

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the quarter ended 31 March 2014

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR PERIOD ENDED 31 MARCH 2014**

	3 Months Ended 31 March		3 Months Ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	<b>98,775</b>	110,480	<b>98,775</b>	110,480
Operating profit	<b>22,919</b>	20,316	<b>22,919</b>	20,316
Interest expense	<b>(155)</b>	(389)	<b>(155)</b>	(389)
Interest income	<b>1,082</b>	634	<b>1,082</b>	634
Share of loss of associate	<b>(24)</b>	(113)	<b>(24)</b>	(113)
Profit before tax	<b>23,822</b>	20,448	<b>23,822</b>	20,448
Taxation	<b>(4,262)</b>	(5,701)	<b>(4,262)</b>	(5,701)
Profit for the period	<b>19,560</b>	14,747	<b>19,560</b>	14,747
Total profit attributable to: Owners of the Parent	<b>19,560</b>	14,747	<b>19,560</b>	14,747
Earnings per share ("EPS") attributable to Owners of the Parent (sen):				
Basic EPS	<b>5.79</b>	4.37	<b>5.79</b>	4.37
Diluted EPS	<b>N/A</b>	N/A	<b>N/A</b>	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2013.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the quarter ended 31 March 2014

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR PERIOD ENDED 31 MARCH 2014**

	<b>3 Months Ended 31 March</b>		<b>3 Months Ended 31 March</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>19,560</b>	14,747	<b>19,560</b>	14,747
Other comprehensive income	<b>255</b>	(33)	<b>255</b>	(33)
Total comprehensive income for the period	<b>19,815</b>	14,714	<b>19,815</b>	14,714
Total comprehensive income attributable to: Owners of the Parent	<b>19,815</b>	14,714	<b>19,815</b>	14,714

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2013.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the quarter ended 31 March 2014

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014**

	As at 31/3/2014	As at 31/12/2013
	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	292,741	317,491
Land held for property development	504,601	457,634
Investment properties	58,896	61,118
Intangible asset	15,674	15,674
Investment in associates	8,835	8,604
Other investments	342	342
Deferred tax assets	9,978	9,774
	<u>891,067</u>	<u>870,637</u>
<b>Current assets</b>		
Property development costs	135,192	131,628
Inventories	1,732	1,732
Trade receivables	100,414	105,382
Other receivables	40,450	22,325
Other current assets	16,273	17,777
Tax recoverable	9,533	4,818
Other investment	1,530	1,530
Cash and cash equivalents	157,755	110,544
	<u>462,879</u>	<u>395,736</u>
Assets held for sale	30,639	35,956
	<u>493,518</u>	<u>431,692</u>
<b>Total assets</b>	<u>1,384,585</u>	<u>1,302,329</u>
<b>Current liabilities</b>		
Borrowings	49,787	41,402
Trade payables	81,564	109,335
Other payables	77,158	77,746
Tax payable	3,647	3,195
Other current liabilities	66,360	49,132
	<u>278,516</u>	<u>280,810</u>
<b>Net current assets</b>	<u>215,002</u>	<u>150,882</u>
<b>Non-current liabilities</b>		
Borrowings	291,366	276,344
Deferred tax liabilities	18,003	18,077
	<u>309,369</u>	<u>294,421</u>
<b>Total liabilities</b>	<u>587,885</u>	<u>575,231</u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	168,906	168,906
Reserves	578,007	558,192
	<u>746,913</u>	<u>727,098</u>
<b>Non-controlling interests</b>		
Private debt securities	49,787	0
<b>Total equity</b>	<u>796,700</u>	<u>727,098</u>
<b>Total equity and liabilities</b>	<u>1,384,585</u>	<u>1,302,329</u>
<b>Net assets (NA) per share (RM)</b>	<u>2.21</u>	<u>2.15</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2013.

