

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2019

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 JUNE 2019**

| | 3 Months Ended 30 June | | 6 Months Ended 30 June | |
|---|-----------------------------------|----------|-----------------------------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 287,435 | 278,366 | 478,879 | 440,612 |
| Operating profit | 53,524 | 64,721 | 79,337 | 86,421 |
| Interest expense | (8,837) | (5,500) | (16,017) | (9,778) |
| Interest income | 637 | 1,590 | 1,263 | 2,188 |
| Share of loss of associate & joint venture | (102) | (26) | (170) | (45) |
| Profit before tax | 45,222 | 60,785 | 64,413 | 78,786 |
| Taxation | (14,712) | (16,079) | (21,898) | (20,903) |
| Profit for the period | 30,510 | 44,706 | 42,515 | 57,883 |
| Profit attributable to: | | | | |
| Ordinary equity holders of the Company | 28,465 | 42,302 | 34,630 | 49,265 |
| Non-controlling interest | 425 | 784 | 1,089 | 1,969 |
| Holder of private debt securities of the Company | 1,620 | 1,620 | 6,796 | 6,649 |
| | 30,510 | 44,706 | 42,515 | 57,883 |
| Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen): | | | | |
| Basic EPS | 6.57 | 9.88 | 8.02 | 11.56 |
| Diluted EPS | 6.32 | 9.53 | 7.72 | 11.15 |

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 30 June 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 JUNE 2019**

| | 3 Months Ended 30 June | | 6 Months Ended 30 June | |
|--|-----------------------------------|--------|-----------------------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | 30,510 | 44,706 | 42,515 | 57,883 |
| Other comprehensive income | 8 | 43 | 7 | (541) |
| Total comprehensive income for the period | 30,518 | 44,749 | 42,522 | 57,342 |
| Total comprehensive income attributable to: | | | | |
| Ordinary equity holders of the Company | 28,473 | 42,345 | 34,637 | 48,724 |
| Non-controlling interest | 425 | 784 | 1,089 | 1,969 |
| Holder of private debt securities of the Company | 1,620 | 1,620 | 6,796 | 6,649 |
| | 30,518 | 44,749 | 42,522 | 57,342 |

The Condensed Consolidated Statement of Comprehensive Income 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 FINANCIAL POSITION
AS AT 30 JUNE 2019**

| | As at 30/6/2019 | As at 31/12/2018 |
|--|--------------------|---------------------|
| | RM'000 | RM'000 |
| Non-current assets | | |
| Property, plant and equipment | 456,567 | 682,552 |
| Right-of-use asset | 11,250 | 0 |
| Inventories - land held for property development | 848,491 | 649,961 |
| Investment properties | 165,508 | 206,016 |
| Intangible assets | 0 | 147,449 |
| Investment in associates | 9,027 | 9,116 |
| Investment in a joint venture | 3,504 | 2,904 |
| Other investments | 7,755 | 7,843 |
| Deferred tax assets | 33,825 | 41,611 |
| | <u>1,535,927</u> | <u>1,747,452</u> |
| Current assets | | |
| Inventories - property development costs | 246,490 | 297,665 |
| Inventories - completed properties and other inventories | 110,556 | 25,441 |
| Trade receivables | 80,340 | 109,936 |
| Other receivables | 22,085 | 52,789 |
| Other current assets | 2,703 | 8,550 |
| Contract assets | 276,795 | 221,216 |
| Tax recoverable | 5,014 | 10,626 |
| Cash and bank balances | 68,413 | 136,962 |
| | <u>812,396</u> | <u>863,185</u> |
| Assets of disposal group/Non-current assets held for sale | 577,382 | 64,993 |
| | <u>1,389,778</u> | <u>928,178</u> |
| Total assets | <u>2,925,705</u> | <u>2,675,630</u> |
| Current liabilities | | |
| Borrowings | 425,286 | 453,922 |
| Lease liabilities | 1,617 | 0 |
| Trade payables | 106,005 | 99,794 |
| Other payables | 112,642 | 184,037 |
| Tax payable | 6,937 | 6,060 |
| Contract liabilities | 254 | 60,990 |
| | <u>652,741</u> | <u>804,803</u> |
| Liabilities directly associated with the assets held for sale | 356,443 | 30,415 |
| | <u>1,009,184</u> | <u>835,218</u> |
| Net current assets | <u>380,594</u> | <u>92,960</u> |
| Non-current liabilities | | |
| Borrowings | 532,366 | 446,739 |
| Lease liabilities | 10,061 | 0 |
| Deferred tax liabilities | 42,083 | 47,388 |
| | <u>584,510</u> | <u>494,127</u> |
| Total liabilities | <u>1,593,694</u> | <u>1,329,345</u> |
| Equity | | |
| Share capital | 316,862 | 310,315 |
| Reserves | 789,066 | 760,976 |
| Equity attributable to ordinary equity holders of the Company | <u>1,105,928</u> | <u>1,071,291</u> |
| Non-controlling interests | 76,296 | 75,207 |
| Private debt securities | 149,787 | 199,787 |
| Total equity | <u>1,332,011</u> | <u>1,346,285</u> |
| Total equity and liabilities | <u>2,925,705</u> | <u>2,675,630</u> |
| Net assets (NA) per share (RM) | <u>2.55</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 30 June 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2019**

