

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2020

The figures are unaudited

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

| | 3 Months Ended 30 September | | 9 Months Ended 30 September | |
|--|--|---------|--|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Continuing operations | | | | |
| Revenue | 218,865 | 157,119 | 405,177 | 496,352 |
| Operating profit from continuing operations | 39,218 | 12,868 | 45,865 | 64,624 |
| Interest expense | (4,617) | (6,458) | (15,415) | (14,948) |
| Interest income | 1,059 | 721 | 5,092 | 1,637 |
| Share of profit of associates & joint venture | 912 | 265 | 3,304 | 95 |
| Profit before tax from continuing operations | 36,572 | 7,396 | 38,846 | 51,408 |
| Taxation | (10,481) | (6,293) | (11,878) | (21,020) |
| Profit after tax from continuing operations | 26,091 | 1,103 | 26,968 | 30,388 |
| Profit after tax from discontinued operations | - | 33,828 | 470,628 | 47,058 |
| Profit for the period | 26,091 | 34,931 | 497,596 | 77,446 |
| Profit attributable to: | | | | |
| Ordinary equity holders of the Company | 19,816 | 30,303 | 483,069 | 64,933 |
| Non-controlling interest | 6 | 1,002 | 54 | 2,091 |
| Holder of private debt securities of the Company | 6,269 | 3,626 | 14,473 | 10,422 |
| | 26,091 | 34,931 | 497,596 | 77,446 |
| Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen): | | | | |
| Basic EPS | 3.23 | 4.99 | 78.84 | 10.72 |
| Diluted EPS | 3.11 | 4.81 | 76.00 | 10.33 |

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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The figures are unaudited

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

| | 3 Months Ended 30 September 2020 | | 9 Months Ended 30 September 2020 | |
|--|---|----------------|---|----------------|
| | RM'000 | 2019 RM'000 | RM'000 | 2019 RM'000 |
| Profit for the period | 26,091 | 34,931 | 497,596 | 77,446 |
| Other comprehensive income | 3,148 | (424) | 4,208 | (417) |
| Total comprehensive income/(loss) for the period | 29,239 | 34,507 | 501,804 | 77,029 |
| Total comprehensive income attributable to: | | | | |
| Ordinary equity holders of the Company | 22,964 | 29,879 | 487,277 | 64,516 |
| Non-controlling interest | 6 | 1,002 | 54 | 2,091 |
| Holder of private debt securities of the Company | 6,269 | 3,626 | 14,473 | 10,422 |
| | 29,239 | 34,507 | 501,804 | 77,029 |

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

Interim Financial Report for the period ended 30 September 2020

The figures are unaudited

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

| | As at 30/9/2020 | As at 31/12/2019 |
|--|----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Non-current assets | | |
| Property, plant and equipment | 42,490 | 42,935 |
| Right-of-use asset | 17,054 | 20,224 |
| Inventories - land held for property development | 719,963 | 873,440 |
| Investment properties | 515,881 | 514,626 |
| Investment in associates | 198,877 | 29,242 |
| Investment in a joint venture | 1,093 | 235 |
| Other investments | 25,598 | 10,212 |
| Deferred tax assets | 51,454 | 47,533 |
| | 1,572,410 | 1,538,447 |
| Current assets | | |
| Inventories - property development costs | 216,808 | 126,698 |
| Inventories - completed properties and other inventories | 95,314 | 105,209 |
| Contract cost assets | 93,631 | 64,657 |
| Trade receivables | 109,166 | 141,691 |
| Other receivables | 75,535 | 35,774 |
| Other current assets | 2,058 | 5,584 |
| Contract assets | 332,512 | 252,413 |
| Tax recoverable | 5,659 | 3,863 |
| Cash and bank balances | 229,502 | 134,739 |
| | 1,160,185 | 870,628 |
| Assets of disposal group/Non-current assets held for sale | 0 | 664,478 |
| | 1,160,185 | 1,535,106 |
| Total assets | 2,732,595 | 3,073,553 |
| Current liabilities | | |
| Borrowings | 98,569 | 211,308 |
| Lease liabilities | 2,676 | 3,708 |
| Trade payables | 104,469 | 129,150 |
| Other payables | 191,240 | 160,738 |
| Tax payable | 12,449 | 6,718 |
| Contract liabilities | 383 | 53 |
| | 409,786 | 511,675 |
| Liabilities directly associated with the assets held for sale | 0 | 373,235 |
| | 409,786 | 884,910 |
| Net current assets | 750,399 | 650,196 |

