

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2019

The figures are unaudited

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

	3 Months Ended 30 September		9 Months Ended 30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue	217,090	210,533	695,969	651,145
Operating profit	52,820	33,566	132,157	119,987
Interest expense	(9,632)	(5,467)	(25,649)	(15,245)
Interest income	828	715	2,091	2,903
Share of profit/(loss) of associates & joint venture	265	(20)	95	(65)
Profit before tax	44,281	28,794	108,694	107,580
Taxation	(9,350)	(7,210)	(31,248)	(28,113)
Profit for the period	34,931	21,584	77,446	79,467
Profit attributable to:				
Ordinary equity holders of the Company	30,303	15,615	64,933	64,880
Non-controlling interest	1,002	770	2,091	2,739
Holder of private debt securities of the Company	3,626	5,199	10,422	11,848
	34,931	21,584	77,446	79,467
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	4.99	2.61 *	10.72	10.86 *
Diluted EPS	4.81	2.54 *	10.33	10.59 *

*The comparatives have been restated to account for the effects of the bonus issue that was completed on 26 July 2019

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

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

	3 Months Ended 30 September		9 Months Ended 30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	34,931	21,584	77,446	79,467
Other comprehensive income	(424)	22	(417)	(519)
Total comprehensive income for the period	34,507	21,606	77,029	78,948
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	29,879	15,637	64,516	64,361
Non-controlling interest	1,002	770	2,091	2,739
Holder of private debt securities of the Company	3,626	5,199	10,422	11,848
	34,507	21,606	77,029	78,948

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 30 September 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	As at 30/9/2019	As at 31/12/2018
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	36,689	682,552
Right-of-use asset	17,572	0
Inventories - land held for property development	841,112	649,961
Investment properties	506,961	206,016
Intangible assets	0	147,449
Investment in associates	29,491	9,116
Investment in a joint venture	3,343	2,904
Other investments	7,755	7,843
Deferred tax assets	36,783	41,611
	1,479,706	1,747,452
Current assets		
Inventories - property development costs	239,343	297,665
Inventories - completed properties and other inventories	106,896	25,441
Trade receivables	101,246	109,936
Other receivables	40,789	52,789
Other current assets	8,730	8,550
Contract assets	245,502	221,216
Tax recoverable	4,286	10,626
Cash and bank balances	161,642	136,962
	908,434	863,185
Assets of disposal group/Non-current assets held for sale	619,461	64,993
	1,527,895	928,178
Total assets	3,007,601	2,675,630
Current liabilities		
Borrowings	154,791	453,922
Lease liabilities	3,809	0
Trade payables	95,953	99,794
Other payables	137,995	184,037
Tax payable	7,082	6,060
Contract liabilities	370	60,990
	400,000	804,803
Liabilities directly associated with the assets held for sale	342,974	30,415
	742,974	835,218
Net current assets	784,921	92,960

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Interim Financial Report for the period ended 30 September 2019

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	As at 30/9/2019	As at 31/12/2018
	RM'000	RM'000
Non-current liabilities		
Borrowings	822,230	446,739
Lease liabilities	14,660	0
Deferred tax liabilities	6,879	47,388
	843,769	494,127
Total liabilities	1,586,743	1,329,345
Equity		
Share capital	316,862	310,315
Reserves	780,811	760,976
Equity attributable to ordinary equity holders of the Company	1,097,673	1,071,291
Non-controlling interests	73,398	75,207
Private debt securities	249,787	199,787
Total equity	1,420,858	1,346,285
Total equity and liabilities	3,007,601	2,675,630
Net assets (NA) per share (RM)	1.81 *	2.50

* The NA per share as at 30/9/2019 was based on the enlarged issued share capital after the bonus issue.

