

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 30 June 2011

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 JUNE 2011**

	3 Months Ended 30 June		6 Months Ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	121,999	128,698	225,851	231,056
Operating profit	32,587	34,134	58,293	54,656
Interest expense	(754)	(584)	(1,634)	(1,812)
Interest income	661	577	1,565	1,411
Share of profit of associated companies	-	2,074	-	4,055
Profit before taxation	32,494	36,201	58,224	58,310
Taxation	(10,330)	(10,473)	(17,569)	(16,896)
Profit for the period	22,164	25,728	40,655	41,414
Total profit attributable to: Owners of the Parent	22,164	25,728	40,655	41,414
Earnings per share ("EPS") attributable to Owners of the Parent (sen):				
Basic EPS	6.56	8.09 *	12.03	12.94 *
Diluted EPS	N/A	8.05 *	N/A	12.85 *

* In accordance with FRS 133 Earnings Per Share, the comparatives have been restated to account for the effects of the bonus issue and share split.

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2010.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 JUNE 2011**

	3 Months Ended 30 June		6 Months Ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the period	22,164	25,728	40,655	41,414
Other comprehensive income	-	262	-	262
Total comprehensive income for the period	22,164	25,990	40,655	41,676
Total comprehensive income attributable to: Owners of the Parent	22,164	25,990	40,655	41,676

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2010.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 30 June 2011

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	As at 30/6/2011	As at 31/12/2010
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	224,581	213,411
Land held for property development	155,301	157,904
Investment properties	43,105	31,953
Intangible asset	15,674	15,674
Investments in associates	221	221
Other investments	485	485
Deferred tax assets	11,758	10,889
	<u>451,125</u>	<u>430,537</u>
Current assets		
Property development costs	24,989	37,735
Trade receivables	78,298	68,744
Other receivables	95,279	79,750
Other current assets	4,514	7,142
Tax recoverable	9,721	7,163
Cash and bank balances	275,229	332,637
	<u>488,030</u>	<u>533,171</u>
Total assets	<u>939,155</u>	<u>963,708</u>
Current liabilities		
Borrowings	12,340	7,921
Trade payables	77,930	79,520
Other payables	53,979	94,888
Tax payable	5,072	698
Other current liabilities	74,128	82,453
	<u>223,449</u>	<u>265,480</u>
Net current assets	<u>264,581</u>	<u>267,691</u>
Non-current liabilities		
Borrowings	42,678	47,758
Deferred tax liabilities	15,330	15,330
	<u>58,008</u>	<u>63,088</u>
Total liabilities	<u>281,457</u>	<u>328,568</u>
Equity attributable to equity holders of the Company		
Share capital	168,906	120,647
Reserves	488,792	514,493
Total equity	<u>657,698</u>	<u>635,140</u>
Total equity and liabilities	<u>939,155</u>	<u>963,708</u>
Net assets (NA) per share (RM)	<u>1.95</u> *	<u>5.26</u> **

* Based on the enlarged shares in issue of 337,811,456 after the bonus issue and share split.

** Based on shares in issue of 120,646,949 before the bonus issue and share split.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2010.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 30 June 2011

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2011**

	< ----- Non Distributable ----- >							
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Share Option Reserve RM'000	Fair Value Adjustment Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000	
As at 1 January 2010	110,339	72,387	1,679	2,288	304	340,999	527,996	
Total comprehensive income for the period	-	-	-	-	262	41,414	41,676	
Transactions with owners								
Dividend	-	-	-	-	-	(13,217)	(13,217)	
Issue of ordinary shares pursuant to ESOS	7,143	10,946	-	(1,412)	-	-	16,677	
Total transactions with owners	7,143	10,946	-	(1,412)	-	(13,217)	3,460	
As at 30 June 2010	117,482	83,333	1,679	876	566	369,196	573,132	
As at 1 January 2011	120,647	89,890	1,401	-	-	423,202	635,140	
Total comprehensive income for the period	-	-	-	-	-	40,655	40,655	
Transactions with owners								
Dividend	-	-	-	-	-	(18,097)	(18,097)	
Issue of ordinary shares pursuant to Bonus Issue	48,259	(48,259)	-	-	-	-	-	
Total transactions with owners	48,259	(48,259)	-	-	-	(18,097)	(18,097)	
As at 30 June 2011	168,906	41,631	1,401	-	-	445,760	657,698	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2010.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 30 June 2011