| | <-----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 | | | | |
| As at 1 January 2019 | 310,315 | 8,125 | (140) | 752,991 | 75,207 | 199,787 | 1,346,285 |
| Total comprehensive income | - | - | 7 | 34,630 | 1,089 | 6,796 | 42,522 |
| Transactions with owners | | | | | | | |
| Vesting of LTIP shares | 6,547 | (6,547) | - | - | - | - | - |
| Redemption of Private debt securities | - | - | - | - | - | (50,000) | (50,000) |
| Private debt securities distribution | - | - | - | - | - | (6,796) | (6,796) |
| Total transactions with owners | 6,547 | (6,547) | - | - | - | (56,796) | (56,796) |
| As at 30 June 2019 | 316,862 | 1,578 | (133) | 787,621 | 76,296 | 149,787 | 1,332,011 |
| As at 1 January 2018 | 305,215 | 7,139 | 55 | 730,251 | 74,995 | 199,787 | 1,317,442 |
| Total comprehensive income | - | - | (541) | 49,265 | 1,969 | 6,649 | 57,342 |
| Transactions with owners | | | | | | | |
| Vesting of LTIP shares | 2,689 | (2,689) | - | - | - | - | - |
| Private debt securities distribution | - | - | - | - | - | (6,649) | (6,649) |
| Dividends | - | - | - | (32,120) | - | - | (32,120) |
| Total transactions with owners | 2,689 | (2,689) | - | (32,120) | - | (6,649) | (38,769) |
| As at 30 June 2018 | 307,904 | 4,450 | (486) | 747,396 | 76,964 | 199,787 | 1,336,015 |

