

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2020

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 JUNE 2020**

	3 Months Ended 30 June		6 Months Ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations				
Revenue	64,198	216,943	186,313	339,233
Operating profit/(loss) from continuing operations	(1,588)	39,687	6,831	51,756
Interest expense	(4,736)	(4,753)	(10,797)	(8,490)
Interest income	2,512	555	4,033	916
Share of profit/(loss) of associates & joint venture	1,823	(102)	2,207	(170)
Profit/(loss) before tax from continuing operations	(1,989)	35,387	2,274	44,012
Taxation	(122)	(10,813)	(1,397)	(14,727)
Profit/(loss) after tax from continuing operations	(2,111)	24,574	877	29,285
Profit after tax from discontinued operations	-	5,936	470,628	13,230
Profit/(loss) for the period	(2,111)	30,510	471,505	42,515
Profit/(loss) attributable to:				
Ordinary equity holders of the Company	(3,701)	28,465	463,253	34,630
Non-controlling interest	(2)	425	48	1,089
Holder of private debt securities of the Company	1,592	1,620	8,204	6,796
	(2,111)	30,510	471,505	42,515
Earnings/(loss) per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	(0.60)	4.69 *	75.71	5.73 *
Diluted EPS	(0.58)	4.51 *	72.98	5.51 *

*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 2019.

PARAMOUNT CORPORATION BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 JUNE 2020**

	3 Months Ended 30 June		6 Months Ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the period	(2,111)	30,510	471,505	42,515
Other comprehensive income	718	8	1,060	7
Total comprehensive income/(loss) for the period	(1,393)	30,518	472,565	42,522
Total comprehensive income/(loss) attributable to:				
Ordinary equity holders of the Company	(2,983)	28,473	464,313	34,637
Non-controlling interest	(2)	425	48	1,089
Holder of private debt securities of the Company	1,592	1,620	8,204	6,796
	(1,393)	30,518	472,565	42,522

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2019.

PARAMOUNT CORPORATION BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	As at 30/6/2020	As at 31/12/2019
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	43,171	42,935
Right-of-use asset	17,930	20,224
Inventories - land held for property development	834,016	873,440
Investment properties	514,352	514,626
Investment in associates	199,540	29,242
Investment in a joint venture	214	235
Other investments	10,840	10,212
Deferred tax assets	51,865	47,533
	1,671,928	1,538,447
Current assets		
Inventories - property development costs	150,118	126,698
Inventories - completed properties and other inventories	104,553	105,209
Contract cost assets	73,973	64,657
Trade receivables	107,264	141,691
Other receivables	41,703	35,774
Other current assets	1,960	5,584
Contract assets	224,175	252,413
Tax recoverable	6,701	3,863
Cash and bank balances	324,384	134,739
	1,034,831	870,628
Assets of disposal group/Non-current assets held for sale	0	664,478
	1,034,831	1,535,106
Total assets	2,706,759	3,073,553
Current liabilities		
Borrowings	130,460	211,308
Lease liabilities	2,900	3,708
Trade payables	83,042	129,150
Other payables	133,391	160,738
Tax payable	7,277	6,718
Contract liabilities	215	53
	357,285	511,675
Liabilities directly associated with the assets held for sale	0	373,235
	357,285	884,910
Net current assets	677,546	650,196

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Interim Financial Report for the period ended 30 June 2020

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	As at 30/6/2020	As at 31/12/2019
	RM'000	RM'000
Non-current liabilities		
Borrowings	652,329	700,637
Lease liabilities	16,437	17,659
Deferred tax liabilities	6,182	6,198
	674,948	724,494
Total liabilities	1,032,233	1,609,404
Equity		
Share capital	324,909	316,945
Reserves	1,100,616	824,035
Equity attributable to ordinary equity holders of the Company	1,425,525	1,140,980
Non-controlling interests	29	74,197
Private debt securities	248,972	248,972
Total equity	1,674,526	1,464,149
Total equity and liabilities	2,706,759	3,073,553
Net assets (NA) per share (RM)	2.32	1.88

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2019.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2020

