

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2022

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 JUNE 2022**

	3 Months Ended 30 June		6 Months Ended 30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue	202,384	127,446	370,481	279,255
Operating profit	20,793	13,906	40,758	30,915
Interest expense	(6,177)	(4,561)	(12,463)	(10,479)
Interest income	551	514	1,191	901
Share of profit/(loss) of associates & joint venture	467	357	757	(300)
Profit before tax	15,634	10,216	30,243	21,037
Taxation	(4,903)	(5,947)	(8,793)	(9,965)
Profit for the period	10,731	4,269	21,450	11,072
Profit attributable to:				
Ordinary equity holders of the Company	9,107	1,624	14,131	3,921
Non-controlling interest	41	(91)	26	(188)
Holder of private debt securities of the Company	1,583	2,736	7,293	7,339
	10,731	4,269	21,450	11,072
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	1.46	0.26	2.28	0.63
Diluted EPS	1.44	0.25	2.23	0.62

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2021.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 JUNE 2022**

	3 Months Ended		6 Months Ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,731	4,269	21,450	11,072
Other comprehensive income/(loss)	(1,543)	(1,863)	(2,045)	(4,733)
Total comprehensive income for the period	9,188	2,406	19,405	6,339
Total comprehensive income/(loss) attributable to:				
Ordinary equity holders of the Company	7,564	(239)	12,086	(812)
Non-controlling interest	41	(91)	26	(188)
Holder of private debt securities of the Company	1,583	2,736	7,293	7,339
	9,188	2,406	19,405	6,339

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2021.

PARAMOUNT CORPORATION BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	As at 30/6/2022	As at 31/12/2021
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	124,863	128,520
Right-of-use asset	9,201	11,096
Inventories - land held for property development	762,236	735,623
Investment properties	518,772	516,081
Investment in associates	199,836	199,076
Other investments	8,723	3,124
Other receivables	7,701	7,701
Deferred tax assets	43,814	46,353
	1,675,146	1,647,574
Current assets		
Inventories - property development costs	190,238	283,484
Inventories - completed properties and other inventories	61,973	71,969
Contract cost assets	121,309	124,395
Trade receivables	68,010	211,239
Other receivables	47,716	42,506
Other current assets	10,474	8,762
Contract assets	489,615	372,154
Tax recoverable	12,469	12,164
Cash and bank balances	177,826	178,359
	1,179,630	1,305,032
Total assets	2,854,776	2,952,606
Current liabilities		
Borrowings	282,519	266,845
Lease liabilities	4,876	5,014
Trade payables	165,740	167,569
Other payables	87,572	104,920
Tax payable	3,724	1,405
Contract liabilities	109	136
	544,540	545,889
Net current assets	635,090	759,143

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	As at 30/6/2022	As at 31/12/2021
	RM'000	RM'000
Non-current liabilities		
Borrowings	612,030	696,255
Lease liabilities	7,634	10,386
Deferred tax liabilities	6,598	9,556
	626,262	716,197
Total liabilities	1,170,802	1,262,086
Equity		
Share capital	334,299	330,834
Reserves	1,100,091	1,110,128
Equity attributable to ordinary equity holders of the Company	1,434,390	1,440,962
Private debt securities	248,707	248,707
Non-controlling interests	877	851
Total equity	1,683,974	1,690,520
Total equity and liabilities	2,854,776	2,952,606
Net assets (NA) per share (RM)	2.31	2.33

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2021.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the period ended 30 June 2022

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2022**

	<-----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 2022	330,834	6,252	(4,792)	(410)	1,109,078	851	248,707	1,690,520
Total comprehensive income	-	-	(2,157)	112	14,131	26	7,293	19,405
Transactions with owners								
Vesting of LTIP shares	3,465	(3,465)	-	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	-	(7,293)	(7,293)
Dividends	-	-	-	-	(18,658)	-	-	(18,658)
Total transactions with owners	3,465	(3,465)	-	-	(18,658)	-	(7,293)	(25,951)
As at 30 June 2022	334,299	2,787	(6,949)	(298)	1,104,551	877	248,707	1,683,974