- 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 30 JUNE 2019**

| | 6 Months Ended | |
|--|---------------------|---------------------|
| | 30/6/2019 RM'000 | 30/6/2018 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 64,413 | 78,786 |
| Adjustment for: | | |
| Non-cash items | 21,070 | 13,521 |
| Non-operating items | 14,923 | (35,595) |
| Operating profit before working capital changes | 100,406 | 56,712 |
| Increase in receivables | (3,490) | (18,053) |
| Decrease/(increase) in development properties | 132,697 | (15,688) |
| (Increase)/decrease in inventories | (87,532) | 1,349 |
| Decrease in payables | (13,992) | (47,458) |
| Cash generated from/(used in) operations | 128,089 | (23,138) |
| Taxes paid | (19,978) | (19,550) |
| Interest paid | (31,254) | (23,414) |
| Net cash generated from/(used in) operating activities | 76,857 | (66,102) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in land held for development | (209,785) | 1,041 |
| Subscription of shares in an associate | (120) | - |
| Subscription of shares in a joint venture company | (639) | - |
| Purchase of property, plant and equipment | (20,570) | (28,143) |
| Purchase of unquoted investment | - | (7,563) |
| Purchase of investment properties | (14,700) | (2,786) |
| Proceeds from disposal of property, plant and equipment | 24 | 60 |
| Proceeds from disposal of assets held for sale | - | 5,432 |
| Movement in other investment | - | 10,047 |
| Movement in asset held for sale | (5,421) | - |
| Interest received | 1,263 | 2,189 |
| Net cash used in investing activities | (249,948) | (19,723) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid to ordinary equity holders of the Company | - | (32,120) |
| Proceeds from borrowings | 128,722 | 108,392 |
| Issuance of Islamic Medium Term Notes | 127,500 | 24,890 |
| Redemption of PDS | (50,000) | - |
| PDS distribution | (6,796) | (6,649) |
| Withdrawal/(placements) in banks restricted for use | 14,977 | (13,605) |
| Repayment of borrowings | (97,118) | (59,119) |
| Lease rental payment | (8,284) | - |
| Net cash generated from financing activities | 109,001 | 21,789 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (64,090) | (64,036) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 72,315 | 109,427 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 8,225 | 45,391 |
| | 30/6/2019 | 30/6/2018 |
| | RM'000 | RM'000 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 65,747 | 105,522 |
| Fixed deposits | 2,666 | 25,148 |
| Cash and bank balances | 68,413 | 130,670 |
| Cash and bank balances restricted for use | (10,968) | (18,843) |
| Fixed deposits maturing more than 3 months | (338) | (18,461) |
| Overdrafts | (48,882) | (47,975) |
| | 8,225 | 45,391 |
| Cash and bank balances held in HDA accounts | 35,769 | 39,539 |

The Condensed Consolidated Statement of Cash Flows 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 30 June 2019

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

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

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 | 2,841,300 |
| | | | | <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

| | 6 months ended | |
|-----------------------------|----------------|-----------|
| | 30/6/2019 | 30/6/2018 |
| | 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 | | 6 months ended | |
|--|----------------|----------|----------------|----------|
| | 30 June | | 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of: | | | | |
| - Property, plant and equipment | 5,765 | 5,747 | 11,668 | 11,496 |
| - Right-of-use asset | 4,080 | 0 | 7,659 | 0 |
| - Investment properties | 495 | 521 | 982 | 1,043 |
| Interest expense on: | | | | |
| - Borrowings | 7,449 | 5,500 | 13,297 | 9,778 |
| - Lease liabilities | 1,388 | 0 | 2,720 | 0 |
| Amortisation of intangible assets | 351 | 413 | 761 | 819 |
| Additions/(reversal) of allowance for impairment of trade and other receivable | (323) | 179 | 502 | 297 |
| (Gain)/loss on disposal of: | | | | |
| - Property, plant and equipment | (10) | (40) | (13) | (59) |
| - Land held for development | 0 | (43,170) | 0 | (43,170) |
| Net derivative (gain)/loss on interest rate swap | (2) | 70 | (10) | 40 |
| Net foreign exchange (gain)/loss | (151) | (59) | (420) | (261) |

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 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Property | 338,884 | 301,137 | 54,637 | 64,844 |
| Education | 140,026 | 139,274 | 19,185 | 22,173 |
| Investment & others | 17,276 | 28,896 | 8,215 | 18,268 |
| | 496,186 | 469,307 | 82,037 | 105,285 |
| Inter-segment elimination | (17,307) | (28,695) | (17,624) | (26,499) |
| | 478,879 | 440,612 | 64,413 | 78,786 |

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

- (a) On 21 February 2019, the Company incorporated Paramount FoodPrint Sdn. Bhd. with share capital of RM100, represented by 100 ordinary shares.
- (b) On 5 March 2019, the Company acquired Paramount Property (Seaview) Sdn. Bhd. (formerly known as Success Pridicity 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 30 June 2019 were as follows:

| | RM'000 |
|-----------------------------------|----------------|
| Approved and contracted for:- | |
| Payment under DRA (Note: B6(i)) | 113,000 |
| Investment properties | 8,344 |
| Property, plant & equipment | 91,308 |
| | <u>212,652</u> |
| Approved but not contracted for:- | |
| Property, plant & equipment | 10,015 |
| | <u>10,015</u> |
| | <u>222,667</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>2,749</u> | <u>20,570</u> |

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

| | |
|---|-------------------|
| Rental charges and license fees paid to Damansara Uptown One Sdn Bhd, Damansara Uptown Seven 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 | 957 |
| 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 | 139 |
| Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest | 67 |
| Rental charges paid to Mr Chew Sun Teong, a director of the Company | 16 |
| | <hr/> 1,179 <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.

