

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 31 DECEMBER 2019**

	3 Months Ended 31 December		12 Months Ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	209,622	186,252	705,974	632,494
Operating profit from continuing operations	41,268	37,137	105,909	120,409
Interest expense	(6,957)	(3,972)	(21,905)	(12,720)
Interest income	914	438	2,533	2,675
Share of profit/(loss) of associates & joint venture	2,206	(117)	2,301	(182)
Profit before tax from continuing operations	37,431	33,486	88,838	110,182
Taxation	(13,317)	(9,354)	(34,328)	(31,803)
Profit after tax from continuing operations	24,114	24,132	54,510	78,379
Profit after tax from discontinued operations	17,430	5,892	64,480	31,112
Profit for the period	41,544	30,024	118,990	109,491
Profit attributable to:				
Ordinary equity holders of the Company	39,116	26,934	104,049	91,814
Non-controlling interest	799	1,470	2,890	4,209
Holder of private debt securities of the Company	1,629	1,620	12,051	13,468
	41,544	30,024	118,990	109,491
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	6.45	4.49 *	17.17	15.29 *
Diluted EPS	6.21	4.32 *	16.55	14.74 *

*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

Interim Financial Report for the year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2019**

	3 Months Ended 31 December		12 Months Ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	41,544	30,024	118,990	109,491
Other comprehensive income	(3,651)	129	(4,068)	(195)
Total comprehensive income for the period	37,893	30,153	114,922	109,296
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	35,465	27,063	99,981	91,619
Non-controlling interest	799	1,470	2,890	4,209
Holder of private debt securities of the Company	1,629	1,620	12,051	13,468
	37,893	30,153	114,922	109,296

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 year ended 31 December 2019

The figures are unaudited

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

	As at 31/12/2019	As at 31/12/2018
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	39,550	682,552
Right-of-use asset	20,140	0
Inventories - land held for property development	873,440	649,961
Investment properties	514,626	206,016
Intangible assets	0	147,449
Investment in associates	29,242	9,116
Investment in a joint venture	235	2,904
Other investments	10,212	7,843
Deferred tax assets	47,533	41,611
	1,534,978	1,747,452
Current assets		
Inventories - property development costs	126,698	230,905
Inventories - completed properties and other inventories	105,209	25,441
Contract cost assets	64,657	66,760
Trade receivables	141,691	109,936
Other receivables	35,774	52,789
Other current assets	5,584	8,550
Contract assets	252,413	221,216
Tax recoverable	3,863	10,626
Cash and bank balances	134,739	136,962
	870,628	863,185
Assets of disposal group/Non-current assets held for sale	667,947	64,993
	1,538,575	928,178
Total assets	3,073,553	2,675,630
Current liabilities		
Borrowings	211,308	453,922
Lease liabilities	3,708	0
Trade payables	129,150	99,794
Other payables	160,738	184,037
Tax payable	6,718	6,060
Contract liabilities	53	60,990
	511,675	804,803
Liabilities directly associated with the assets held for sale	373,235	30,415
	884,910	835,218
Net current assets	653,665	92,960

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the year ended 31 December 2019

The figures are unaudited

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

	As at 31/12/2019	As at 31/12/2018
	RM'000	RM'000
Non-current liabilities		
Borrowings	700,637	446,739
Lease liabilities	17,659	0
Deferred tax liabilities	6,198	47,388
	724,494	494,127
Total liabilities	1,609,404	1,329,345
Equity		
Share capital	316,945	310,315
Reserves	824,035	760,976
Equity attributable to ordinary equity holders of the Company	1,140,980	1,071,291
Non-controlling interests	74,197	75,207
Private debt securities	248,972	199,787
Total equity	1,464,149	1,346,285
Total equity and liabilities	3,073,553	2,675,630
Net assets (NA) per share (RM)	1.88 *	2.50

* The NA per share as at 31/12/2019 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 year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 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	Fair value 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	-	-	(3,957)	(111)	104,049	2,890	12,051	114,922
Transactions with owners								
Vesting of LTIP shares	6,630	(6,630)	-	-	-	-	-	-
Award of LTIP to employees	-	7,842	-	-	-	-	-	7,842
Issuance of Perpetual securities	-	-	-	-	-	-	149,185	149,185
Redemption of Private debt securities	-	-	-	-	-	-	(100,000)	(100,000)
Private debt securities distribution	-	-	-	-	-	-	(12,051)	(12,051)
Dividends paid to non-controlling interest	-	-	-	-	-	(3,900)	-	(3,900)
Dividends	-	-	-	-	(38,134)	-	-	(38,134)
Total transactions with owners	6,630	1,212	-	-	(38,134)	(3,900)	37,134	2,942
As at 31 December 2019	316,945	9,337	(3,957)	(251)	818,906	74,197	248,972	1,464,149