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2020

The figures are unaudited

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

| | As at 30/9/2020 | As at 31/12/2019 |
|--|----------------------------|---------------------|
| | RM'000 | RM'000 |
| Non-current liabilities | | |
| Borrowings | 630,525 | 700,637 |
| Lease liabilities | 15,991 | 17,659 |
| Deferred tax liabilities | 6,150 | 6,198 |
| | 652,666 | 724,494 |
| Total liabilities | 1,062,452 | 1,609,404 |
| | | |
| Equity | | |
| Share capital | 324,909 | 316,945 |
| Reserves | 1,095,930 | 824,035 |
| Equity attributable to ordinary equity holders of the Company | 1,420,839 | 1,140,980 |
| Non-controlling interests | 332 | 74,197 |
| Private debt securities | 248,972 | 248,972 |
| Total equity | 1,670,143 | 1,464,149 |
| Total equity and liabilities | 2,732,595 | 3,073,553 |
| | | |
| Net assets (NA) per share (RM) | 2.31 | 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 September 2020

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 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 | - | - | 4,555 | (347) | 483,069 | 54 | 14,473 | 501,804 |
| Transactions with owners | | | | | | | | |
| Vesting of LTIP shares | 7,964 | (7,964) | - | - | - | - | - | - |
| Private debt securities distribution | - | - | - | - | - | - | (14,473) | (14,473) |
| Disposal of discontinued operations | - | - | - | - | - | (75,798) | - | (75,798) |
| Capital contribution by non-controlling interest | - | - | - | - | - | 300 | - | 300 |
| Acquisition of non-controlling interest | - | - | - | - | (1,579) | 1,579 | - | - |
| Dividends | - | - | - | - | (205,839) | - | - | (205,839) |
| Total transactions with owners | 7,964 | (7,964) | - | - | (207,418) | (73,919) | (14,473) | (295,810) |
| As at 30 September 2020 | 324,909 | 1,373 | 598 | (598) | 1,094,557 | 332 | 248,972 | 1,670,143 |

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2020

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 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 | - | - | - | (417) | 64,933 | 2,091 | 10,422 | 77,029 |
| Transactions with owners | | | | | | | | |
| Vesting of LTIP shares | 6,547 | (6,547) | - | - | - | - | - | - |
| Issuance of Private debt 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 |

- 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 September 2020

The figures are unaudited

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

| | 9 Months Ended | |
|---|-----------------------|------------------|
| | 30/9/2020 | 30/9/2019 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | | |
| - from continuing operations | 38,846 | 51,408 |
| - from discontinued operations | 472,838 | 57,286 |
| Profit before tax | 511,684 | 108,694 |
| Adjustment for: | | |
| Non-cash items | 13,426 | 27,548 |
| Non-operating items | (450,778) | 54 |
| Operating profit before working capital changes | 74,332 | 136,296 |
| Increase in receivables | (112,530) | (14,783) |
| (Increase)/decrease in inventories | (43,215) | 51,633 |
| Increase/(decrease) in payables | 6,313 | (9,911) |
| Cash (used in)/generated from operations | (75,100) | 163,235 |
| Taxes paid | (14,121) | (34,021) |
| Interest paid | (24,148) | (34,622) |
| Net cash (used in)/generated from operating activities | (113,369) | 94,592 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Decrease/(increase) in land held for development | 122,572 | (203,934) |
| Acquisition of non-controlling interest | (3,000) | - |
| Investment in an associate | (6,041) | - |
| Investment in a joint venture | (12,931) | (639) |
| Purchase of property, plant and equipment | (4,774) | (38,563) |
| Purchase of investment properties | (9,416) | (28,429) |
| Proceeds from disposal of investment properties | 1,600 | - |
| Proceeds from disposal of property, plant and equipment | 1,060 | 4,685 |
| Proceeds from disposal of equity interest in subsidiaries | 479,929 | 30,187 |
| Movement in other investment | 1,202 | 304 |
| Movement in asset held for sale | 39,430 | (8,337) |
| Interest received | 5,254 | 2,092 |
| Net cash generated from/(used in) investing activities | 614,885 | (242,634) |

