the Utropolis Batu Kawan, Penang developments.

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

Projects	Location	For period ended 31/3/19			As at 31/3/19
		Launched units	Units sold**	Sales value RM'M	Unbilled sales RM'M
Central region	Klang valley	72	51	40	622
Northern region	Kedah, Penang	83	150	64	285
<b>Total</b>		<b>155</b>	<b>201</b>	<b>104</b>	<b>907</b>

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

The education division recorded a revenue of RM69.3 million, marginally lower compared to the corresponding quarter last year of RM70.8 million. The PBT for the division in 1Q2019 was RM9.6 million, a decrease of RM3.1 million compared with the corresponding quarter last year of RM12.7 million. This was mainly due to the lower contribution from Sri KDU Sdn Bhd, R.E.A.L Education Group and KDU University (PG) Sdn Bhd but was cushioned by KDU University College Sdn Bhd's improved performance as a result of higher student enrolments. The adoption of the MFRS 16 Leases since 1 January 2019 had lowered the education division PBT by about RM0.7 million in 1Q 2019 as compared to the corresponding quarter in the previous year.

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

	1Q2019 RM'000	4Q2018 RM'000	Var. %
Revenue	191,444	256,769	-25%
Operating profit	25,813	49,785	-48%
Profit before interest & tax	25,745	49,668	-48%
Profit before Tax	19,191	43,691	-56%
Profit after tax	12,005	33,136	-64%
Profit attributable to ordinary equity holders of the Company	6,165	30,046	-79%

Group PBT for 1Q2019 of RM19.2 million was significantly lower compared with the preceding quarter's PBT of RM43.7 million mainly due to the lower progressive billings recorded from the property division. The lower level of construction activities achieved coupled with the lower property sales were the main contributors. This is in line with the past trends where the 1st quarter of the year has typically been a slower quarter as compared to the 4th quarter of the preceeding year.

### B3. Prospects

The Malaysian economy grew by 4.5% in the 1Q2019. Private sector activity remained the key driver of growth, supported mainly by firm private consumption growth during the quarter. Going forward, the Malaysian economy is expected to remain on a steady growth path. Private sector demand is expected to remain the anchor of growth amid lower public sector spending. The external sector is likely to grow marginally in tandem with modest global demand. Overall, the baseline projection is for the Malaysian economy to grow between 4.3% - 4.8% for the year.

#### Paramount Property

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.

Nevertheless, the reduction in the Overnight Policy Rate by 25 basis point to 3% by Bank Negara Malaysia recently is expected to be positive to the property developers as sentiment to purchase properties will likely improve due to the lower loan instalments.

During the quarter ended 31 March 2019, the Group achieved property sales of RM104 million and the Group's unbilled sales stood at RM907 million as at 31 March 2019, is expected to contribute positively to the Group's financial performance in the near future.

Paramount Property will continue to pursue its tried and tested strategies which have fueled its continuous growth thus far. In 2019, Paramount Property looks forward to launching seven projects including new phases of existing projects, albeit adopting a more cautious approach in response to market conditions.

As at 31 March 2019, the Group's land bank is as follow:

Projects	Location	No. of projects	Original land size (Acres)	Undeveloped (Acres)
Central region	Klang valley	7	921.4	260.2
Northern region	Kedah, Penang	4	1,117.9	319.6
<b>Total</b>		<b>11</b>	<b>2,039.3</b>	<b>579.8</b>

During 1Q2019, the Group has completed the acquisition of 41.4 acres of land located close to the existing project, Sejati Residences, Cyberjaya with a projected gross development value of RM570 million. Paramount Property is working towards launching the first phase of the development in 4Q2019 in line with its 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.

### B3. Prospects (cont'd)

#### 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 3Q2019. 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 3Q2019, generating recurring rental income to the Group. Hence, the Group will continue to explore opportunities to unlock the value of these real estate assets and other education assets to enhance returns on capital employed and create long-term shareholder value.

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	6,252	6,252
Under provision in prior years	1,808	1,808
Deferred tax	(874)	(874)
	<u>7,186</u>	<u>7,186</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 proposals disclosed below, there were no corporate proposals announced but not completed as at 23 May 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) 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 Utopolis Glenmarie Campus Premises held under title bearing particulars Geran No. 312848, Lot No. 91902 Mukim Damansara, Daerah Petaling, Selangor (Utopolis 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 Utopolis 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 Utopolis Glenmarie Campus Properties from DGSB. Thereafter, Janahasil will onward sublease the Jalan Anson Campus Properties and Batu Kawan Campus Properties to KDUPG and the Utopolis 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.

- (iii) On 25 April 2019, the Company made a revision to an earlier announcement on 8 November 2018 with the Company proposing to undertake the following revised proposals:
  - (a) a bonus issue of up to 180,045,328 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 up to 180,045,328 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)

(iv) 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 March 2019 and 31 March 2018 were as follows:

	31/3/2019 RM'000	31/3/2018 RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	14,802	16,956
Bank overdraft - Unsecured	37,599	12,772
Revolving credit - Secured	66,450	43,000
Revolving credit - Unsecured	110,000	50,000
Islamic Medium Term Notes (IMTN)	168,750	0
Current portion of long term loans - Secured	99,920	102,384
Total short-term borrowings	<u>497,521</u>	<u>225,112</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	482,353	527,255
Islamic Medium Term Notes (IMTN)	126,255	128,674
Total long-term borrowings	<u>608,608</u>	<u>655,929</u>
Total borrowings	<u>1,106,129</u>	<u>881,041</u>

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

Floating interest rate	4.97%	4.79%
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 due to new issuance of RM126 million to finance the acquisition of freehold residential land in Dengkil, Sepang.
- (ii) Revolving credit - Increase was to finance the project expenditure and re-finance the Private debt securities of RM50 million.

**B8. Derivative financial instrument**

The outstanding interest rate swap contracts as at 31 March 2019 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	6,265	(6)

\* 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	8	8

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 23 May 2019, there were no changes in material litigation since the last annual reporting date of 31 December 2018.

**B11. Dividends payable**

The Board does not recommend the payment of any dividend for the current financial quarter ended 31 March 2019.

## 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)	6,165	6,165
Weighted average number of ordinary shares ('000)	428,272	428,272
Basic EPS (sen)	<u>1.44</u>	<u>1.44</u>

### (b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	6,165	6,165
Weighted average number of ordinary shares ('000)	428,272	428,272
Effect of dilution ('000)	16,769	16,769
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	445,041	445,041
Diluted EPS (sen)	<u>1.39</u>	<u>1.39</u>