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 September 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 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
As at 1 January 2019	310,315	8,125	(140)	752,991	75,207	199,787	1,346,285
Total comprehensive income	-	-	(417)	64,933	2,091	10,422	77,029
Transactions with owners							
Vesting of LTIP shares	6,547	(6,547)	-	-	-	-	-
Issuance of Perpetual securities	-	-	-	-	-	100,000	100,000
Redemption of Private debt securities	-	-	-	-	-	(50,000)	(50,000)
Private debt securities distribution	-	-	-	-	-	(10,422)	(10,422)
Dividends paid to non-controlling interest	-	-	-	-	(3,900)	-	(3,900)
Dividends	-	-	-	(38,134)	-	-	(38,134)
Total transactions with owners	6,547	(6,547)	-	(38,134)	(3,900)	39,578	(2,456)
As at 30 September 2019	316,862	1,578	(557)	779,790	73,398	249,787	1,420,858

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 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
As at 1 January 2018	305,215	7,139	55	730,251	74,995	199,787	1,317,442
Total comprehensive income	-	-	(519)	64,880	2,739	11,848	78,948
Transactions with owners							
Vesting of LTIP shares	5,100	(5,100)	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(11,848)	(11,848)
Dividends paid to non-controlling interest	-	-	-	-	(4,044)	-	(4,044)
Dividends	-	-	-	(68,523)	-	-	(68,523)
Total transactions with owners	5,100	(5,100)	-	(68,523)	(4,044)	(11,848)	(84,415)
As at 30 September 2018	310,315	2,039	(464)	726,608	73,690	199,787	1,311,975

- 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.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 SEPTEMBER 2019**

	9 Months Ended	
	30/9/2019 RM'000	30/9/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	108,694	107,580
Adjustment for:		
Non-cash items	27,548	20,313
Non-operating items	54	(31,003)
Operating profit before working capital changes	136,296	96,890
(Increase)/decrease in receivables	(14,783)	36,808
Decrease in development properties	143,960	33,836
(Increase)/decrease in inventories	(83,945)	2,624
Decrease in payables	(9,911)	(27,176)
Cash generated from operations	171,617	142,982
Taxes paid	(34,021)	(25,244)
Interest paid	(43,004)	(36,926)
Net cash generated from operating activities	94,592	80,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	(203,934)	(37,409)
Subscription of shares in a joint venture company	(639)	-
Purchase of property, plant and equipment	(38,563)	(41,550)
Purchase of unquoted investment	-	(7,533)
Purchase of investment properties	(28,429)	(14,525)
Proceeds from disposal of property, plant and equipment	4,685	190
Proceeds from disposal of equity interest in subsidiaries	30,187	-
Proceeds from disposal of assets held for sale	-	5,432
Movement in other investment	304	10,048
Movement in asset held for sale	(8,337)	-
Interest received	2,092	2,904
Net cash used in investing activities	(242,634)	(82,443)

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 SEPTEMBER 2019**

	9 Months Ended	
	30/9/2019	30/9/2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to ordinary equity holders of the Company	(38,134)	(68,523)
Dividends paid to non-controlling interest	(3,900)	(4,044)
Proceeds from borrowings	75,532	127,615
Issuance of Islamic Medium Term Notes	127,500	24,890
Repayment of Islamic Medium Term Notes	(170,639)	-
Issuance of Medium Term Notes	292,917	-
Issuance of Perpetual Securities	100,000	-
Redemption of PDS	(50,000)	-
PDS distribution	(10,422)	(11,848)
Withdrawal/(placements) in banks restricted for use	9,217	(16,811)
Repayment of borrowings	(114,838)	(97,167)
Lease rental payment	(12,255)	-
Net cash generated from/(used in) financing activities	204,978	(45,888)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	56,936	(47,519)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,315	109,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	129,251	61,908
	30/9/2019	30/9/2018
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	156,829	100,488
Fixed deposits	4,813	48,430
Cash and bank balances	161,642	148,918
Cash and bank balances restricted for use	(14,393)	(26,474)
Fixed deposits maturing more than 3 months	(2,368)	(14,036)
Overdrafts	(15,630)	(46,500)
	129,251	61,908
Cash and bank balances held in HDA accounts	62,670	44,200

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 September 2019

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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 restrospective 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.