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2020**

	<-----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 2020	316,945	9,337	(3,957)	(251)	818,906	74,197	248,972	1,464,149
Total comprehensive income	-	-	1,073	(13)	463,253	48	8,204	472,565
Transactions with owners								
Vesting of LTIP shares	7,964	(7,964)	-	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	-	(8,204)	(8,204)
Disposal of discontinued operations	-	-	-	-	-	(75,795)	-	(75,795)
Acquisition of non-controlling interest	-	-	-	-	(1,579)	1,579	-	-
Dividends	-	-	-	-	(178,189)	-	-	(178,189)
Total transactions with owners	7,964	(7,964)	-	-	(179,768)	(74,216)	(8,204)	(262,188)
As at 30 June 2020	324,909	1,373	(2,884)	(264)	1,102,391	29	248,972	1,674,526

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Interim Financial Report for the period ended 30 June 2020

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2020**

	<-----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	-	-	-	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

- 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 2019.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2020

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 JUNE 2020**

	6 Months Ended	
	30/6/2020	30/6/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		
- from continuing operations	2,274	44,012
- from discontinued operations	472,838	20,401
Profit before tax	475,112	64,413
Adjustment for:		
Non-cash items	9,053	21,070
Non-operating items	(455,264)	14,923
Operating profit before working capital changes	28,901	100,406
Decrease/(increase) in receivables	51,130	(3,490)
Decrease in inventories	13,689	39,863
Decrease in payables	(72,980)	(13,992)
Cash generated from operations	20,740	122,787
Taxes paid	(10,233)	(19,978)
Interest paid	(17,043)	(23,176)
Net cash (used in)/generated from operating activities	(6,536)	79,633
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in land held for development	6,940	(212,561)
Acquisition of non-controlling interest	(3,000)	-
Investment in an associate	(7,898)	(120)
Investment in a joint venture	-	(639)
Purchase of property, plant and equipment	(2,988)	(20,570)
Purchase of investment properties	(4,196)	(14,700)
Proceeds from disposal of investment properties	1,600	-
Proceeds from disposal of property, plant and equipment	25	24
Proceeds from disposal of equity interest in subsidiaries	479,929	-
Movement in other investment	444	-
Movement in asset held for sale	39,131	(5,421)
Interest received	4,195	1,263
Net cash generated from/(used in) investing activities	514,182	(252,724)

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2020

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 JUNE 2020**

	6 Months Ended	
	30/6/2020	30/6/2019
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to ordinary equity holders of the Company	(178,189)	-
Proceeds from borrowings	63,000	128,722
Issuance of Islamic Medium Term Notes	-	127,500
Redemption of PDS	-	(50,000)
PDS distribution	(8,204)	(6,796)
Withdrawal in banks restricted for use	3,658	14,977
Repayment of borrowings	(192,156)	(97,118)
Lease payments	(2,453)	(8,284)
Net cash generated from/(used in) financing activities	(314,344)	109,001
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	193,302	(64,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,872	72,315
CASH AND CASH EQUIVALENTS AT END OF PERIOD	313,174	8,225
	30/6/2020	30/6/2019
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	113,544	65,747
Fixed deposits	210,840	2,666
Cash and bank balances	324,384	68,413
Cash and bank balances restricted for use	(11,116)	(10,968)
Fixed deposits maturing more than 3 months	(94)	(338)
Overdrafts	-	(48,882)
	313,174	8,225
Cash and bank balances held in HDA accounts	88,497	35,769

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2019.

PARAMOUNT CORPORATION BERHAD
Interim Financial Report for the period ended 30 June 2020

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 2019. 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 2019.

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 2019.

A3. Audit report qualification

The audit report for the financial year ended 31 December 2019 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 Notes A9 and B1, 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 17 March 2020, the Company issued 7,761,400 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)	2017 RS Award	13 March 2017	Third	1,107,000
(b)	2018 RS Award	11 June 2018	Second	957,400
(c)	2019 RS Award	13 March 2019	First	962,700
(d)	2017 PS Award	13 March 2017	Final	4,734,300
				<u>7,761,400</u>

A8. Dividends paid

	6 months ended	
	30/6/2020	30/6/2019
	RM'000	RM'000
Special dividends		
2020 - 29.0 sen single tier	178,189	0
	<u>178,189</u>	<u>0</u>

A9. Profit/(loss) before tax

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

	3 months ended		6 months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Depreciation of:				
- Property, plant and equipment	1,138	731	2,519	1,753
- Right-of-use asset	1,059	868	2,143	1,015
- Investment properties	2,266	495	4,242	982
Interest expense on:				
- Borrowings	4,397	4,532	10,295	7,136
- Lease liabilities	339	142	502	293
(Gain)/loss on disposal of:				
- Property, plant and equipment	36	(10)	29	(13)
- Investment properties	0	0	(478)	0
Net derivative (gain)/loss:				
Interest rate swap	0	(2)	0	(10)
Net foreign exchange (gain)/loss	(463)	0	73	0
	<u>(463)</u>	<u>0</u>	<u>73</u>	<u>0</u>