The figures are audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 JUNE 2011**

	6 Months Ended	
	30 June 2011	30 June 2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	29,769	60,747
Taxes paid	(16,622)	(13,257)
Interest paid	(1,534)	(1,409)
Net cash generated from operating activities	11,613	46,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in land held for development	2,602	13,310
Dividends received from associated companies	-	2,097
Purchase of property, plant and equipment	(17,161)	(12,145)
Purchase of investment properties	(1,458)	-
Proceeds from disposal of property, plant and equipment	222	99
Proceeds from disposal of investment properties	160	908
Interest received	1,565	1,396
Net cash (used in)/generated from investing activities	(14,070)	5,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	16,677
Dividends paid	(54,291)	(13,217)
Repayment of borrowings	(660)	(31,097)
Net cash used in financing activities	(54,951)	(27,637)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(57,408)	24,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	332,637	207,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	275,229	231,644
	30 June 2011	30 June 2010
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	85,882	83,350
Fixed deposits	189,347	148,294
	275,229	231,644
Cash and bank balances held in HDA accounts	80,527	76,822

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2010.

PARAMOUNT CORPORATION BERHAD
Interim Financial Report for the quarter ended 30 June 2011

The figures are unaudited

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 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 2010. 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 2010.

A2. Changes in accounting policies

The issuance of various new and revised Amendments to FRS and IC Interpretations which are mandatory for companies with financial periods beginning on or after 1 January 2011 did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The directors expect that the revised FRS, IC Interpretations and Amendments to IC Interpretation which are issued but not yet effective for the financial year ending 31 December 2011 will not have any material impact on the financial statements of the Group in the period of initial application, except as discussed below.

IC Interpretation 15 - Agreement for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of evaluating the impact of this Interpretation.

A3. Audit report qualification

The audit report for the financial year ended 31 December 2010 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

There were no other issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year to date except for the following:

- (i) Issuance of 48,258,779 new ordinary shares of RM1 each pursuant to the Bonus Issue; and
- (ii) Subdivision of the Company's existing 168,905,728 ordinary shares of RM1 each into 337,811,456 ordinary shares of RM0.50 each.

A8. Dividends paid

	6 months ended	
	30/6/2011 RM'000	30/6/2010 RM'000
Special interim dividend 2010 - 40.00 sen less 25% income tax	36,194	0
Final dividends 2010 - 20.00 sen less 25% income tax (2009 - 9.00 sen less 25% income tax)	18,097	7,930
Special dividend (2009 - 6.00 sen less 25% income tax)	0	5,287
	<u>54,291</u>	<u>13,217</u>

A9. Segment reporting for the current financial year to date

<u>Analysis by Business Segment</u>	Revenue		Profit before tax	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property development	125,291	148,761	42,971	39,684
Construction	107,528	90,595	1,366	5,177
Education	48,517	49,402	11,254	13,013
Investment & others	26,346	31,232	30,157	29,180
	<u>307,682</u>	<u>319,990</u>	<u>85,748</u>	<u>87,054</u>
Inter-segment elimination	<u>(81,831)</u>	<u>(88,934)</u>	<u>(27,524)</u>	<u>(28,744)</u>
	<u>225,851</u>	<u>231,056</u>	<u>58,224</u>	<u>58,310</u>

A10. 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 2010.

A11. 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.