A7. Debt and equity securities (cont'd)

(iv) RM300 Million Medium Term Notes Programme ("MTN Programme")

On 19 July and 22 August 2019, Dynamic Gates Sdn Bhd, a special purpose vehicle incorporated to undertake Asset-Backed Securitisation, made the first and second issuance of RM185,130,000 and RM108,870,000 in nominal value of Medium Term Notes respectively, with a seven (7) years tenure under the MTN Programme.

(v) Bonus Issue and Free Warrants

On 26 July 2019, the Company increased its issued ordinary share capital from 433,344,720 to 606,682,566 through bonus issue of 173,337,846 new ordinary shares.

On 5 August 2019, the Company completed the issuance of free warrants with the listing of and the quotation for 173,337,846 warrants on the Main Market of Bursa Securities.

(vi) RM500 Million Perpetual Securities Programme

On 13 August 2019, the Group issued RM100,000,000 in nominal value of Perpetual Securities pursuant to the Perpetual Securities Programme.

A8. Dividends paid

	9 months ended	
	30/9/2019	30/9/2018
	RM'000	RM'000
Special dividends		
2017 - 7.50 sen single tier	0	32,120
Final dividends		
2018 - 6.00 sen single tier (2017 - 6.00 sen single tier)	26,001	25,696
Interim dividends		
2019 - 2.00 sen single tier (2018 - 2.50 sen single tier)	12,133	10,707
	<u>38,134</u>	<u>68,523</u>

A9. Profit before tax

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

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of:				
- Property, plant and equipment	2,615	5,827	14,283	17,323
- Right-of-use asset	1,632	0	9,291	0
- Investment properties	1,819	528	2,801	1,571
Interest expense on:				
- Borrowings	8,166	5,467	21,463	15,245
- Lease liabilities	1,466	0	4,186	0
Amortisation of intangible assets	197	410	958	1,229
Additions/(reversal) of allowance for impairment of receivables	(69)	201	433	498
(Gain)/loss on disposal of:				
- Property, plant and equipment	(72)	(128)	(85)	(187)
- Land held for development	0	0	0	(43,170)
- Equity interest in subsidiaries (A13(c))	(23,322)	0	(23,322)	0
Net derivative (gain)/loss on interest rate swap	0	(84)	(10)	(44)
Net foreign exchange (gain)/loss	(104)	(161)	(524)	(422)

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	493,589	445,639	70,528	93,731
Co-labs Coworking	2,229	198	(2,397)	(868)
Education	200,151	205,308	33,055	28,730
Investment & others	125,334	83,108	115,230	81,962
	<u>821,303</u>	<u>734,253</u>	<u>216,416</u>	<u>203,555</u>
Inter-segment elimination	(125,334)	(83,108)	(107,722)	(95,975)
	<u>695,969</u>	<u>651,145</u>	<u>108,694</u>	<u>107,580</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 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 Pridecity Sdn. Bhd.) with a share capital of RM1 represented by 1 ordinary share.
- (c) On 3 September 2019, the Company completed the 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 Sdn Bhd. Consequently, the remaining equity interests owned by the Company in KDUUC and KDUPG is 35%.

A14. Changes in contingent assets and contingent liabilities

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

A15. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 30 September 2019 were as follows:

	RM'000
Approved and contracted for:-	
Payment under DRA (Note: B6(i))	113,000
Investment properties	7,928
Property, plant & equipment	54,011
	<u>174,939</u>
Approved but not contracted for:-	
Property, plant & equipment	8,372
	<u>8,372</u>
	<u>183,311</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>17,993</u>	<u>38,563</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	1,417
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	208
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	101
Rental charges paid to Mr Chew Sun Teong, a director of the Company	28
	<hr/>
	1,754
	<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 September 2019 are 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(ii))