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 September 2020

The figures are unaudited

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

| | 9 Months Ended | |
|--|-----------------------|------------------|
| | 30/9/2020 | 30/9/2019 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid to ordinary equity holders of the Company | (205,839) | (38,134) |
| Dividends paid to non-controlling interest | - | (3,900) |
| Proceeds from borrowings | 63,000 | 75,532 |
| Issuance of Islamic Medium Term Notes | - | 127,500 |
| Repayment of Islamic Medium Term Notes | - | (170,639) |
| Issuance of Medium Term Notes | - | 292,917 |
| Issuance of PDS | 50,000 | 100,000 |
| Redemption of PDS | (50,000) | (50,000) |
| PDS distribution | (14,473) | (10,422) |
| Withdrawal in banks restricted for use | 8,671 | 9,217 |
| Repayment of borrowings | (255,836) | (114,838) |
| Lease payments | (3,591) | (12,255) |
| Net cash generated from/(used in) financing activities | (408,068) | 204,978 |
| | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 93,448 | 56,936 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 119,872 | 72,315 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 213,320 | 129,251 |
| | 30/9/2020 | 30/9/2019 |
| | RM'000 | RM'000 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 111,587 | 156,829 |
| Fixed deposits | 117,915 | 4,813 |
| Cash and bank balances | 229,502 | 161,642 |
| Cash and bank balances restricted for use | (6,103) | (14,393) |
| Fixed deposits maturing more than 3 months | (94) | (2,368) |
| Overdrafts | (9,985) | (15,630) |
| | 213,320 | 129,251 |
| | | |
| Cash and bank balances held in HDA accounts | 89,754 | 62,670 |

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 September 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> |

(ii) RM200 Million Private Debt Securities

On 21 September 2020, the Group has redeemed RM50,000,000 in nominal value of the PDS.

(iii) RM500 Million Perpetual Securities Programme

On 24 September 2020, the Group made the third issuance of RM50,000,000 in nominal value of Perpetual Securities, bringing the total Perpetual Securities in issue to RM200,000,000 in nominal value.

A8. Dividends paid

| | 9 months ended | |
|--|----------------|---------------|
| | 30/9/2020 | 30/9/2019 |
| | RM'000 | RM'000 |
| Special dividends | | |
| 2020 - 29.0 sen single tier | 178,189 | 0 |
| Final dividends | | |
| 2019 - 4.50 sen single tier (2018 - 6.00 sen single tier) | 27,650 | 26,001 |
| Interim dividends | | |
| 2019 - 2.00 sen single tier | 0 | 12,133 |
| | <u>205,839</u> | <u>38,134</u> |

A10. Segment reporting for the current financial year to date

| <u>Analysis by Business Segment</u> | 9 months ended 30 September Revenue | | 9 months ended 30 September Profit/(loss) before tax | |
|-------------------------------------|---|----------------|--|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Property | 398,483 | 492,965 | 40,116 | 74,357 |
| Co-labs Coworking | 3,161 | 2,229 | (3,287) | (2,397) |
| Investment & others | 75,436 | 60,440 | 13,129 | (7,027) |
| | <u>477,080</u> | <u>555,634</u> | <u>49,958</u> | <u>64,933</u> |
| Inter-segment elimination | (71,903) | (59,282) | (11,112) | (13,525) |
| Total - continuing | <u>405,177</u> | <u>496,352</u> | <u>38,846</u> | <u>51,408</u> |
| Education - discontinued | <u>34,200</u> | <u>199,617</u> | <u>472,838</u> | <u>57,286</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 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.

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 September | | 9 Months Ended 30 September | |
|---|--------------------------------|----------------|--------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue | 0 | 59,971 | 34,200 | 199,617 |
| Gain on disposal of discontinued operations | 0 | 23,322 | 460,595 | 23,322 |
| Operating profit | 0 | 16,630 | 13,463 | 44,211 |
| Interest expense | 0 | (3,174) | (1,382) | (10,701) |
| Interest income | 0 | 107 | 162 | 454 |
| Profit before tax | 0 | 36,885 | 472,838 | 57,286 |
| Taxation | 0 | (3,057) | (2,210) | (10,228) |
| Profit after tax | 0 | 33,828 | 470,628 | 47,058 |

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.
- (e) On 24 September 2020, the Company subscribed for 897,000 ordinary shares and 12,034,000 preference shares, respectively, in Super Ace Resources Sdn Bhd ("SAR") for a total consideration of RM12,931,000. As a result, the Company's shareholding in SAR was increased to 71%. In accordance to the Joint Venture Agreement, the Group continues to account SAR as a joint venture.