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2022**

	<-----Non Distributable----->				Distributable	Non-	Private	Total
	Share	Employee	Fair value	Translation	Retained	controlling	debt	Equity
	Capital	Share	Reserve	Reserve	Earnings	interests	securities	
	RM'000	Reserve#	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	324,909	8,789	76	(145)	1,096,024	948	248,707	1,679,308
Total comprehensive income	-	-	(4,258)	(475)	3,921	(188)	7,339	6,339
Transactions with owners								
Vesting of LTIP shares	5,925	(5,925)	-	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	-	(7,339)	(7,339)
Capital contribution by non-controlling interest	-	-	-	-	-	300	-	300
Dividends	-	-	-	-	(15,480)	-	-	(15,480)
Total transactions with owners	5,925	(5,925)	-	-	(15,480)	300	(7,339)	(22,519)
As at 30 June 2021	330,834	2,864	(4,182)	(620)	1,084,465	1,060	248,707	1,663,128

- 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 2021.

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Interim Financial Report for the period ended 30 June 2022

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 JUNE 2022**

	6 Months Ended	
	30/6/2022 RM'000	30/6/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	30,243	21,037
Adjustment for:		
Non-cash items	10,358	9,517
Non-operating items	10,517	10,081
Operating profit before working capital changes	51,118	40,635
Decrease in receivables	21,971	57,720
Decrease in inventories	103,180	77,108
Decrease in payables	(21,419)	(57,690)
Cash generated from operations	154,850	117,773
Taxes paid	(7,195)	(13,072)
Interest paid	(15,745)	(17,170)
Net cash generated from operating activities	131,910	87,531
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in land held for development	(23,697)	(25,971)
Capital contribution from non-controlling interest	-	300
Purchase of property, plant and equipment	(844)	(1,239)
Purchase of unquoted investment	(7,500)	-
Purchase of investment properties	(6,235)	(5,600)
Purchase of quoted investment	(256)	-
Proceeds from disposal of investment properties	-	-
Proceeds from disposal of property, plant and equipment	11	50
Movement in other investment	2,158	(195)
Interest received	1,191	901
Net cash used in investing activities	(35,172)	(31,754)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 JUNE 2022**

	6 Months Ended	
	30/6/2022	30/6/2021
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to ordinary equity holders of the Company	(18,658)	(15,480)
Drawdown of borrowings	69,277	223,881
PDS distribution	(7,293)	(7,339)
Withdrawal in banks restricted for use	4,878	(1,257)
Repayment of borrowings	(118,125)	(194,643)
Lease payments	(2,769)	(2,883)
Net cash (used in)/generated from financing activities	(72,690)	2,279
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,048	58,056
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	123,324	176,100
CASH AND CASH EQUIVALENTS AT END OF PERIOD	147,372	234,156
	30/6/2022	30/6/2021
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	150,941	165,376
Fixed deposits	26,885	82,728
Cash and bank balances	177,826	248,104
Cash and bank balances restricted for use	(14,483)	(13,854)
Fixed deposits maturing more than 3 months	(94)	(94)
Bank overdrafts	(15,877)	-
	147,372	234,156
Cash and bank balances held in HDA accounts	103,411	104,421

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2021.

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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 2021. 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 2021.

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 2021.

A3. Audit report qualification

The audit report for the financial year ended 31 December 2021 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

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.

Employee share scheme

On 21 March 2022, the Company issued 2,728,100 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)	2019 RS Award	13 March 2019	Third	799,100
(b)	2020 RS Award	13 March 2020	Second	821,700
(c)	2019 PS Award	13 March 2019	Final	1,107,300
				<u>2,728,100</u>

A8. Dividends paid

	6 months ended	
	30/6/2022	30/6/2021
	RM'000	RM'000
Final dividends		
FY2021 - 3.00 sen single tier	18,658	0
2nd Interim dividends		
FY2020 - 2.50 sen single tier	0	15,480
	<u>18,658</u>	<u>15,480</u>

A9. Profit before tax

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

	3 months ended		6 months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of:				
- Property, plant and equipment	2,209	1,457	4,474	2,972
- Right-of-use asset	1,029	1,255	1,868	2,271
- Investment properties	2,130	2,134	4,259	4,268
Interest expense on:				
- Borrowings	5,992	4,335	12,113	10,028
- Lease liabilities	185	226	350	451
Additions/(reversal) of allowance for impairment of receivables	0	0	(10)	6
(Gain)/loss on disposal of:				
- Property, plant and equipment	(2)	0	(3)	(2)
Net foreign exchange (gain)/loss	159	0	50	0
Net derivative (gain)/loss:				
Forward foreign exchange contract	(148)	(235)	(51)	(314)