**PARAMOUNT CORPORATION BERHAD**  
Interim Financial Report for the quarter ended 31 March 2014

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 31 MARCH 2014**

	<-----Attributable to equity holders of the Company----->				Total RM'000	Non-controlling interests Private debt securities RM'000	Total Equity RM'000
	Share Capital RM'000	<-----Non Distributable-----> Share Premium RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000			
<b>As at 1 January 2014</b>	168,906	41,631	(1,006)	517,567	727,098	-	727,098
Total comprehensive income	-	-	255	19,560	19,815	-	19,815
Issuance of private debt securities	-	-	-	-	-	49,787	49,787
<b>As at 31 March 2014</b>	<b>168,906</b>	<b>41,631</b>	<b>(751)</b>	<b>537,127</b>	<b>746,913</b>	<b>49,787</b>	<b>796,700</b>
<b>As at 1 January 2013</b>	168,906	41,631	-	489,400	699,937	-	699,937
Total comprehensive income	-	-	(33)	14,747	14,714	-	14,714
<b>As at 31 March 2013</b>	<b>168,906</b>	<b>41,631</b>	<b>(33)</b>	<b>504,147</b>	<b>714,651</b>	-	<b>714,651</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2013.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the quarter ended 31 March 2014

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR PERIOD ENDED 31 MARCH 2014**

	<b>3 Months Ended</b>	
	<b>31/3/2014</b>	<b>31/3/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	23,822	20,448
Adjustment for:		
Non-cash items	3,138	3,439
Non-operating items	(13,869)	228
<b>Operating profit before working capital changes</b>	<b>13,091</b>	<b>24,115</b>
Decrease/(increase) in receivables	10,436	(14,839)
(Increase)/decrease in development properties	(2,368)	480
Decrease in payables	(21,843)	(22,000)
<b>Cash used in operations</b>	<b>(684)</b>	<b>(12,244)</b>
Taxes paid	(8,803)	(3,802)
Interest paid	(3,022)	(2,684)
Net cash used in operating activities	<b>(12,509)</b>	<b>(18,730)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in land held for development	(1,755)	(2,808)
Purchase of property, plant and equipment	(21,921)	(7,502)
Purchase of investment properties	(1,516)	-
Proceeds from disposal of assets held for sale	10,636	-
Interest received	1,082	275
Net cash used in investing activities	<b>(13,474)</b>	<b>(10,035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	30,057	31,303
Proceeds from issuance of PDS	50,000	-
Payment of PDS related expenses	(213)	-
Repayment of borrowings	(6,650)	(15,048)
Net cash generated from financing activities	<b>73,194</b>	<b>16,255</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>47,211</b>	<b>(12,510)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>110,544</b>	<b>122,128</b>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>157,755</b>	<b>109,618</b>
	<b>31/3/2014</b>	<b>31/3/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and bank balances	57,979	13,480
Fixed deposits	99,776	96,138
	<b>157,755</b>	<b>109,618</b>
Cash and bank balances held in HDA accounts	<b>34,959</b>	<b>9,041</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2013.

**PARAMOUNT CORPORATION BERHAD**  
**Interim Financial Report for the quarter ended 31 March 2014**

**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 2013. 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 2013.

**A2. Changes in accounting policies**

The new and revised FRSs, Amendments to FRS and IC Interpretations which are mandatory for companies with financial periods beginning on or after 1 January 2014 did not have any significant effects on the financial statements of the Group.

**Standards issued but not yet effective**

The directors expect that the adoption of the new FRSs, Amendments to FRSs and Interpretations which are issued but not yet effective for the financial year ending 31 December 2014 will not have any material impact on the financial statements of the Group in the period of initial application, other than as disclosed below:

**FRS 9 Financial Instruments**

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities.

**Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

**A2. Changes in accounting policies (cont'd)**  
**Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)**

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for three years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the definition of Transitioning Entities and accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

**A3. Audit report qualification**

The audit report for the financial year ended 31 December 2013 was not subject to any qualification.

**A4. Seasonal or cyclical factors**

The operations of the Group were not materially affected by any factor of a seasonal or cyclical nature.

**A5. Exceptional or unusual items**

Save for items disclosed in Note A9, there were no items of an exceptional or unusual nature that have affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year to date.

**A6. Changes in estimates of amounts reported previously**

There were no significant changes in estimates in prior periods that have materially affected the current quarter and financial year to date results.

**A7. Debt and equity securities**

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, on 6 February 2014, the Company made the first issuance of RM50.0 million in nominal value of Private Debt Securities (PDS) pursuant to the PDS Programme. The PDS are perpetual in nature and are redeemable at the option of the Company on the 5th anniversary of the issue date.