A9. Profit/(loss) before tax (cont'd)

<u>Discontinued operations</u>	3 months ended		6 months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of:				
- Property, plant and equipment	0	5,034	0	9,915
- Right-of-use asset	0	3,212	0	6,644
Interest expense on:				
- Borrowings	0	2,917	596	6,161
- Lease liabilities	0	1,246	786	2,427
Amortisation of intangible assets	0	351	0	761
Additions/(reversal) of allowance for impairment of receivables	0	(323)	160	502
Bad debts written off	0	0	75	0
(Gain)/loss on disposal of:				
- Property, plant and equipment	0	0	0	0
- Equity interest in subsidiaries (A13(a))	0	0	(460,595)	0
Net foreign exchange (gain)/loss	0	(151)	0	(420)

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>	6 months ended		6 months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
			Revenue	Profit/(loss) before tax
Property	182,010	337,509	3,277	57,146
Co-labs Coworking	1,852	1,344	(2,353)	(2,486)
Investment & others	53,483	44,300	4,256	6,976
	237,345	383,153	5,180	61,636
Inter-segment elimination	(51,032)	(43,920)	(2,906)	(17,624)
Total - continuing	186,313	339,233	2,274	44,012
Education - discontinued	34,200	139,646	472,838	20,401

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 2019.

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 except as disclosed in B6(ii).

A13. Changes in composition of the Group

(a) 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.

The disposal was completed with the last conditions precedent was fulfilled on 28 January 2020 and total consideration received on 20 February 2020 amounted to RM569,198,750.

Discontinued operations of the previous financial period

Following the completion of disposal of education operations, 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 30 June		6 Months Ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	0	70,492	34,200	139,646
Gain on disposal of discontinued operations	0	0	460,595	0
Operating profit	0	13,837	13,463	27,581
Interest expense	0	(4,084)	(1,382)	(7,527)
Interest income	0	82	162	347
Profit before tax	0	9,835	472,838	20,401
Taxation	0	(3,899)	(2,210)	(7,171)
Profit after tax	0	5,936	470,628	13,230

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

- (b) On 22 January 2020, Paramount Global Sdn. Bhd., a wholly-owned subsidiary of the Company, has entered into a Share Purchase Agreement with Navarang Asset Co. Ltd. for the acquisition of 49% equity interest in Navarang Charoennakhon Company Limited ("NCCL") for total purchase consideration of THB60,270,000 (RM8,437,800). On the same date, Paramount Global Sdn. Bhd. has entered into a Shareholder Loan Agreement with NCCL to provide shareholder loan of THB63,859,740 (RM8,940,364) to NCCL. The acquisition of equity interest in NCCL was completed on 3 February 2020.
- (c) On 4 March 2020, the Company incorporated Paramount Globalcom Sdn. Bhd. ("PGSB") with a share capital of RM100, represented by 100 ordinary shares.
- (d) On 11 March 2020, PGSB incorporated Gardens of Hope Sdn. Bhd. with a share capital of RM100, represented by 100 ordinary shares. PGSB has 70% equity interest in Gardens of Hope Sdn. Bhd.

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 2020 were as follows:

	RM'000
Approved and contracted for:-	
Payment under DRA (Note: B6(i))	113,000
Investment properties	78,803
	<u>191,803</u>
Approved but not contracted for:-	
Investment properties	9,790
	<u>9,790</u>
	<u>201,593</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	1,333	2,988

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	1,077
Rental income received from UOW Malaysia KDU University College Sdn Bhd and UOW Malaysia KDU University College (PG) Sdn Bhd, associated companies of the Company	1,910
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	46
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	52
Rental charges paid to Mr Chew Sun Teong, a director of the Company	24
	<hr/>
	3,109
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The directors are of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

B1. Review of performance

	2Q2020 RM'000	2Q2019 RM'000	Var. %		6M2020 RM'000	6M2019 RM'000	Var. %
Continuing							
Revenue	64,198	216,943	-70%		186,313	339,233	-45%
Operating profit/(loss)	(1,588)	39,687	-104%		6,831	51,756	-87%
Profit/(loss) before interest & tax	235	39,585	-99%		9,038	51,586	-82%
Profit/(loss) before Tax	(1,989)	35,387	-106%		2,274	44,012	-95%
Profit/(loss) after tax	(2,111)	24,574	-109%		877	29,285	-97%
Discontinued							
Profit after tax	0	5,936	-100%		470,628	13,230	3457%
Profit/(loss) for the period	(2,111)	30,510	-107%		471,505	42,515	1009%
Profit/(loss) attributable to ordinary equity holders of the Company	(3,701)	28,465	-113%		463,253	34,630	1238%