A12. Changes in composition of the Group

- (i) On 10 June 2011, a new subsidiary company, Paramount Global Investments Pty Ltd (PGI), was incorporated in the Commonwealth of Australia with an issued and paid-up ordinary share capital of AUD2 comprising two ordinary shares;
- (ii) On 10 June 2011, PGI acquired a shelf company, Paramount Investments & Properties Pty Ltd (PIP), a company incorporated in the Commonwealth of Australia with an issued and paid-up ordinary share capital of AUD2 comprising two ordinary shares; and
- (iii) On 10 June 2011, PIP acquired one ordinary share representing 50% of the issued and paid-up ordinary share capital of VIP Paramount Pty Ltd, a company incorporated in the Commonwealth of Australia with an issued and paid-up ordinary share capital of AUD2/- comprising two ordinary shares, for a cash consideration of AUD1 only.

A13. Changes in contingent assets and contingent liabilities

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

A14. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 30 June 2011 is as follows:

	RM'000
Approved and contracted for:-	
Property, plant & equipment	15,661
Land held for property development	169,581
Approved but not contracted for:-	
Property, plant & equipment	10,240
	<u>195,482</u>

A15. Capital expenditure

The major additions and disposals to the property, plant and equipment during the current quarter and financial year to date were as follows:

	Current Quarter RM'000	Financial Year-to-date RM'000
Property, plant and equipment Additions	<u>8,252</u>	<u>17,161</u>

A16. Related party transactions**Financial
Year-to-date
RM'000**

Purchase of computers and peripherals from ECS ICT Bhd and its subsidiaries, a group of companies in which Dato' Teo Chiang Quan, a director of the Company, has substantial interests

57

Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest

290

347

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

For Q2 FY11, the Group recorded revenue of RM122.0 million compared with RM128.7 million recorded in Q2 FY10 mainly due to lower contribution from the property and construction division stemming from lower progressive billings. Profit before tax (PBT) for Q2 FY11 was RM32.5 million compared with Q2 FY10's RM36.2 million mainly due to lower contribution from the construction division.

For 1H FY11, the Group recorded revenue of RM225.9 million, a decrease of 2.2% from 1H FY10 due to the same reason as mentioned above. PBT was, however, maintained at about the same level, RM58.2 million compared with RM58.3 million. While the property development division had turned in a higher contribution attributable to higher profit margins, lower contribution were recorded by the construction division and the educational services division, particularly by the tertiary education sector.

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

Q2 FY11's PBT of RM32.5 million was higher compared with the preceding Q1 FY11's PBT of RM25.7 million due to higher profits recorded by all the strategic business units.

B3. Prospects

The property development division, underpinned by its lock-in sales, will continue to drive the performance of the Group for 2H FY11.

The business of the primary and secondary school continues to make good progress with the establishment of the international school that will commence business in the fourth quarter of the year to full enrolment. The performance of the tertiary education sector, however, will continue to be challenged by the competitive conditions that exist in the industry.

B4. Profit forecast or profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and shortfall in profit guarantee are not applicable.

B5. Taxation

The taxation charge included the following:

	Current Quarter RM'000	Financial Year-to-date RM'000
Current year provision	9,377	16,556
Deferred tax	953	1,013
	<u>10,330</u>	<u>17,569</u>

The effective tax rate for the financial year 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. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and properties for the current quarter and financial year to date.

B7. Quoted securities

- (i) There were no purchases and disposals of quoted securities by the Group for the current quarter and financial year to date.
- (ii) There were no investments in quoted securities as at 30 June 2011.