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 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	Fair value Reserve RM'000	Translation Reserve RM'000				
As at 1 January 2018	305,215	7,139	-	55	729,700	74,995	199,787	1,316,891
Total comprehensive income	-	-	-	(195)	91,814	4,209	13,468	109,296
Transactions with owners								
Vesting of LTIP shares	5,100	(5,100)	-	-	-	-	-	-
Award of LTIP to employees	-	6,086	-	-	-	-	-	6,086
Private debt securities distribution	-	-	-	-	-	-	(13,468)	(13,468)
Dividends paid to non-controlling interest	-	-	-	-	-	(4,042)	-	(4,042)
Arising from dilution of equity interest in a subsidiary	-	-	-	-	-	45	-	45
Dividends	-	-	-	-	(68,523)	-	-	(68,523)
Total transactions with owners	5,100	986	-	-	(68,523)	(3,997)	(13,468)	(79,902)
As at 31 December 2018	310,315	8,125	-	(140)	752,991	75,207	199,787	1,346,285

- 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 year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2019**

	12 Months Ended	
	31/12/2019	31/12/2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- from continuing operations	88,838	110,182
- from discontinued operations	74,624	41,089
	163,462	151,271
Profit before tax		
Adjustment for:		
Non-cash items	41,610	33,899
Non-operating items	10,034	18,261
	215,106	203,431
Operating profit before working capital changes	215,106	203,431
Increase in receivables	(50,056)	(84,485)
Decrease in development properties	124,962	69,428
Decrease in payables	3,750	26,406
	293,762	214,780
Cash generated from operations	293,762	214,780
Taxes paid	(48,573)	(46,414)
Interest paid	(45,806)	(44,267)
	199,383	124,099
Net cash generated from operating activities	199,383	124,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	(255,870)	(54,799)
Addition in course development	(37)	-
Dilution of a subsidiary	-	45
Investment in an associate	-	(86)
Investment in a joint venture	(2,394)	(2,160)
Purchase of property, plant and equipment	(76,396)	(59,745)
Purchase of investment properties	(19,812)	(760)
Proceeds from disposal of property, plant and equipment	5,007	270
Proceeds from disposal of equity interest in subsidiaries	35,130	-
Proceeds from disposal of assets held for sale	-	5,432
Movement in other investment	(1,455)	2,210
Movement in asset held for sale	(4,826)	(13,420)
Interest received	3,190	3,671
	(317,463)	(119,342)
Net cash used in investing activities	(317,463)	(119,342)

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the year ended 31 December 2019

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2019**

	12 Months Ended	
	31/12/2019	31/12/2018
	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)	(4,042)
Proceeds from borrowings	27,322	175,656
Issuance of Islamic Medium Term Notes	126,108	24,890
Repayment of Islamic Medium Term Notes	(153,753)	-
Issuance of Medium Term Notes	292,608	-
Issuance of Perpetual Securities	149,185	-
Redemption of PDS	(100,000)	-
PDS distribution	(12,051)	(13,468)
Withdrawal/(placements) in banks restricted for use	8,555	(2,279)
Repayment of borrowings	(114,880)	(154,103)
Lease payments	(17,980)	-
Net cash generated from/(used in) financing activities	163,080	(41,869)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	45,000	(37,112)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	72,315	109,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	117,315	72,315
	31/12/2019	31/12/2018
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	117,952	100,628
Fixed deposits	16,787	36,334
Cash and bank balances	134,739	136,962
Cash and bank balances restricted for use	(17,388)	(19,686)
Fixed deposits maturing more than 3 months	(36)	(6,292)
Overdrafts	-	(38,669)
	117,315	72,315
Cash and bank balances held in HDA accounts	86,441	50,408

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 year ended 31 December 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 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 and 1 October 2019, the Group has redeemed in the amount of RM50,000,000 each 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 and 23 October 2019, the Group issued RM100,000,000 and RM50,000,000, respectively, in nominal value of Perpetual Securities pursuant to the Perpetual Securities Programme.