A18. Asset and Liabilities of Disposal Group Held For Sale

Included in disposal group classified as held for sale on the statement of financial position as at 30 June 2019 are the following:

- (i) The assets and liabilities of subsidiary companies, KDU University College Sdn Bhd, KDU College Sdn Bhd and KDU University College (PG) Sdn Bhd (B6(ii)); and
- (ii) The assets and liabilities of subsidiary companies, Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd, Sri KDU Sdn Bhd and REAL Education Group Sdn Bhd (B6(iii))

Accordingly, the Group's interest in the above subsidiary companies have been classified as held for sale and have been valued at lower of carrying amount and fair value less cost to sell.

| | |
|---|-------------------------|
| | Group RM'000 |
| Carrying amount | |
| At 1 January 2019 | 34,578 |
| Assets reclassified as held for sale | 512,389 |
| Liabilities reclassified as held for sale | (326,028) |
| At 30 June 2019 | <hr/> 220,939 <hr/> |

A18. Asset and Liabilities of Disposal Group Held For Sale (cont'd)

Details of assets and liabilities classified as disposal group held for sale are as follows:

| | Group RM'000 |
|---|-------------------------|
| Assets | |
| Property, plant and equipment | 257,918 |
| Right-of-use asset | 93,599 |
| Intangible asset | 161,423 |
| Deferred tax assets | 19,378 |
| Inventories | 2,417 |
| Trade and other receivables | 13,268 |
| Other current assets | 6,133 |
| Tax recoverable | 3,705 |
| Cash and bank balances | 19,453 |
| Other investments | 88 |
| Assets of disposal groups classified as held for sale | <u>577,382</u> |
| | |
| | Group RM'000 |
| Liabilities | |
| Borrowings | 114,133 |
| Lease liabilities | 96,489 |
| Deferred tax liabilities | 5,041 |
| Other payables | 69,080 |
| Other current liabilities | 71,271 |
| Tax payable | 429 |
| Liabilities of disposal groups classified as held for sale | <u>356,443</u> |

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

B1. Review of performance

2Q2019 vs 2Q2018

| | 2Q2019 | 2Q2018 | Var. | | 6M2019 | 6M2018 | Var. |
|---|----------------|---------------|-------------|--|----------------|---------------|-------------|
| | RM'000 | RM'000 | % | | RM'000 | RM'000 | % |
| Revenue | 287,435 | 278,366 | 3% | | 478,879 | 440,612 | 9% |
| Operating profit | 53,524 | 64,721 | -17% | | 79,337 | 86,421 | -8% |
| Profit before interest & tax | 53,422 | 64,695 | -17% | | 79,167 | 86,376 | -8% |
| Profit before Tax | 45,222 | 60,785 | -26% | | 64,413 | 78,786 | -18% |
| Profit after tax | 30,510 | 44,706 | -32% | | 42,515 | 57,883 | -27% |
| Profit attributable to ordinary equity holders of the Company | 28,465 | 42,302 | -33% | | 34,630 | 49,265 | -30% |

For 2Q2019, the Group recorded a higher revenue of RM287.4 million, an increase of 3% compared with the corresponding quarter last year (2Q2018: RM278.4 million) with higher contribution from both the property and education divisions. However, the Group's profit before tax (PBT), was 26% lower at RM45.2 million (2Q2018: RM60.8 million) mainly attributable to the disposal of 9.4 acres of industrial land in Kota Damansara which had contributed revenue and PBT of RM92.1 million and RM43.2 million, respectively ("KD Land Disposal") in 2Q2018.