A9. Profit before tax (cont'd)

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	
	Revenue		Profit/(loss) before tax	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Property	360,996	274,821	39,362	35,709
Coworking	4,276	2,631	(324)	(2,373)
Investment & others	40,122	41,700	3,260	2,087
	<u>405,394</u>	<u>319,152</u>	<u>42,298</u>	<u>35,423</u>
Inter-segment elimination	(34,913)	(39,897)	(12,055)	(14,386)
Total	<u>370,481</u>	<u>279,255</u>	<u>30,243</u>	<u>21,037</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 2021.

A12. Subsequent events

Save for the events disclosed below, there was no material event subsequent to the end of the current quarter that have not been reflected in the interim financial report.

- (i) On 15 July 2022, Paramount Greencity Sdn. Bhd. ("PGC"), a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Agreement (SPA) with Nobel International School Sdn. Bhd. for the disposal of a piece of freehold land held under GRN 40139, Lot 32182, Seksyen 39, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor measuring approximately 2.66 acres in total area together with all buildings, fixtures and fittings erected thereon for a total cash consideration of RM60,000,000.
- (ii) On 18 July 2022, Paramount Property (Sekitar 26 Enterprise) Sdn. Bhd., a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Agreement (SPA) with Sunwaymas Sdn. Bhd. and Fortuna Gembira Enterpris Sdn. Bhd. for the purchase of a piece of freehold land held under GRN 340616, Lot 20720, Mukim Dengkil, District of Sepang, Negeri Selangor measuring approximately 64.35 acres for a total cash consideration of RM18,500,000.

A13. Changes in composition of the Group

There was no change in composition of the Group since the last annual reporting date.

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. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2022 were as follows:

	RM'000
Approved and contracted for:-	
Payment under DRA (Note: B6(i))	113,000
Land held for property development	118,969
	<u>231,969</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	<u>237</u>	<u>844</u>

A17. Related party transactions

	Financial Year-to-date RM'000
Sale and purchase of goods & services	
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 the late Dato' Teo Chiang Quan has interest	1,047
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	1,590
Sale of property to Mr. Chee Siew Pin, Chief Executive Officer of the Company's property division and his spouse	688
Rental income received from Peoplender Sdn Bhd, a company in which Mr. Chew Sun Teong and Mr. Benjamin Teo Jong Hian have interest	63
Rental charges paid to Mr Chew Sun Teong, a director of the Company	26
	<u>3,414</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.

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

B1. Review of performance

	2Q2022	2Q2021	Var.	6M2022	6M2021	Var.
	RM'000	RM'000		RM'000	RM'000	
Revenue	202,384	127,446	59%	370,481	279,255	33%
Operating profit	20,793	13,906	50%	40,758	30,915	32%
Profit before interest & tax	21,260	14,263	49%	41,515	30,615	36%
Profit before tax	15,634	10,216	53%	30,243	21,037	44%
Profit for the period	10,731	4,269	151%	21,450	11,072	94%
Profit attributable to ordinary equity holders of the Company	9,107	1,624	461%	14,131	3,921	260%

2Q2022 vs 2Q2021

For 2Q2022, the Group achieved a revenue of RM202.4 million (2Q2021: RM127.4 million) and a profit before tax (PBT) of RM15.6 million (2Q2021: RM10.2 million), which were 59% and 53% respectively higher than the same period last year. Hence, the Group's profit attributable to ordinary equity holders of the Company was also higher at RM9.1 million (2Q2021: RM1.6 million).

Property Division

For 2Q2022, the property division recorded a revenue of RM197.0 million, which was 57% higher than that of the corresponding quarter last year of RM125.3 million on the back of a larger base of ongoing development projects though work progress of several projects in 2Q2022 have been disrupted by the scarcity in construction workers. The top three revenue contributors in 2Q2022 were Utropolis Batu Kawan development in Penang, Sejati Lakeside development in Selangor and Bukit Banyan development in Kedah. In spite of the higher revenue, the property division posted a marginally lower PBT of RM18.7 million compared to RM20.6 million in 2Q2021, as cost savings realised from certain completed projects were included in last year's PBT.