A8. Dividends paid

	12 months ended	
	31/12/2019	31/12/2018
	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 31 December		12 months ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Continuing operations</u>				
Depreciation of:				
- Property, plant and equipment	6,934	1,703	8,577	6,811
- Right-of-use asset	1,077	0	3,919	0
- Investment properties	(1,568)	380	1,233	1,951
Interest expense on:				
- Borrowings	6,957	3,972	21,025	12,800
- Lease liabilities	880	0	880	0
Additions/(reversal) of allowance for impairment of receivables	118	(249)	118	(249)
(Gain)/loss on disposal of:				
- Property, plant and equipment	(111)	(13)	(111)	(142)
- Land held for development	0	0	0	(43,170)
Net derivative (gain)/loss:				
Interest rate swap	(10)	(9)	(10)	(53)
	<hr/>	<hr/>	<hr/>	<hr/>
	3 months ended 31 December		12 months ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Discontinued operations</u>				
Depreciation of:				
- Property, plant and equipment	(1,537)	4,319	11,103	16,534
- Right-of-use asset	727	0	7,176	0
Interest expense on:				
- Borrowings	3,734	2,708	14,430	9,125
- Lease liabilities	0	0	0	0
Amortisation of intangible assets	(88)	410	870	1,639
Additions/(reversal) of allowance for impairment of receivables	(333)	(95)	100	403
(Gain)/loss on disposal of:				
- Property, plant and equipment	85	79	0	21
- Equity interest in subsidiaries (A13(c))	(25,412)	0	(25,412)	0
Net foreign exchange (gain)/loss	(2)	(60)	(526)	(482)
	<hr/>	<hr/>	<hr/>	<hr/>

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	700,337	631,184	117,452	130,420
Co-labs Coworking	3,307	597	(3,941)	(1,577)
Investment & others	183,587	130,042	131,977	90,377
	<u>887,231</u>	<u>761,823</u>	<u>245,488</u>	<u>219,220</u>
Inter-segment elimination	(181,257)	(129,329)	(156,650)	(109,038)
Total - continuing	<u>705,974</u>	<u>632,494</u>	<u>88,838</u>	<u>110,182</u>
Education - discontinued	<u>249,906</u>	<u>275,176</u>	<u>74,626</u>	<u>41,089</u>
	<u>955,880</u>	<u>907,670</u>	<u>163,464</u>	<u>151,271</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

Save for the proposal disclosed in A13(d) below, 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.
- (c) On 3 September 2019, the Company completed the disposal of the Company's controlling equity interest in UOW Malaysia KDU University College Sdn Bhd (KDUUC), UOW Malaysia KDU Penang University College Sdn Bhd (KDUPG) and UOW Malaysia KDU College Sdn Bhd (KDUPJ) to UOWM Sdn Bhd. Consequently, the remaining equity interests owned by the Company in KDUUC and KDUPG is 35%.

A13. Changes in composition of the Group (cont'd)

(d) 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 ("Proposed Disposal"):

- (i) 130,339,000 ordinary shares in PESB, representing 69.7% equity interest in PESB, for an indicative cash consideration of RM134.5 million
- (ii) 800,000 ordinary shares in PEKSB, representing 80.0% equity interest in PEKSB, for an indicative cash consideration of RM21.0 million; and
- (iii) 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.

On 20 February 2020, the disposal consideration in respect of the Proposed Disposal has been fully settled, marking the completion of the Proposed Disposal on even date.

Discontinued operations of the previous financial period

Following the completion of (c) and (d) above, the financial results of the education division in the previous financial period has been classified as discontinued operations.

The comparative condensed consolidated income statement has been re-presented to show the discontinued operations separately from the continuing operations, in accordance with the requirement of MFRS 5: Non-current assets held for sale and discontinued operations.

In presenting the discontinued operations, the Group continues to apply MFRS 10 which requires the elimination of the intra-group transactions.

The results of the education division for individual quarter and cumulative quarter are as follows:

	3 Months Ended		12 Months Ended	
	31 December 2019	2018	31 December 2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue	50,289	70,517	249,906	275,177
Operating profit	20,886	12,648	88,396	49,218
Interest expense	(3,734)	(2,708)	(14,430)	(9,125)
Interest income	186	265	658	996
Share of profit/(loss) of associates & joint venture	0	0	0	0
Profit before tax	17,338	10,205	74,624	41,089
Taxation	92	(4,313)	(10,144)	(9,977)
Profit after tax	17,430	5,892	64,480	31,112

(e) On 31 October 2019, the Company incorporated Paramount Property (Cityview) Sdn. Bhd. with share capital of RM100, represented by 100 ordinary shares.