(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 presented as "discontinued operations" in 2Q2020 income statement. This is in line with the requirements of the Malaysian Financial Reporting Standards (MFRS) 5 while the Group's other existing businesses (including property development) are presented as 'continuing operations'. The comparative financial results of 2Q2019 have also been presented in the same manner. Post completion of the tertiary and pre-tertiary education business divestments, Paramount has recognised its share of financial results from the remaining equity interests it held in these businesses which is 35% and 20%, respectively and has been reflected in the investment and others division.)

2Q2020 vs 2Q2019

For 2Q2020, the Group recorded a revenue from continuing operations of RM64.2 million, which was RM152.7 million lower than that of the corresponding quarter last year of RM216.9 million. The Group recorded a loss before tax (LBT) from continuing operations of RM2.0 million as compared to a profit before tax (PBT) of RM35.4 million in 2Q2019 mainly attributable to the unprecedented disruption caused by the COVID-19 pandemic to the property division.

Continuing operations - Property Division

For 2Q2020, the property division achieved a revenue of RM62.3 million, which was RM153.6 million lower than that of the corresponding quarter last year of RM215.9 million. The main revenue contributors in 2Q2020 were Bukit Banyan in Sungai Petani, Greenwoods Salak Perdana in Sepang and Utropolis Batu Kawan in Penang. On the back of the lower revenue, the property division recorded a LBT of RM2.8 million as compared to a PBT of RM41.2 million in 2Q2019. The weaker financial performance in 2Q2020 was mainly due to lower construction activities and sales achieved, being the two key drivers of the property division's revenue.

The construction sites of all the projects were closed from 18 March 2020 in compliance to the movement control order (MCO) and were progressively reopened during the conditional movement control order (CMCO) phase, after complying with the health and safety guidelines leading to the loss of two months on average of construction time in 2Q2020 which means no revenue could be recognised. In addition, lower revenue was recognised in 2Q2020 as several projects which were at the advanced stage of development in 2Q2019 had since been completed while new property launches were deferred as a result of the MCO.

Sales of new properties in 2Q2020 were also impacted. Although digital and promotional activities continued to attract potential sales, the lead time for converting these into sales were longer given legal documents could not be executed during the MCO and the longer processing time taken by its customers to procure financing.

B1. Review of performance (cont'd)

Discontinued operations - Education Division

There was no contribution from the education division in 2Q2020 as the Group has divested its controlling equity stakes in the tertiary and the pre-tertiary education businesses. The Company retains minority stakes in these businesses and its share of results have been equity accounted for in the investment & others division.

6M2020 vs 6M2019

For 6M2020, the Group's revenue from continuing operations was RM186.3 million, which was RM152.9 million lower than that of the corresponding period last year of RM339.2 million. On the back of the lower revenue, the Group recorded a PBT from continuing operations of RM2.3 million as compared to RM44.0 million in 6M2019 mainly attributable to the impact of the COVID-19 pandemic to the property division in 2Q2020 as explained above. However, the Group's profit attributable to ordinary equity holders of the Company has increased by RM428.7 million to RM463.3 million (6M2019: RM34.6 million) contributed by the gain recognised on the disposal of the pre-tertiary education business of RM460.6 million.

Continuing operations- Property Division

For 6M2020, the property division achieved a revenue of RM182.0 million, which was RM155.5 million lower than that of 6M2019 of RM337.5 million. The main revenue contributors in 6M2020 were Bukit Banyan in Sungai Petani, Greenwoods Salak Perdana in Sepang and Utropolis Batu Kawan in Penang. On the back of the lower revenue, the PBT of the property division had decreased by RM53.8 million to RM3.3 million as compared to RM57.1 million in 6M2019. This was attributable to the weaker financial performance in 2Q2020 as explained above.