Coworking Division

The coworking division revenue for 2Q2022 was RM2.1 million, 75% higher than the same period last year (2Q2021: RM1.2 million), mainly attributed to the higher contributions from Tropicana Gardens outlet and Scalable Malaysia, a one-stop end-to-end customised-workspace solutions provider. On the back of the higher revenue, the coworking division recorded a lower loss before tax (LBT) of RM0.1 million compared to a LBT of RM1.2 million in 2Q2021

6M2022 vs 6M2021

For 6M2022, the Group achieved a revenue of RM370.5 million (6M2021: RM279.3 million) and a PBT of RM30.2 million (6M2021: RM21.0 million), which were 33% and 44% respectively higher than the same period last year. Hence, the Group's profit attributable to ordinary equity holders of the Company was also higher at RM14.1 million (6M2021: RM3.9 million). All three business segments have reported improvement in financial performance, particularly the property division.

B1. Review of performance (cont'd)

Property Division

For 6M2022, the property division achieved a revenue of RM361 million, which was 31% higher than that of the same period last year of RM274.8 million. The top three revenue contributors in 6M2022 were Sejati Lakeside development in Selangor, ATWATER development in Selangor, and Utropolis Batu Kawan development in Penang. The property division recorded PBT of RM39.4 million, 10% higher compared to RM35.7 million in 6M2021 mainly attributable to the higher revenue achieved.

Despite fewer property launches, the property division's sales for 6M2022 was 38% higher at RM425 million (6M2021: RM309 million) supported by a 113% surge in 2Q2022 sales after the full reopening of the economy and due to the low base last year. In 2Q2021, property sales were hampered by the closure of sales galleries since 1 June 2021 to curb the spread of the COVID-19 virus. The sales status and unbilled sales of the property division are as follows:

Projects	Location	For period ended 30/6/2022			As at 30/6/2022
		Launched units	Units sold**	Sales value RM'M	Unbilled sales RM'M
Central region	Klang Valley	0	308	258	938
Northern region	Kedah, Penang	81	294	167	310
Total		81	602	425	1,248

** - Includes sales of units launched in prior years

Coworking Division

The coworking division revenue for 6M2022 was RM4.3 million, 65% higher than the same period last year (6M2021: RM2.6 million), mainly attributed to the higher contributions from Tropicana Gardens outlet and Scalable Malaysia. On the back of the higher revenue, the coworking division recorded a lower LBT of RM0.3 million compared to a LBT of RM2.4 million in 6M2021.

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

	2Q2022 RM'000	1Q2022 RM'000	Var.
Revenue	202,384	168,097	20%
Operating profit	20,793	19,965	4%
Profit before interest & tax	21,260	20,255	5%
Profit before tax	15,634	14,609	7%

The Group's PBT for 2Q2022 was 7% higher at RM15.6 million (1Q2022: RM14.6 million) mainly attributable to the lower LBT by RM2.1 million of the investment & others division as interest income was higher this quarter.

B3. Prospects

The Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While the GDP was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and ongoing policy support. While external demand could face headwinds from slower global growth, the Malaysian economy will continue to be supported by firm domestic demand. Growth would also benefit from improving labour market conditions and higher tourist arrivals, as well as continued implementation of multi-year investment projects. However, Malaysia's growth remains susceptible to a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

(Source: Press Release from Bank Negara Malaysia on the Economic and Financial Developments in Malaysia in the Second Quarter of 2022)

The positive growth prospects of the Malaysian economy and the declining unemployment rate bode well for the property sector while long-term positive trends such as urbanisation and household formation will continue to support the demand for homes. However, headwinds from the upward interest rate cycle, rising cost of living and weakened purchasing power could affect the loan eligibility and home affordability. Nevertheless, the Keluarga Malaysia Home Ownership Initiative (i-MILIKI) may lend some support to first time home buyers through the provision of stamp duty exemption on the instruments of transfer and loan agreements, depending on the purchase price of properties. Although building materials price escalation and shortage of construction workers have been a drag to the sector's recovery, this is expected to ease when supply normalises in the near term.