(f) On 5 December 2019, the Company incorporated Paramount Global Sdn. Bhd. with share capital of RM100, represented by 100 ordinary shares.

A14. Changes in contingent assets and contingent liabilities

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

A15. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 31 December 2019 were as follows:

	RM'000
Approved and contracted for:-	
Payment under DRA (Note: B6(i))	113,000
Investment properties	7,067
Property, plant & equipment	36,715
	<u>156,782</u>
Approved but not contracted for:-	
Property, plant & equipment	7,787
	<u>7,787</u>
	<u>164,569</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	37,833	76,396

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	1,945
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	277
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	134
Rental charges paid to Mr Chew Sun Teong, a director of the Company	40
	<u>2,396</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.

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 31 December 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 (A13(d))

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	667,947
Liabilities reclassified as held for sale	(373,235)
At 31 December 2019	<u>294,712</u>

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

	Group RM'000
Assets	
Property, plant and equipment	354,752
Right-of-use asset	96,840
Intangible asset	146,616
Investment in associate	14
Deferred tax assets	11,044
Inventories	2,299
Trade and other receivables	4,897
Other current assets	1,518
Tax recoverable	3,428
Cash and bank balances	46,451
Other investments	88
Assets of disposal groups classified as held for sale	<u>667,947</u>

	Group RM'000
Liabilities	
Borrowings	127,452
Lease liabilities	93,657
Deferred tax liabilities	40,611
Other payables	49,002
Other current liabilities	62,325
Tax payable	188
Liabilities of disposal groups classified as held for sale	<u>373,235</u>

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

B1. Review of performance

	4Q2019 RM'000	4Q2018 RM'000	Var. %		FY2019 RM'000	FY2018 RM'000	Var. %
<u>Continuing</u>							
Revenue	209,622	186,252	13%		705,974	632,494	12%
Operating profit	41,268	37,137	11%		105,909	120,409	-12%
Profit before interest & tax	43,474	37,020	17%		108,210	120,227	-10%
Profit before Tax	37,431	33,486	12%		88,838	110,182	-19%
Profit after tax	24,114	24,132	0%		54,510	78,379	-30%
<u>Discontinued</u>							
Profit after tax	17,430	5,892	196%		64,480	31,112	107%
Profit for the period	41,544	30,024	38%		118,990	109,491	9%
Profit attributable to ordinary equity holders of the Company	39,116	26,934	45%		104,049	91,814	13%

(Note: Pursuant to the completion of the disposal of the pre-tertiary education and the tertiary businesses as set out in Note A13 above, the education division has been classified as "discontinued operations" for financial reporting purposes. However, Paramount has accounted for its share of results in KDUUC and KDUPG under the investment & others division.)

4Q2019 vs 4Q2018

For 4Q2019, the Group recorded revenue of RM209.6 million, which was 13% higher than the revenue of the corresponding quarter last year of RM186.3 million. The Group's profit before tax (PBT) from continuing operations was 12% higher at RM37.4 million (4Q2018: RM33.5 million) mainly attributable to the higher contribution from the property division. With the higher profit after tax from discontinued operations in 4Q2019, the Group's profit attributable to ordinary equity holders of the Company of RM39.1 million was 45% higher than that of the corresponding quarter of RM26.9 million.

Continuing operations

Revenue of the property division had increased by 12% to RM207.5 million (4Q2018: RM185.6 million) while the PBT had increased by 17% to RM43.1 million (4Q2018: RM36.7 million). The key contributors to the higher revenue and profit before tax were Utropolis Batu Kawan, Penang development, Greenwoods, Salak Tinggi development and Utropolis Glenmarie, Shah Alam development, mainly due to the more advanced stage of completion in 2019.