For the 6M2020, the Group achieved property sales of RM193 million (6M2019: RM310 million), which was 38% lower than the corresponding period last year mainly attributable to the lower sales achieved in 2Q2020. The sales status and unbilled sales of the property division are as follow:

Projects	Location	For period ended 30/6/2020			As at
		Launched units	Units sold**	Sales value RM'M	30/6/2020 Unbilled sales RM'M
Central region	Klang Valley	0	246	124	713
Northern region	Kedah, Penang	548	202	69	160
Total		548	448	193	873

** - Includes sales of units launched in the prior years

Discontinued operations

The education division recorded a revenue of RM34.2 million in 6M2020, which was RM105.4 million lower than that of the corresponding quarter last year of RM139.6 million. This was mainly due to the lower contribution from the tertiary education and the pre-tertiary businesses following the completion of the divestments of the Company's controlling equity stakes in these businesses on 3 September 2019 and 20 February 2020, respectively. However, the PBT for the education division for the 6M2020 had increased by RM452.4 million to RM472.8 million (6M2019: RM20.4 million). This was mainly due to the gain recognised on the disposal of the pre-tertiary education business of RM460.6 million.

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

	2Q2020 RM'000	1Q2020 RM'000	Var. %
Continuing			
Revenue	64,198	122,114	-47%
Operating profit/(loss)	(1,588)	8,419	-119%
Profit/(loss) before interest & tax	235	8,803	-97%
Profit/(loss) before Tax	(1,989)	4,263	-147%

For 2Q2020, the Group recorded a LBT for continuing operations of RM2.0 million as compared a PBT of RM4.3 million in the preceding quarter. This was mainly due to the impact of the COVID-19 pandemic resulting in lower contribution from the property division by RM8.9 million in 2Q2020. The lower construction activities and sales achieved were the main contributors to the weaker financial performance in 2Q2020 as explained above.

B3. Prospects

The Malaysian economy contracted by 17.1% in the 2Q2020 (1Q2020: 0.7%). The decline reflected the unprecedented impact of the stringent containment measures to control the COVID-19 pandemic globally and domestically. However, with the reopening of economic activities, a concurrent improvement in labour market conditions is expected. Overall, the Malaysian economy is therefore forecasted to grow within the range of -3.5% to -5.5% in 2020, before staging a rebound within a growth range of 5.5% to 8.0% in 2021.

(Source: Press release issued by Bank Negara Malaysia dated 14 August 2020)

The property market will be weighed down by the uncertainties associated with cautious household, business expenditure and employment market. Nevertheless, the relief measures and economic stimulus packages announced by the Government will play a key role in encouraging consumption and boosting employment. In addition, the low interest rate environment coupled with the reintroduction of the home ownership campaign in June 2020 is expected to incentivise property purchases.

(a) Property

In June 2020, Paramount Property launched Sinaran, the third phase of service apartments at its award winning Utropolis Batu Kawan development receiving encouraging response thus far. Paramount Property's pipeline launches for the second half of FY2020 is estimated at RM640 million, comprising entirely of residential properties (including new phases of existing projects) to capitalise on the home ownership campaign. Although the Group's unbilled sales of RM873 million as at 30 June 2020 provides some visibility on the Group's cashflow in the near term, the pace at which this can be converted into billings would depend largely on the construction progress of the projects. Hence, the Group is reviewing its processes and product designs to allow construction to progress smoothly and efficiently under the new normal, which is key in generating cashflows and profits to the Group. As at 30 June 2020, the Group had 505.1 acres of undeveloped land as detailed below.

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	268.6
Total		11	2,044.3	505.1

B3. Prospects (cont'd)

In line with the Group's strategy of replenishing land bank at strategic locations with strong growth potential and to scale up its property development activities to generate long term sustainable income, the Group has entered into a sale and purchase agreement to acquire 137.1 acres of land contiguous to its existing Bukit Banyan development in Sungai Petani. In addition, the Group has entered into sales and purchase agreements to purchase 4.542 acres of land with buildings erected thereon for redevelopment that is located at Jalan Ampang Hilir, within the prestigious U-Thant enclave of Kuala Lumpur City Centre. These land purchases are expected to be completed by end of 2020.

(b) Co-labs Coworking

Co-labs Coworking will be capitalising on opportunities arising from the change in business landscape as a result of the COVID-19 pandemic. This includes the demand for flexible workplace on a consult, design, build and manage workspace solutions service that cater to the specific needs of corporates under the new normal and the need for multiple work locations as part of office redesign, expansion and business continuity plans.

Although a gradual recovery in demand is expected on the easing of containment measures, the resurgence of COVID-19 infections remains a risk. Hence, the Group will continue to be vigilant and have taken measures to safeguard its staff wellbeing and minimise disruption to its supply chain. As cash and liquidity management are critical during this challenging time, the Group has also put in place risk mitigation plans and cost rationalisation measures to manage the Group's expenses but will continue to invest for long term business sustainability.