Revenue of the property division had increased by 3% to RM216.7 million (2Q2018: RM209.9 million) while the PBT had decreased 29% to RM40.0 million (2Q2018: RM56.1 million). Excluding the KD Land Disposal, the PBT for 2Q2019 was higher than the corresponding period in 2018 mainly from the higher sales from Sejati Residences, Cyberjaya development coupled with the completion of its Phase 3A in 2Q2019. Similarly for Bukit Banyan development in Kedah, sales of its landed development were higher boosted by its participation in the House Ownership Campaign coupled with the completion of certain phases in 2Q2019. In addition, the more advanced stage of completion at Utropolis Glenmarie, Shah Alam development and Utropolis Batu Kawan, Penang development have contributed to the improved performance of the property division.

The education division recorded a revenue of RM70.7 million, marginally higher compared to the corresponding quarter last year of RM68.5 million. The PBT for the division in 2Q2019 was RM9.6 million, marginally higher than the corresponding quarter last year of RM9.5 million. This was mainly due to the higher contribution from Sri KDU Sdn Bhd was mitigated by the lower contribution from R.E.A.L Education Group and KDU University (PG) Sdn Bhd. The adoption of the MFRS 16 Leases since 1 January 2019 had lowered the education division PBT by RM0.6 million in 2Q2019 as compared to the corresponding quarter in the previous year.

6M2019 vs 6M2018

The Group's revenue for 6M2019 was RM478.9 million, an increase of 9% compared to the corresponding period last year (6M2018: RM440.6 million) while the Group's PBT was RM64.4 million (6M2018: RM78.8 million).

Revenue of the property division had increased by 12% to RM338.8 million (6M2018: RM301.3 million) while the PBT was RM54.6 million (6M2018: RM64.8 million). The PBT for 6M2019 was RM33.0 million higher than that of 6M2018 (excluding the KD Land Disposal) mainly due to the higher sales from the Sejati Residences, Cyberjaya development coupled with the completion of its Phase 3A in 2Q2019. Similarly for Bukit Banyan development in Kedah, sales of its landed development were higher boosted by its participation in the House Ownership Campaign coupled with the completion of certain phases in 2Q2019. In addition, the more advanced stage of completion at Utropolis Glenmarie, Shah Alam development and Utropolis Batu Kawan, Penang development have contributed to the improved performance of the property division.

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

| Projects | Location | For period ended 30/6/19 | | | As at 30/6/19 |
|-----------------|---------------|--------------------------|--------------|------------------|---------------------|
| | | Launched units | Units sold** | Sales value RM'M | Unbilled sales RM'M |
| Central region | Klang valley | 72 | 166 | 160 | 687 |
| Northern region | Kedah, Penang | 265 | 331 | 150 | 291 |
| Total | | 337 | 497 | 310 | 978 |

** - Includes sales of units from prior years launches

Revenue of the education division was RM140.0 million (6M2018: RM139.3 million) while PBT had decreased by 14% to RM19.2 million (6M2018: RM22.2 million). The lower PBT was mainly due to the lower contribution from R.E.A.L Education Group and KDU University (PG) Sdn Bhd but was mitigated by the improved financial performance of KDU University College Sdn Bhd. The adoption of the MFRS 16 Leases since 1 January 2019 had lowered the education division PBT by RM1.3 million in 6M2019 as compared to the corresponding period in the previous year.

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

| | 2Q2019 RM'000 | 1Q2019 RM'000 | Var. % |
|---|------------------|------------------|-----------|
| Revenue | 287,435 | 191,444 | 50% |
| Operating profit | 53,524 | 25,813 | 107% |
| Profit before interest & tax | 53,422 | 25,745 | 108% |
| Profit before Tax | 45,222 | 19,191 | 136% |
| Profit after tax | 30,510 | 12,005 | 154% |
| Profit attributable to ordinary equity holders of the Company | 28,465 | 6,165 | 362% |

Group PBT for 2Q2019 of RM45.2 million was significantly higher as compared to the preceding quarter's PBT of RM19.2 million mainly due to the higher contribution from the property division arising from higher sales from the Sejati Residences, Cyberjaya development and Bukit Banyan, Kedah development.

B3. Prospects

The Malaysian economy grew by 4.9% in 2Q2019 (1Q2019: 4.5%) supported by higher household spending and private investment. Following the strong economic performance in the first half of 2019, the 2019 real gross domestic product growth for Malaysia is forecasted to be 4.6%, according to an affiliate of Fitch Ratings Inc.