Discontinued operations

The education division recorded a revenue of RM50.3 million, which was 29% lower than the corresponding quarter last year of RM70.5 million. The lower revenue was mainly due to the completion of the disposal of the controlling stake in KDUUC, KDUPG and KDUPJ ("KDU Disposal") on 3 September 2019 resulting in the financial performance of these companies to be equity accounted as associate companies thereafter. However, the PBT for the education division in 4Q2019 had increased by 70% to RM17.3 million (4Q2018: RM10.2 million). This was mainly due to 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), which has contributed to the improved PBT of the education division. In addition, an additional amount of RM2.1 million was recognised in 4Q2019 ("Additional KDU Gain") following the finalisation of the completion accounts of KDUUC and KDUPG in relation to the KDU Disposal.

B1. Review of performance (cont'd)

FY2019 vs FY2018

The Group's revenue for FY2019 was RM706.0 million, an increase of 12% as compared to the corresponding period last year (FY2018: RM632.5 million) while the Group's PBT from continuing operations was RM88.8 million (FY2018: RM110.2 million). Excluding the gain from the disposal of Kota Damansara land in 2018, the Group's revenue and PBT from continuing operations in FY2019 would be higher than that of FY2018 by 31% and 33%, respectively. The Group's profit attributable to ordinary equity holders of the Company of RM104.0 million was 13% higher than that of FY2018 of RM91.8 million.

Continuing operations

Revenue of the property division had increased by 11% to RM700.3 million (FY2018: RM631.2 million). The higher revenue was contributed mainly by Utropolis Glenmarie, Shah Alam development, Utropolis Batu Kawan, Penang development, and Greenwoods, Salak Tinggi development. Excluding the gain on disposal of the Kota Damansara land that was completed in 2Q2018, the FY2018 PBT of the property division would be RM87.2 million. Hence, the FY2019 PBT of RM117.5 million would be RM30.3 million or 35% higher.

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

Projects	Location	For period ended 31/12/19			As at
		Launched units	Units sold**	Sales value RM'M	31/12/19 Unbilled sales RM'M
Central region	Klang valley	1,121	859	457	724
Northern region	Kedah, Penang	436	543	235	189
Total		1,557	1,402	692	913

** - Includes sales of units from prior years launches

Discontinued operations

The education division recorded a revenue of RM249.9 million, which was 9% lower than RM275.2 achieved in FY2018. The lower revenue in FY2019 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 associate companies thereafter in the investment & other division. However, the PBT in FY2019 was RM74.6 million, 82% higher than FY2018. This was mainly due to the gain of RM25.4 million recognised for the KDU Disposal. 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 FY2019.

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

	4Q2019 RM'000	3Q2019 RM'000	Var. %
Continuing			
Revenue	209,622	157,119	33%
Operating profit	41,268	12,866	221%
Profit before interest & tax	43,474	13,131	231%
Profit before Tax	37,431	7,389	407%

The Group's PBT for continuing operations for 4Q2019 of RM37.4 million was significantly higher as compared to the preceding quarter of RM7.4 million mainly due to the higher contribution from the property division by RM24.8 million. The key contributors to the higher profit before tax of the property division were Utropolis Batu Kawan, Penang development and Utropolis Glenmarie, Shah Alam development, mainly due to the more advanced stage of completion in 4Q2019 coupled with the higher sales achieved for Sekitar26 commercial units.

B3. Prospects

Growth in the Malaysian economy moderated to 3.6% in 4Q2019 (3Q2019: 4.4%) supported by higher private sector spending. For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%). Going into 2020, growth, particularly in the first quarter of the year, will be affected by the Covid-19 outbreak. The overall impact of the virus on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities. For the year as a whole, growth will be supported by household spending, the realisation of approved private investment projects in recent periods, and higher public sector capital spending.

Paramount Property

For 2020, 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 January 2020 and the 2020 Economic Stimulus Package are expected to improve consumer sentiments for the purchase of properties.

In 2020, Paramount Property looks forward to launching six projects (including new phases of existing projects) with an estimated GDV of RM1.2 billion. For the Central region, Paramount Property will be launching its fourth high-rise residential project in Kemuning Utama, adjacent to its award winning Kemuning Aman and KU Suites. Kemuning Utama was Paramount's first township development in the Klang Valley spanning over 525 acres and next to Kota Kemuning, a matured mixed integrated township in Shah Alam. Other notable launches in the Central region are two new residential towers of Berkeley Uptown, Klang and the landed development in Sejati Lakeside, Cyberjaya. As for the Northern region, Paramount Property will be launching the third phase of its serviced apartments in Utropolis Batu Kawan. The Group's total unbilled sales of RM913 million as at 31 December 2019 is expected to contribute positively to the Group's financial performance in the near future. In addition, several parcels of development land have been identified for sale.