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
Disposal	(34,578)
Assets reclassified as held for sale	619,461
Liabilities reclassified as held for sale	(342,974)
At 30 September 2019	<hr/>
	276,487
	<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	334,404
Right-of-use asset	92,381
Intangible asset	145,551
Deferred tax assets	9,561
Inventories	2,489
Trade and other receivables	6,215
Other current assets	2,105
Tax recoverable	4,909
Cash and bank balances	21,758
Other investments	88
Assets of disposal groups classified as held for sale	<u>619,461</u>
	Group RM'000
Liabilities	
Borrowings	111,074
Lease liabilities	92,706
Deferred tax liabilities	40,012
Other payables	46,310
Other current liabilities	52,872
Liabilities of disposal groups classified as held for sale	<u>342,974</u>

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

B1. Review of performance

3Q2019 vs 3Q2018

	3Q2019	3Q2018	Var.		9M2019	9M2018	Var.
	RM'000	RM'000	%		RM'000	RM'000	%
Revenue	217,090	210,533	3%		695,969	651,145	7%
Operating profit	52,820	33,566	57%		132,157	119,987	10%
Profit before interest & tax	53,085	33,546	58%		132,252	119,922	10%
Profit before Tax	44,281	28,794	54%		108,694	107,580	1%
Profit after tax	34,931	21,584	62%		77,446	79,467	-3%
Profit attributable to ordinary equity holders of the Company	30,303	15,615	94%		64,933	64,880	0%

For 3Q2019, the Group recorded a higher revenue of RM217.1 million, an increase of 3% compared with the corresponding quarter last year (3Q2018: RM210.5 million) with higher contribution from the property division. The Group's profit before tax (PBT) was 54% higher at RM44.3 million (3Q2018: RM28.8 million) mainly attributable to the gain of RM23.3 million on disposal of the controlling stake in KDU University College Sdn Bhd ("KDUUC"), KDU University College (PG) Sdn Bhd ("KDUPG") and KDU College (PJ) Sdn Bhd ("KDUPJ") ("KDU Disposal") that was completed on 3 September 2019.

Revenue of the property division had increased by 8% to RM156.1 million (3Q2018: RM144.4 million) while the PBT had decreased by 49% to RM14.5 million (3Q2018: RM28.6 million). The higher revenue was contributed mainly by Greenwoods, Salak Tinggi development, Utropolis Glenmarie, Shah Alam development, and Berkeley Uptown, Klang development but was mitigated by the lower percentage of work done in Atwater, Petaling Jaya development. However, the 3Q2019 PBT was lower than the corresponding quarter last year mainly due to lower profit contribution from Atwater, Petaling Jaya development and the Utropolis Glenmarie, Shah Alam development coupled with the higher losses from the Utropolis Marketplace. In addition, the property investment segment in 3Q2019 included the campus property of KDUPJ and three campuses under KDUUC and KDUPG that had been sold to Dynamic Gates Sdn Bhd and were subsequently leased back to KDUUC and KDUPG through Janahasil Sdn Bhd, a subsidiary of Paramount Corporation Berhad. These campus properties contributed a net loss before taxation of RM3.6 million in Q32019 mainly attributable to finance cost.

The education division recorded a revenue of RM60.1 million, which was 9% lower than the corresponding quarter last year of RM66 million. The lower revenue was mainly due to the completion of the KDU Disposal on 3 September 2019 resulting in the financial performance of these companies to be equity accounted as associated companies thereafter. However, the PBT for the division in 3Q2019 had increased by 111% to RM13.9 million (3Q2108: RM6.6 million). This was mainly due to the costs associated with the campus properties of KDUUC, KDUPG and KDUPJ (including financing cost) have been included in the property investment segment in 3Q2019 as mentioned above. In addition, the assets of the Sri KDU and the R.E.A.L Education Group were not depreciated since the signing of the sale and purchase agreement with Prestigion Education Sdn Bhd until the completion of the sale in line with the accounting treatment of "assets held for sale" (refer to Note A18 above) which has contributed to the improved PBT of the education division in 3Q2019.