Paramount Property

For the 2nd Half of 2019, the Group foresees the property sector to remain soft. Nevertheless, the lower lending rate following the reduction in the Overnight Policy Rate by Bank Negara Malaysia in May 2019 coupled with the Government's extension of the Home Ownership Campaign to 31 December 2019 are expected to improve consumer sentiments for the purchase of properties.

During the six months ended 30 June 2019, the Group achieved property sales of RM310 million. The Group's total unbilled sales of RM978 million as at 30 June 2019 is expected to contribute positively to the Group's financial performance in the near future.

B3. Prospects (cont'd)

Paramount Property will continue to pursue its tried and tested strategies which have fuelled its continuous growth thus far. In the 2nd Half of 2019, Paramount Property plans to launch six projects including new phases of existing projects. Hence, for the central region, Paramount Property will be expanding its footprint to Klang known as Berkeley Uptown - an integrated property-education development project of 33.3 acres located at Jalan Goh Hock Huat, Klang. Berkeley Uptown 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 4Q2019, Paramount Property will be launching a new landed development that is located in close proximity to its existing project, Sejati Residences in Cyberjaya to replicate the success of Sejati Residences. Sejati Residences is a multiple award winning residential development which has achieved strong sales of 85% for its on-going phase as at 30 June 2019 which is targeted to be completed by end 2019. As for the northern region, Paramount Property will also be launching the third phase of its serviced apartments in Utropolis 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 Utropolis Batu Kawan – marking the arrival of the university metropolis concept.

As at 30 June 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 | 258.5 |
| Northern region | Kedah, Penang | 4 | 1,117.9 | 284.6 |
| Total | | 11 | 2,039.3 | 543.1 |

On the coworking space front, the Group has opened a coworking space of 27,700 sq ft at Naza Tower, KL City Center in June 2019 while the Sekitar26, Shah Alam coworking space of 34,400 sq ft was opened in July 2019. In addition, the expansion at The Starling Mall site is targeted to be completed in 4Q2019. This is on the back of encouraging uptake from its existing total floor space of 23,700 sq ft (The Starling Mall, Petaling Jaya and Utropolis Marketplace, Shah Alam) and in line with the growing acceptance of coworking space among young entrepreneurs, start-ups and multinational companies.

Paramount Education

Pre-Tertiary Education

The proposed disposal by Paramount of its controlling equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd (as set out in Note B6(iii)) ("Proposed Disposal") will enable the Paramount Group to monetise and unlock the value of part of its investments in the Pre-Tertiary Education Group at an attractive valuation which is comparable to regional education service providers operating in developed markets. The Proposed Disposal is expected to be completed in 4Q2019 wherein the Group will continue to hold an effective 20% equity interests in the Target Companies (as defined in Note B6(iii)) post completion to participate in the future growth of the Pre-Tertiary Education Group.

Tertiary Education

The agreement for the strategic partnership between Paramount and UOWM Sdn Bhd (owned by the University of Wollongong) as set out in Note B6(ii) 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, as a controlling shareholder of the Tertiary Education Group will enhance value for the KDU tertiary institutions, and help differentiate KDU from other education institutions in the market. Post completion, Paramount will continue to participate in the growth of the Tertiary Education Group via its equity interest of 35% in KDU University College Sdn Bhd ("KDUUC") and KDU University College (PG) Sdn Bhd ("KDUPG"). In respect of the campus properties of KDUUC and KDUPG, these had been disposed to Dynamic Gates Sdn Bhd ("DGSB"). 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, given Paramount's call option to purchase these campus properties from DGSB.

B3. Prospects (cont'd)

Barring any unforeseen circumstances, the Group's financial performance for the financial year ending 31 December 2019 is expected to be better than the previous year upon completion of the proposals involving the disposals of the Pre-Tertiary Education Group and the Tertiary Education Group.