(a) Property Division

With the encouraging sales momentum achieved in 2Q2022, the Group looks forward to launching five projects (including new phases of existing projects) with a total estimated gross development value of RM1.1 billion in the second half of this year. New projects lined up are low density high rise residential development with smart home features (Arinna, Kemuning Utama in Shah Alam), transit-oriented mix development situated next to the Asia Jaya Light Rail Transit Station (The Atera in Petaling Jaya) and non-strata landed homes by a 45 acres lake (Sejati Lakeside 2 in Cyberjaya).

The Group's unbilled sales of RM1.2 billion as at 30 June 2022 will provide some visibility on the Group's cashflow in the near term. However, the pace at which this can be converted into billings would depend largely on the construction progress of projects. As at 30 June 2022, the Group has 494.8 acres of undeveloped land as detailed below.

Projects	Location	No. of projects	Original land size (Acres)	Undeveloped (Acres)
Central region	Klang Valley	5	920.7	156.2
Northern region	Kedah, Penang	4	760.0	338.6
Total		9	1,680.7	494.8

(b) Coworking Division

As Malaysia transitions to the endemic phase, Co-labs Coworking and Scalable Malaysia are well positioned to capitalise on the opportunities arising from the spur of economic activities and the adoption of hybrid office set up.

The Group will continue to maintain strong financial resilience and optimise its operations for better efficiencies. This includes increasing the usage of industrialised building systems (IBS) to reduce reliance on labour over the longer term. In addition, the Group will continue to explore opportunities to unlock the value of its real estate assets and investments to enhance return on capital employed while creating long-term shareholder value at the same time.

Barring any unforeseen circumstance, the Group is optimistic that its financial performance for the second half of this year will surpass that of the first half.

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	5,123	9,089
Deferred tax	(220)	(296)
	<u>4,903</u>	<u>8,793</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 August 2022.

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. The fulfilment date of the Second Phase Conditions Precedent has been determined as 12 September 2022, being six months from the date of receipt of the amended Planning Permission/Development Order by the Group.

B7. Borrowings and debt securities

The Group's borrowings and debt securities as at 30 June 2022 and 30 June 2021 were as follows:

	30/6/2022	30/6/2021
	RM'000	RM'000
<u>Short-term borrowings</u>		
Bank overdraft - Secured	807	0
Bank overdraft - Unsecured	15,070	0
Revolving credit - Secured	35,619	70,200
Revolving credit - Unsecured	110,000	80,000
Current portion of long term loans - Secured	121,023	41,262
Total short-term borrowings	<u>282,519</u>	<u>191,462</u>
<u>Long-term borrowings (Secured)</u>		
Term loans	268,472	388,511
Medium Term Notes (MTN)	293,143	292,929
Sukuk Murabahah	50,415	95,076
Total long-term borrowings	<u>612,030</u>	<u>776,516</u>
Total borrowings	<u>894,549</u>	<u>967,978</u>

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

Floating interest rate	3.75%	3.53%
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 was mainly due to the repayment of term loans and Sukuk Murabahah during the period.

B8. Derivative financial instrument

The outstanding forward foreign exchange contracts as at 30 June 2022 were as follows:

	Contract amount	Net Fair value Assets/ (Liabilities)
	THB'000	RM'000
Forward foreign exchange contract*		
- More than 3 years	<u>138,830</u>	<u>976</u>

* 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	254	117

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

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

B10. Changes in material litigation

As at 26 August 2022, there were no changes in material litigation since the last annual reporting date of 31 December 2021.

B11. Dividends payable

The Board of Directors has declared a single tier interim dividend of 2.50 sen per share, (2021: Nil) in respect of the financial year ending 31 December 2022, which will be paid on 22 September 2022 to shareholders whose names appear on the Record of Depositors on 12 September 2022.

- (i) shares transferred into the depositor's securities account before 4.30 p.m. on 12 September 2022 in respect of ordinary transfers.
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

The total dividend for the current financial year is single tier 2.50 sen (2021: Nil)

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)	9,107	14,131
Weighted average number of ordinary shares ('000)	621,926	621,017
Basic EPS (sen)	1.46	2.28

(b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	9,107	14,131
Weighted average number of ordinary shares ('000)	621,926	621,017
Effect of dilution ('000)	11,259	11,259
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	633,185	632,276
Diluted EPS (sen)	1.44	2.23