9M2019 vs 9M2018

The Group's revenue for 9M2019 was RM696 million, an increase of 7% compared to the corresponding period last year (9M2018: RM651.1 million) while the Group's PBT was RM108.7 million (9M2018: RM107.6 million). Excluding the gains from the disposal of Kota Damansara land in 2Q2018 and the KDU Disposal in 3Q2019, the Group's revenue and PBT in 9M2019 would be higher than that of 9M2018 by 25% and 33%, respectively.

B1. Review of performance (cont'd)

Revenue of the property division had increased by 11% to RM493.5 million (9M2018: RM445.6 million). The higher revenue was contributed mainly by Utropolis Glenmarie, Shah Alam development, Utropolis Batu Kawan, Penang development, Greenwoods, Salak Tinggi development, and Bukit Banyan, Kedah development. Excluding the gain on disposal of the Kota Damansara land that was completed in 2Q2018, the 9M2018 PBT would be RM50.6 million. Hence, the 9M2019 PBT of RM70.5 million would be RM19.9 million or 39% higher.

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

Projects	Location	For period ended 30/9/19			As at 30/9/19
		Launched units	Units sold**	Sales value RM'M	Unbilled sales RM'M
Central region	Klang valley	991	517	287	671
Northern region	Kedah, Penang	365	442	194	286
Total		1,356	959	481	957

** - Includes sales of units from prior years launches

Revenue of the education division was RM200.1 million (9M2018: RM205.3 million) while PBT had increased by 15% to RM33.0 million (9M2018: RM28.7 million). The revenue in 9M2019 was marginally lower mainly due to the completion of the KDU Disposal on 3 September 2019 resulting in the financial performance of these companies to be equity accounted as associated companies thereafter. However, the higher PBT achieved by the education division in 9M2019 was mainly due to the costs associated with the campus properties of KDUUC, KDUPG and KDUPJ have been included in the property investment segment in 3Q2019 as mentioned above. In addition, the assets of Sri KDU and the R.E.A.L Education Group were not depreciated since the signing of the sale and purchase agreement with Prestigion Education Sdn Bhd until the completion of the sale in line with the accounting treatment of "assets held for sale" (refer to Note A18 above) has also contributed to the improved PBT of the education division in 9M2019.

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

	3Q2019 RM'000	2Q2019 RM'000	Var. %
Revenue	217,090	287,435	-24%
Operating profit	52,820	53,524	-1%
Profit before interest & tax	53,085	53,422	-1%
Profit before Tax	44,281	45,222	-2%
Profit after tax	34,931	30,510	14%
Profit attributable to ordinary equity holders of the Company	30,303	28,465	6%

Group PBT for 3Q2019 of RM44.3 million was marginally lower as compared to the preceding quarter's PBT of RM45.2 million mainly due to the lower contribution from the property division which was mitigated by the gain of RM23.3 million from KDU Disposal.

B3. Prospects

Growth in the Malaysian economy moderated to 4.4% in 3Q2019 (2Q2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in the mining and construction activities. Overall, the Malaysian economy is expected to grow at a respectable rate of 4.7% in 2019.

Paramount Property

For the 4Q 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 nine months ended 30 September 2019, the Group achieved property sales of RM481 million on the back of RM714 million of properties launched in 9M2019. The Group's total unbilled sales of RM957 million as at 30 September 2019 is expected to contribute positively to the Group's financial performance in the near future.

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 been completed in 3Q2019. 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.

As at 30 September 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	246.4
Northern region	Kedah, Penang	4	1,117.9	272.6
Total		11	2,039.3	519.0

On the coworking space front, Co-labs Coworking has added two new locations in 3Q 2019 bringing the total of about 85,800 sq ft available coworking space in the Klang Valley. In addition, with encouraging uptake from The Starling Mall coworking space, another 15,500 sq ft would be opened in 4Q2019. The demand for coworking space is expected to be on the rise in Malaysia, in line with the global trend in coworking space that offer flexibility, hassle-free and cost efficient alternative to conventional office space. Hence, this will allow Paramount Property to create coworking space within its selected commercial developments to leverage on the branding of Co-labs Coworking.