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 | 13,606 | 19,858 |
| Underprovision of income tax | 0 | 1,808 |
| RPGT | 2,069 | 2,069 |
| Deferred tax | (963) | (1,837) |
| | <u>14,712</u> | <u>21,898</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 22 August 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 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
- (iii) On 19 June 2019, the Company had entered into a conditional share sale and purchase agreement ("SPA") with Character First Sdn Bhd ("CFSB") and Prestigion Education Sdn Bhd (formerly known as Two Horses Capital Sdn Bhd) for the disposal by the Company of the following controlling equity interests in Paramount Education Sdn Bhd ("PESB"), Paramount Education (Klang) Sdn Bhd ("PEKSB") and Sri KDU sdn Bhd ("Sri KDU") (together, the "Target Companies") to Prestigion Education Sdn Bhd for an indicative total cash consideration of RM540.5 million, subject to adjustments which may be made to the cash consideration as set out in the SPA:
 - (a) 130,339,000 ordinary shares in PESB*, representing 69.7% equity interest in PESB, for an indicative cash consideration of RM134.5 million
 - (b) 800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB, for an indicative cash consideration of RM21.0 million; and
 - (c) 1,800,000 ordinary shares in Sri KDU, representing 80.0% equity interest in Sri KDU after the internal restructuring in accordance with the terms of the SPA, for an indicative cash consideration of RM385.0 million.

*PESB holds 66.0% equity interest in R.E.A.L. Education Group Sdn Bhd ("REAL Education") whilst the balance 34.0% equity interest is held by CFSB. Pursuant to the terms of the SPA, CFSB shall dispose of all its 34.0% equity interest in REAL Education to Prestigion Education Sdn Bhd.

B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 30 June 2019 and 30 June 2018 were as follows:

| | 30/6/2019 RM'000 | 30/6/2018 RM'000 |
|--|---------------------|---------------------|
| <u>Short-term borrowings</u> | | |
| Bank overdraft - Secured | 12,727 | 13,692 |
| Bank overdraft - Unsecured | 36,155 | 34,283 |
| Revolving credit - Secured | 65,825 | 43,000 |
| Revolving credit - Unsecured | 110,000 | 50,000 |
| Islamic Medium Term Notes (IMTN) | 168,888 | 0 |
| Current portion of long term loans - Secured | 31,691 | 102,402 |
| Total short-term borrowings | <u>425,286</u> | <u>243,377</u> |
| <u>Long-term borrowings (Secured)</u> | | |
| Term loans | 406,111 | 540,703 |
| Islamic Medium Term Notes (IMTN) | 126,255 | 153,607 |
| Total long-term borrowings | <u>532,366</u> | <u>694,310</u> |
| Total borrowings | <u>957,652</u> | <u>937,687</u> |

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

| | | |
|------------------------|-------|-------|
| Floating interest rate | 4.93% | 4.88% |
| Fixed interest rate | 5.02% | 5.02% |

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 30 June 2019 were as follows:

| | Contract amount | Net Fair value Assets/ (Liabilities) |
|---------------------|----------------------------|---|
| | RM'000 | RM'000 |
| Interest rate swap* | | |
| - More than 3 years | 3,134 | (4) |

* 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 | 2 | 10 |

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

B11. Dividends payable

The Board of Directors has declared a single tier interim dividend of 2.0 sen per share, (2018: 2.50 sen per share, single tier) in respect of the financial year ending 31 December 2019, which will be paid on 25 September 2019 to shareholders whose names appear on the Record of Depositors on 10 September 2019.

- (i) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 September 2019 in respect of ordinary transfers.
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

The total dividend for the current financial year to date is 2.0 sen per share, single tier. (2018: 2.50 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

| | Current Quarter | Financial Year-to-date |
|---|----------------------------|-----------------------------------|
| Profit attributable to equity holders of the Company (RM'000) | 28,465 | 34,630 |
| Weighted average number of ordinary shares ('000) | 433,345 | 431,654 |
| Basic EPS (sen) | 6.57 | 8.02 |

(b) Diluted EPS

| | | |
|--|---------|---------|
| Profit attributable to equity holders of the Company (RM'000) | 28,465 | 34,630 |
| Weighted average number of ordinary shares ('000) | 433,345 | 431,654 |
| Effect of dilution ('000) | 16,769 | 16,769 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 450,114 | 448,423 |
| Diluted EPS (sen) | 6.32 | 7.72 |