As at 31 December 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	236.5
Northern region	Kedah, Penang	4	1,122.9	272.6
Total		11	2,044.3	509.1

In January 2020, Paramount Property ventured beyond Malaysia through the acquisition of 49% equity interest in Navarang Charoennakorn Company Limited (Navarang Charoennakorn), a Bangkok-based property developer. Navarang Charoennakorn has launched Na Reva in February 2020, a premium condominium project offering a good view of the Chao Phraya river in Bangkok with ICONSIAM and Asiatique as landmarks in the vicinity.

On the coworking space front, Co-labs Coworking will be opening a new coworking space in the Klang Valley in 2020. 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.

B3. Prospects (cont'd)

Paramount Education

The disposal by Paramount of its controlling equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd (collectively referred to as Pre-Tertiary Education Group") was completed on 20 February 2020. However, the Group will continue to recognise the financial performance of the Pre-Tertiary Education Group through its effective 20% equity interest held post completion.

Following the aforementioned divestment, the Group will be ramping up landbanking activities focusing on parcels of land suitable for landed or integrated development in the next five years, and where there is synergy and greater efficiency, the Group will participate in joint ventures with land owners. In addition, the Group will explore new business opportunities in property-related businesses to future proof its business and for sustainability of its earnings over the long run.

Barring any unforeseen circumstances, the Group's financial performance for the financial year ending 31 December 2020 will be better than the previous year.

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	15,747	40,503
(Over)/underprovision of income tax	97	(1,160)
RPGT	0	2,170
Deferred tax	(2,527)	(7,185)
	<u>13,317</u>	<u>34,328</u>

The effective tax rate for the current quarter and 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 proposal disclosed below, there were no corporate proposals announced but not completed as at 26 February 2020.

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.

B7. Borrowings and debt securities

The Group's borrowings and debt securities as at 31 December 2019 and 31 December 2018 were as follows:

	31/12/2019 RM'000	31/12/2018 RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	0	13,796
Bank overdraft - Unsecured	0	24,873
Revolving credit - Secured	67,200	44,250
Revolving credit - Unsecured	30,000	50,000
Current portion of long term loans - Secured	114,108	167,250
Total short-term borrowings	<u>211,308</u>	<u>300,169</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	281,921	446,739
Medium Term Notes (MTN)	292,608	0
Sukuk Murabahah	126,108	0
Islamic Medium Term Notes (IMTN)	0	153,753
Total long-term borrowings	<u>700,637</u>	<u>600,492</u>
Total borrowings	<u>911,945</u>	<u>900,661</u>

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

Floating interest rate	4.82%	4.99%
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 were 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; offset by
- (iii) Borrowings of RM127,452,000 has been classified under Liabilities of disposal group held for sale in Note A18.

B8. Derivative financial instrument

The was no derivative financial instrument outstanding as at 31 December 2019.

B9. Fair value gain/(loss)

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

B10. Changes in material litigation

As at 26 February 2020, there were no changes in material litigation since the last annual reporting date of 31 December 2018.

B11. Dividends payable

FY2019 - Final dividend

The Directors has proposed a single tier final dividend for the financial year ended 31 December 2019.

- (i) Amount per share - single tier 4.50 sen; and
- (ii) Previous corresponding period - single tier 6.00 sen per share

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

The total dividend for the current financial year to date is 6.50 sen per share, single tier. (2018: 8.50 sen per share, single tier)

FY2020 - Special interim dividend

The Board of Directors has declared a single tier special interim dividend of 29.00 sen per share, in respect of the financial year ending 31 December 2020, which will be paid on 23 April 2020 to shareholders whose names appear on the Record of Depositors on 24 March 2020.

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

	Current Quarter	Financial Year-to-date
Profit attributable to equity holders of the Company (RM'000)	39,116	104,049
Weighted average number of ordinary shares ('000)	606,683	605,555
Basic EPS (sen)	<u>6.45</u>	<u>17.17</u>

(b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	39,116	104,049
Weighted average number of ordinary shares ('000)	606,683	605,555
Effect of dilution ('000)	22,897	22,897
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>629,580</u>	<u>628,452</u>
Diluted EPS (sen)	<u>6.21</u>	<u>16.55</u>