B8. Corporate proposal

- (i) On 3 November 2009, the Company entered into a conditional Sale Agreement (SA) with The Titular Superior of the Brothers of Saint Gabriel, for the acquisition of a piece of freehold vacant land measuring in area approximately 21.7 acres forming part of the land held under Geran 48178, Lot 1179, Mukim Damansara, Daerah Petaling, Negeri Selangor (the Master Title) for a total cash consideration calculated at the rate of RM66/- per sq. ft. and estimated at a total sum of RM62,386,632 only subject to the sub-division of the Master Title and on the terms and conditions as contained in the SA. The Company has submitted the application for sub-division and it is pending State Exco approval.
- (ii) On 1 June 2010, OASB, a wholly-owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement (SPA) with Cyberview Sdn Bhd as a proprietor and Setia Haruman Sdn Bhd as a vendor, for the proposed acquisition of a piece of freehold residential land measuring in area approximately 50.01 acres identified as Block 17 within the Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Negeri Selangor Darul Ehsan for a total cash consideration of RM78,423,681.60 on the terms and conditions as contained in the SPA. The Foreign Investment Committee has approved the sale. The disposal is pending the issuance of a separate title from the Land Office.
- (iii) On 29 April 2011, Berkeley Sdn Bhd, a wholly-owned subsidiary of the Company, entered into an agreement with FK Realty Sdn Bhd, a subsidiary of Fung Keong Rubber Manufactory (Malaya) Sdn Berhad, for the acquisition of nine parcels of contiguous freehold land measuring in total area approximately 29.16 acres located in Klang, Mukim of Kapar for a total cash consideration of RM110,000,000 on the terms and conditions as contained in the agreement.
- (iv) The status of utilisation of proceeds arising from the disposal of Jerneh Insurance Berhad as at 15 August 2011 is as follow:

Purpose	Proposed Utilisation	Actual Utilisation	Balance	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
(i) Future expansion plans and general working capital requirements	90,306	34,857	55,449	By November 2012
(ii) Special dividend	36,194	36,194	0	5 January 2011
(iii) Expenses related to the disposal	4,300	4,300	0	By February 2011
Total	130,800	75,351	55,449	

B9. Borrowings and debts securities

The Group's borrowings and debts securities as at 30 June 2011 were as follows:

	RM'000
<u>Short-term borrowings (Secured)</u>	
Current portion of long term loans	12,340
<u>Long-term borrowings (Secured)</u>	
Term loans	42,678

B10. Derivative financial instruments

There were no derivative financial instruments for the current financial quarter ended 30 June 2011.

B11. Gains and Losses arising from fair value changes of financial liabilities

There were no financial liabilities measured at fair value through profit or loss for the current financial quarter ended 30 June 2011. All financial liabilities are measured at the amortised cost using the effective interest method. Hence, no gains or losses were recognised for changes in the fair values of these liabilities.

B12. Realised and unrealised profits

The breakdown of retained profits as at 30 June 2011 on a group basis, into realised and unrealised profits, is as follows:

	30/6/2011 RM'000	31/12/2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	596,917	572,250
- Unrealised	(3,572)	(3,342)
	<u>593,345</u>	<u>568,908</u>
Total share of retained profits from associate		
- Realised	209	209
Less: Consolidation adjustments	(147,794)	(145,915)
Total Group retained profits	<u>445,760</u>	<u>423,202</u>

B13. Changes in material litigation

As at 15 August 2011, there were no changes in material litigation, including the status of pending litigation since the last annual reporting date of 31 December 2010.

B14. Dividends payable

The Board of Directors has declared an interim single tier dividend of 5.00 sen per share, (2010: 11.00 sen per share, tax exempt, and 4.00 sen per share, less tax at 25%) in respect of the financial year ending 31 December 2011, which will be paid on 19 September 2011 to shareholders whose names appear on the Record of Depositors on 5 September 2011.

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 5 September 2011 in respect of ordinary transfers.
- (b) 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 to date is 5.00 sen per share, single tier. (2010: 11.00 sen per share, tax exempt, and 4.00 sen per share, less tax at 25%)

The dividend per share for the current period was based on the enlarged shares in issue of 337,811,456 after the bonus issue and share split, while the dividend per share for the same period last year was based on shares in issue then of 120,646,949.

B15. 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 for the period (RM'000)	22,164	40,655
Weighted average number of ordinary shares ('000)	337,811	337,811
Basic EPS (sen)	<u>6.56</u>	<u>12.03</u>

- (b) Diluted EPS

Not applicable to the Group.