**A8. Dividends paid**

There was no dividend paid during the current quarter and financial year to date.

## A9. Profit before tax

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

	3 months ended 31 March		3 months ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Depreciation of:				
- Property, plant and equipment	3,131	3,354	3,131	3,354
- Investment properties	7	84	7	84
Additions of allowance for impairment of trade and other receivables	16	120	16	120
Bad debts written off	22	0	22	0
Gain on disposal of:				
- Assets held for sale	(12,929)	0	(12,929)	0
Reversal of allowance for impairment of trade and other receivables	(40)	(76)	(40)	(76)
Net derivative loss on interest rate swap	225	0	225	0
Net foreign exchange (gain)/loss	(250)	(627)	(250)	(627)

Save for the items disclosed in the Income Statement and the note above, other items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

## A10. Segment reporting for the current financial year to date

<u>Analysis by Business Segment</u>	Revenue		Profit before tax	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property development	47,615	45,718	12,572	11,270
Construction	74,552	52,710	5,939	(157)
Education	32,302	30,715	7,264	10,060
Investment & others	4,842	4,698	753	413
	<u>159,311</u>	<u>133,841</u>	<u>26,528</u>	<u>21,586</u>
Inter-segment elimination	(60,536)	(23,361)	(2,706)	(1,138)
	<u>98,775</u>	<u>110,480</u>	<u>23,822</u>	<u>20,448</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 2013.

## A12. Subsequent events

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial report except as disclosed in Note B6(b).



### A13. Changes in composition of the Group

On 27 January 2014, the Company acquired a company, Seamless Cartel Sdn. Bhd. with an issued and paid up share capital of RM2.

### A14. Changes in contingent assets and contingent liabilities

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

### A15. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 31 March 2014 is as follows:

	<b>RM'000</b>
Approved and contracted for:-	
Property, plant & equipment	149,346
Investment properties	83,050
Land held for development	38,928
Approved but not contracted for:-	
Property, plant & equipment	62,955
Investment properties	17,013
	<hr/>
	351,292
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### 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:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Property, plant and equipment Additions	21,921	21,921
	<hr/>	<hr/>

### A17. Related party transactions

	<b>Financial Year-to-date RM'000</b>
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	39
Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of Dato' Teo Chiang Quan has substantial interest	154
Sale of property to Mr Ooi Hun Peng, a director of subsidiary	620
	<hr/>
	813
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The directors are of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

### **B1. Review of performance**

#### 1Q14 vs 1Q13

Group revenue for 1Q14 decreased by 11% to RM98.8 million (1Q13: RM110.5 million), due to lower revenue recorded by the construction division, as it winds down its external construction projects to focus on internal construction projects and property development. Profit before tax (PBT), however, increased by 17% to RM23.8 million (1Q13: RM20.4 million) due to higher PBT recorded by the property division.

Within the Property Division, revenue for the property development segment improved marginally by 4% to RM47.6 million (1Q13: RM45.7 million) while the construction segment improved by 41% to RM74.5 million (1Q13: RM52.7 million). This was mainly due to higher progressive billings from newly launched projects, namely Sejati Residences in Cyberjaya, Utropolis in Glenmarie, Shah Alam and Sekitar26 Business in Shah Alam while construction activities on these multiple development projects boosted the performance of the construction segment.

The property development segment recorded a higher PBT of 12% to RM12.6 million (1Q13: RM11.3 million) while the construction segment recorded a PBT of RM5.9 million against a loss before tax of RM157,000 in 1Q13, both attributable to gains on disposal of lands. The property development segment recorded a gain of RM7.3 million on the disposal of a 6.1-acre land in Bandar Laguna Merbok earmarked for the development of "Kip-Mart", a wet and dry hypermarket, to add vibrancy to the development and support our strategy of investing and reinvesting in the communities we build. The construction segment recorded a gain of RM5.7 million on the disposal of a 26-acre land in Bukit Beruntung, a contra-property, which the Group found not feasible for development.

The education division recorded marginally higher revenue of 5% to RM32.3 million for 1Q14 (1Q13: RM30.7 million) mainly due to higher revenue from the primary and secondary school segment arising from higher student enrolment.