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 2020 were as follows:

| | RM'000 |
|-----------------------------------|----------------|
| Approved and contracted for:- | |
| Land held for development | 219,420 |
| Payment under DRA (Note: B6(i)) | 113,000 |
| Investment properties | 75,142 |
| | <u>407,562</u> |
| Approved but not contracted for:- | |
| Investment properties | 8,641 |
| | <u>8,641</u> |
| | <u>416,203</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 | 1,786 | 4,774 |
| | <u>1,786</u> | <u>4,774</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 | 1,529 |
| 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 | 2,787 |
| 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 former subsidiaries have substantial interest | 46 |
| Rental income received from Peoplender Sdn Bhd, a company in which Mr. Chew Sun Teong and Mr. Benjamin Teo Jong Hian have substantial interest | 86 |
| Rental charges paid to Mr Chew Sun Teong, a director of the Company | 36 |
| | <hr/> |
| | 4,484 |
| | <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.

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

B1. Review of performance

| | 3Q2020 RM'000 | 3Q2019 RM'000 | Var. % | | 9M2020 RM'000 | 9M2019 RM'000 | Var. % |
|---|------------------|------------------|-----------|--|------------------|------------------|-----------|
| <u>Continuing</u> | | | | | | | |
| Revenue | 218,865 | 157,119 | 39% | | 405,177 | 496,352 | -18% |
| Operating profit | 39,218 | 12,868 | 205% | | 45,865 | 64,624 | -29% |
| Profit before interest & tax | 40,130 | 13,133 | 206% | | 49,169 | 64,719 | -24% |
| Profit before Tax | 36,572 | 7,396 | 394% | | 38,846 | 51,408 | -24% |
| Profit after tax | 26,091 | 1,103 | 2265% | | 26,968 | 30,388 | -11% |
| <u>Discontinued</u> | | | | | | | |
| Profit after tax | 0 | 33,828 | -100% | | 470,628 | 47,058 | 900% |
| | | | | | | | |
| Profit for the period | 26,091 | 34,931 | -25% | | 497,596 | 77,446 | 543% |
| Profit attributable to ordinary equity holders of the Company | 19,816 | 30,303 | -35% | | 483,069 | 64,933 | 644% |

(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 3Q2020 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 3Q2019 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.)

3Q2020 vs 3Q2019

For 3Q2020, the Group recorded a revenue from continuing operations of RM218.9 million, which was 39% higher than that of the corresponding quarter last year of RM157.1 million. However, the Group's profit before tax (PBT) from continuing operations was 394% higher at RM36.6 million (3Q2019: RM7.4 million) mainly attributable to the higher profit contribution from the property division. Notwithstanding the improvement in PBT from continuing operations, the Group's profit attributable to ordinary equity holders of the Company was lower by 35% at RM19.8 million (3Q2019: RM30.3 million) mainly due to the financial results of the pre-tertiary and tertiary education businesses are no longer consolidated after the divestment of the Company's controlling equity stakes in February 2020 and September 2019, respectively. In addition, 3Q2019 also included a gain of RM23.3 million on disposal of the tertiary education business.

Continuing operations - Property Division

For 3Q2020, the property division achieved a revenue of RM216.5 million, which was 39% higher than that of the corresponding quarter last year of RM155.4 million. The main revenue contributors in 3Q2020 were from the Utopolis Batu Kawan development in Penang, Bukit Banyan development in Kedah and Greenwoods Salak Perdana development in Selangor. On the back of the higher revenue and the savings arising from cost optimisation and rationalisation efforts, the property division recorded a higher PBT of RM36.8 million as compared to RM18.2 million in 3Q2019. The 3Q2020 results has also included an impairment loss of RM1.9 million in respect of an investment property in light of the challenging market condition of the retail segment caused by the COVID-19 pandemic.

B1. Review of performance (cont'd)

Discontinued operations - Education Division

There was no contribution from the education division in 3Q2020 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.