For the financial year ending 31 December 2020, the Group expects the COVID-19 pandemic to significantly affect the demand of its products and services as well as the projects' construction progress and hence, the Group's financial performance. However, this would be bolstered by the RM460.6 million gain on disposal of the pre-tertiary education business that was recognised in 1Q2020.

Hence, the Board has exercised prudence not to declare any dividend in this quarter. Nevertheless, a special interim dividend of 29 sen per ordinary share was paid on 23 April 2020 for the financial year ending 31 December 2020 from the gain on disposal of the pre-tertiary education business.

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	1,180	5,986
Deferred tax	(1,058)	(4,589)
	<u>122</u>	<u>1,397</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 24 August 2020.

- (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 16 July 2020, the Group entered into two sale and purchase agreements for the acquisition of two contiguous pieces of freehold land measuring approximately 18,384 square metres (4.542 acres) in total area together with all buildings erected thereon and situated in Seksyen 89A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur from two subsidiaries of Wing Tai Holdings Limited at a total consideration of RM243,800,000.
- (iii) The status of utilisation of proceeds arising from the disposal of equity interest in Sri KDU, PEK & PESB as at 24 August 2020 is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Intended Timeframe
(i) Distribution to shareholders	177,000	177,000	0	6-month
(ii) Acquisition of land bank	150,000	41,758	108,242	24-month
(iii) Repayment of borrowings	133,649	133,649	0	6-month
(iv) Working capital of the Group	57,851	57,851	0	12-month
(v) Expenses in relation to the disposal	22,000	22,000	0	3-month
	<u>540,500</u>	<u>432,258</u>	<u>108,242</u>	

B7. Borrowings and debt securities

The Group's borrowings and debt securities as at 30 June 2020 and 30 June 2019 were as follows:

	30/6/2020 RM'000	30/6/2019 RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	0	12,727
Bank overdraft - Unsecured	0	36,155
Revolving credit - Secured	70,200	65,825
Revolving credit - Unsecured	60,000	110,000
Islamic Medium Term Notes (IMTN)	0	168,888
Current portion of long term loans - Secured	260	31,691
Total short-term borrowings	<u>130,460</u>	<u>425,286</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	233,854	406,111
Medium Term Notes (MTN)	293,042	0
Sukuk Murabahah	125,433	0
Islamic Medium Term Notes (IMTN)	0	126,255
Total long-term borrowings	<u>652,329</u>	<u>532,366</u>
Total borrowings	<u>782,789</u>	<u>957,652</u>

B7. Borrowings and debt securities (cont'd)

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

Floating interest rate	3.82%	4.93%
Fixed interest rate	N/A	5.02%

There were no bank borrowings denominated in foreign currencies as at the reporting date.

The decrease in bank borrowings were mainly due to:

- (i) Repayment of term loan amounting to RM134 million after completion of proposed disposal mentioned in Note A13(a); and
- (ii) Derecognition of borrowings amounting to RM140 million after completion of proposed disposal mentioned in Note A13(a)

B8. Derivative financial instrument

The was no derivative financial instrument outstanding as at 30 June 2020.

B9. Fair value gain/(loss)

The was no fair value gain/loss for the current quarter and financial year to date.

B10. Changes in material litigation

As at 24 August 2020, there were no changes in material litigation since the last annual reporting date of 31 December 2019.

B11. Dividends payable

The Board does not recommend the payment of any dividend for the current financial quarter ended 30 June 2020.

The total dividend paid for the current financial year to date is a single tier special dividend of 29.0 sen per share. (2019: single tier, 2.0 sen per share)

B12. Earnings/(loss) per share

(a) Basic EPS

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Current Quarter	Financial Year-to-date
Profit/(loss) attributable to equity holders of the Company (RM'000)	(3,701)	463,253
Weighted average number of ordinary shares ('000)	614,443	611,857
	<hr/>	<hr/>
Basic EPS (sen)	(0.60)	75.71
	<hr/>	<hr/>

(b) Diluted EPS

Profit/(loss) attributable to equity holders of the Company (RM'000)	(3,701)	463,253
Weighted average number of ordinary shares ('000)	614,443	611,857
Effect of dilution ('000)	22,897	22,897
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	637,340	634,754
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Diluted EPS (sen)	(0.58)	72.98
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