Paramount 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(ii)) ("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 interest in the Target Companies (as defined in Note B6(ii)) post completion to participate in the future growth of the Pre-Tertiary Education Group.

The Group's financial performance for the financial year ending 31 December 2019 is expected to be comparable to the previous year, excluding the gain from the impending completion of the Pre-Tertiary Education Group disposal.

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	13,515	33,373
(Over)/underprovision of income tax	(1,009)	799
RPGT	101	2,170
Deferred tax	(3,257)	(5,094)
	<u>9,350</u>	<u>31,248</u>

The effective tax rate for the current financial period was lower than the statutory income tax rate in Malaysia mainly due to the gain on disposal of equity interest in subsidiaries was not subject to income tax.

The effective tax rate for the financial year to date 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 19 November 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 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:

B6. Corporate proposal (Cont'd)

- (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.

The status of utilisation of proceeds arising from the corporate proposals as at 19 November 2019 are as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Intended Timeframe
<u>(a) Disposal of equity interest in KDUUC, KDUPJ and KDUPG</u>				
(i) Incidental expenses	500	450	(50)	1-month
(ii) Cut back on Group borrowings	30,000	30,000	0	3-month
(iii) Working capital of the Group	8,000	8,050	50	6-month
	<u>38,500</u>	<u>38,500</u>	<u>0</u>	
<u>(b) RM300 Million Medium Term Notes Programme</u>				
(i) Refinancing of borrowings	241,500	241,500	0	6-month
(ii) Partial redemption of PDS	50,000	50,000	0	12-month
(iii) Incidental expenses	2,500	2,514	14	1-month
	<u>294,000</u>	<u>294,014</u>	<u>14</u>	

B7. Borrowings and debts securities

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

	30/9/2019 RM'000	30/9/2018 RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	0	17,760
Bank overdraft - Unsecured	15,630	28,740
Revolving credit - Secured	74,860	42,063
Revolving credit - Unsecured	45,000	35,000
Current portion of long term loans - Secured	19,301	73,842
Total short-term borrowings	<u>154,791</u>	<u>197,405</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	403,205	566,316
Medium Term Notes (MTN)	292,917	0
Sukuk Murabahah	126,108	0
Islamic Medium Term Notes (IMTN)	0	153,666
Total long-term borrowings	<u>822,230</u>	<u>719,982</u>
Total borrowings	<u>977,021</u>	<u>917,387</u>

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

Floating interest rate	4.85%	4.96%
Fixed interest rate	N/A	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) MTN - Increase was to refinance IMTN and PDS.
- (ii) Sukuk Murabahah - Increase was due to new issuance of RM126 million to finance the acquisition of freehold residential land in Dengkil, Sepang.
- (iii) Revolving credit - Increase was to finance the project expenditure.

B8. Derivative financial instrument

There was no derivative financial instrument outstanding as at 30 September 2019.

B9. Fair value gain/(loss)

	Current Quarter RM'000	Financial Year-to-date RM'000
Interest rate swap	<u>0</u>	<u>10</u>

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 19 November 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 30 September 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

	Current Quarter	Financial Year-to-date
Profit attributable to equity holders of the Company (RM'000)	30,303	64,933
Weighted average number of ordinary shares ('000)	606,683	605,555
	<hr/>	<hr/>
Basic EPS (sen)	4.99	10.72
	<hr/>	<hr/>

(b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	30,303	64,933
Weighted average number of ordinary shares ('000)	606,683	605,555
Effect of dilution ('000)	22,897	22,897
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	629,580	628,452
	<hr/>	<hr/>
Diluted EPS (sen)	4.81	10.33
	<hr/>	<hr/>