9M2020 vs 9M2019

For 9M2020, the Group's revenue from continuing operations was RM405.2 million, which was 18% lower than that of the corresponding period last year of RM496.4 million. On the back of lower revenue, the Group recorded a PBT from continuing operations of RM38.8 million as compared to RM51.4 million in 9M2019. This was mainly attributable to the negative impact of the COVID-19 pandemic to the property division in 2Q2020 but was mitigated by the improvement in profitability in 3Q2020 as compared to the corresponding quarter last year. However, the Group's profit attributable to ordinary equity holders of the Company has increased by RM418.2 million to RM483.1 million (9M2019: RM64.9 million) contributed by the gain recognised on the disposal of the pre-tertiary education business of RM460.6 million in 1Q2020.

Continuing operations- Property Division

For 9M2020, the property division achieved a revenue of RM398.5 million, which was 19% lower than that of 9M2019 of RM493.0 million. The main revenue contributors in 9M2020 were Utropolis Batu Kawan development in Penang, Bukit Banyan development in Kedah and Greenwoods Salak Perdana development in Selangor. On the back of lower revenue, the PBT of the property division was lower by 46% at RM40.1 million as compared to RM74.4 million in 9M2019. This was attributable to the weaker financial performance in 2Q2020 as a result of the unprecedented disruption caused by the COVID-19 pandemic leading to the loss of construction time, deferment of project launches and the longer lead time for sales conversion. However, this was mitigated by the improvement in profitability in 3Q2020 as compared to the corresponding quarter last year.

Despite the on-going pandemic, the Group's property sales for the 9M2020 grew by 5% to RM503 million (9M2019: RM481 million). This was buoyed by the stronger sales in 3Q2020, which was 82% higher than 3Q2019 mainly from the new project launches in 2020, namely, Sinaran at Utropolis Batu Kawan development, Cendana at Greenwoods Salak Perdana development and Phase 2 of Sejati Lakeside development. The sales status and unbilled sales of the property division are as follow:

| Projects | Location | For period ended 30/9/2020 | | | As at |
|-----------------|---------------|----------------------------|--------------|------------------|-------------------------------|
| | | Launched units | Units sold** | Sales value RM'M | 30/9/2020 Unbilled sales RM'M |
| Central region | Klang Valley | 603 | 548 | 299 | 795 |
| Northern region | Kedah, Penang | 589 | 504 | 204 | 236 |
| Total | | 1,192 | 1,052 | 503 | 1,031 |

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

Discontinued operations

The education division recorded a revenue of RM34.2 million in 9M2020, which was RM165.4 million lower than that of the corresponding quarter last year of RM199.6 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 9M2020 had increased by RM415.5 million to RM472.8 million (9M2019: RM57.3 million). This was mainly due to the gain recognised on the disposal of the pre-tertiary education business of RM460.6 million in 1Q2020.

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

| | 3Q2020 RM'000 | 2Q2020 RM'000 | Var. % |
|------------------------------|------------------|------------------|-----------|
| Continuing | | | |
| Revenue | 218,865 | 64,198 | 241% |
| Operating profit/(loss) | 39,218 | (1,588) | 2570% |
| Profit before interest & tax | 40,130 | 235 | 16977% |
| Profit/(loss) before tax | 36,572 | (1,989) | 1939% |

For 3Q2020, the Group recorded a PBT from continuing operations of RM36.6 million as compared to a loss before tax of RM2.0 million in the preceding quarter. The resumption of construction activities for a full quarter coupled with the strong sales from new property launches were the main contributors to the stronger financial performance in 3Q2020 as compared to 2Q2020.

B3. Prospects

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter (2Q 2020: -17.1%). This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics production activity. The recent resurgence of COVID-19 cases and targeted containment measures could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures, the impact is expected to be less severe compared to the containment measures during previous periods.

(Source: Bank Negara Malaysia Quarterly Bulletin for 3Q2020)

The property market will be weighed down by the economic uncertainties which could result in cautious household spending, reduced business expenditure and weakened 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 since June 2020 is expected to continue to spur buying interests in properties.

(a) Property

In 4Q2020, the Group intends to capitalise on the strong sales momentum generated in 3Q2020 and intensify the promotional activities to boost sales. The Group's unbilled sales of RM1.0 billion as at 30 September 2020 was a milestone achieved. Although this 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. As at 30 September 2020, the Group had 443.0 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 | 183.4 |
| Northern region | Kedah, Penang | 4 | 1,122.9 | 259.6 |
| Total | | 11 | 2,044.3 | 443.0 |

B3. Prospects (cont'd)

In addition, the Group completed in October 2020 the purchase of 4.542 acres of land, with buildings erected thereon, for redevelopment. The land is located at Jalan Ampang Hilir, within the prestigious U-Thant enclave of Kuala Lumpur City Centre. The proposed development has a projected gross development value of RM863.0 million, and is expected to commence in the third quarter of 2021 and completed over a period of five years.

(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 most of the business operations of the Group has resumed to the pre-pandemic level during 3Q2020, 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.

The earnings outlook of the Group's continuing operations for the current financial year is expected to be lower than the previous financial year having considered amongst others the negative impact from the halt of the Group's construction activities at its project sites in 2Q2020 as a result of the movement control order. However, the overall performance would be bolstered by the RM460.6 million gain on disposal of the pre-tertiary education business that was recognised in 1Q2020 and disclosed as part of the discontinued operations.

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 | 9,957 | 15,943 |
| Deferred tax | 524 | (4,065) |
| | <u>10,481</u> | <u>11,878</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 27 November 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) The status of utilisation of proceeds arising from the disposal of equity interest in Sri KDU, PEK & PESB as at 27 November 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 | 150,000 | 0 | 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>540,500</u> | <u>0</u> | |

B7. Borrowings and debt securities

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

| | 30/9/2020 RM'000 | 30/9/2019 RM'000 |
|--|---------------------|---------------------|
| <u>Short-term borrowings</u> | | |
| Bank overdraft - Unsecured | 9,985 | 15,630 |
| Revolving credit - Secured | 53,200 | 74,860 |
| Revolving credit - Unsecured | 30,000 | 45,000 |
| Current portion of long term loans - Secured | 5,384 | 19,301 |
| Total short-term borrowings | <u>98,569</u> | <u>154,791</u> |
| <u>Long-term borrowings (Secured)</u> | | |
| Term loans | 215,301 | 403,205 |
| Medium Term Notes (MTN) | 293,015 | 292,917 |
| Sukuk Murabahah | 122,209 | 126,108 |
| Total long-term borrowings | <u>630,525</u> | <u>822,230</u> |
| Total borrowings | <u>729,094</u> | <u>977,021</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 | 3.63% | 4.85% |
| Fixed interest rate | N/A | N/A |

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 outstanding forward foreign exchange contracts as at 30 September 2020 were as follows:

| | Contract amount | Net Fair value Assets/ (Liabilities) |
|------------------------------------|----------------------------|---|
| | THB'000 | RM'000 |
| Forward foreign exchange contract* | | |
| - More than 3 years | 124,130 | 88 |

* The above contracts were entered into as hedges for investment denominated in foreign currency and to limit the exposure to potential changes in foreign exchange rates with respect to the Group's foreign currency

B9. Fair value gain/(loss)

| | Current Quarter RM'000 | Financial Year-to-date RM'000 |
|-----------------------------------|---------------------------------------|--|
| Forward foreign exchange contract | 88 | 88 |

Basis of fair value measurement: The differences between contracted rates and the market forward rates

Reason for gain: The exchange rate has moved favourably for the Group from the last measurement date.

B10. Changes in material litigation

As at 27 November 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 September 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 per share

(a) Basic EPS

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

| | Current Quarter | Financial Year-to-date |
|---|----------------------------|-----------------------------------|
| Profit attributable to equity holders of the Company (RM'000) | 19,816 | 483,069 |
| Weighted average number of ordinary shares ('000) | 614,443 | 612,719 |
| Basic EPS (sen) | 3.23 | 78.84 |

(b) Diluted EPS

| | | |
|--|---------|---------|
| Profit attributable to equity holders of the Company (RM'000) | 19,816 | 483,069 |
| Weighted average number of ordinary shares ('000) | 614,443 | 612,719 |
| Effect of dilution ('000) | 22,897 | 22,897 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 637,340 | 635,616 |
| Diluted EPS (sen) | 3.11 | 76.00 |