PBT for the education division, however, declined by 28% to RM7.3 million (1Q13: RM10.1 million). The lower PBT was mainly due to the higher LBT registered by the University College due to higher operating costs. The college in Penang as well as the primary and secondary school segments also recorded lower PBT due to higher operating costs.

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

For 1Q14, Group PBT increased by 12% to RM23.8 million (4Q13: RM21.3 million).

### **B3. Prospects**

With strong carried forward lock-in sales and the scheduled launches from Bukit Banyan, Sejati Residences, Paramount Utropolis and Sekitar26 Business of primarily affordable products in the remaining part of year, the property development segment should continue to perform well.

Increased activities from these new developments will also benefit the construction segment, which has switched its focus to internal construction projects and property development.

The education division continues to operate in a challenging environment. Issues arising from the implementation of the Education Malaysia Global Services (EMGS) remain unresolved, while the primary and secondary school sector continue to be inundated with new players and capacity issues.

Despite these challenges, the primary and secondary school with its strong value proposition and brand name will continue to perform well and drive the performance of the education division.

On the tertiary education side, the several initiatives implemented over the past few months to establish a clear value proposition and differentiation has started to bear fruits allowing the University College to improve its competitiveness and expand enrolment in the first quarter of the year. Much more, however, needs to be done, which will increase operating costs and dent margins over the short term but will improve the sustainability of the University College over the long term. Overall, the education division is expected to perform satisfactorily for the rest of the year.

Overall, barring any unforeseen circumstances, the Group will continue to perform well.

#### 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:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Current year provision	4,074	4,074
Deferred tax	188	188
	<u>4,262</u>	<u>4,262</u>

The effective tax rate for the financial year was lower than the statutory income tax rate in Malaysia due to the gain of RM12.9 million on disposal of lands which was not subject to tax.

#### B6. Corporate proposal

- (a) On 25 March 2014, the Company entered into a Purchase and Development Agreement (the PDA) with Penang Development Corporation for the proposed acquisition of a piece of freehold land measuring in total area approximately 30.7 acres situated at Batu Kawan, Mukim 13, District of Seberang Perai Selatan, State of Penang at a total cash consideration of RM67,007,594.40 only upon such terms and conditions as contained in the PDA; and
- (b) On 14 April, 2014, the Company proposed:
- (i) Renounceable rights issue of 84,452,864 new ordinary shares of RM0.50 each in the Company on the basis of one (1) Rights Share for every four (4) existing ordinary shares of RM0.50 each held in the Company on an entitlement date to be determined later;
  - (ii) Proposed increase in the authorised share capital of the Company from RM200,000,000 comprising 400,000,000 shares to RM500,000,000 comprising 1,000,000,000 shares; and
  - (iii) Proposed amendments to the Memorandum and Articles of Association of the Company.

#### B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 31 March 2014 were as follows:

	<b>RM'000</b>
<u>Short-term borrowings (Secured)</u>	
Current portion of long term loans	49,787
<u>Long-term borrowings (Secured)</u>	
Term loans	235,820
Islamic Medium Term Notes	55,546
	<u>291,366</u>

## B8. Realised and unrealised profits

The breakdown of retained profits as at 31 March 2014 and 31 March 2013 on a group basis, into realised and unrealised profits, is as follows:

	<b>31/3/2014</b> <b>RM'000</b>	<b>31/3/2013</b> <b>RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	738,603	640,428
- Unrealised	(8,916)	(7,066)
	<u>729,687</u>	<u>633,362</u>
Total share of retained profits/(loss) from associate		
- Realised	(225)	(119)
Less: Consolidation adjustments	(192,335)	(129,096)
Total Group retained profits	<u>537,127</u>	<u>504,147</u>

## B9. Derivative financial instrument

The outstanding interest rate swap contracts as at 31 March 2014 are as follows:

	<b>Contract</b> <b>amount</b> <b>RM'000</b>	<b>Fair value</b> <b>Assets/</b> <b>(Liabilities)</b> <b>RM'000</b>
Interest rate swap*		
- More than 3 years	62,700	154
- More than 3 years	57,000	(279)

\* The contracts effectively swapped the Group's floating interest rate to fixed interest rate to hedge against interest rate fluctuation.

## B10. Fair value gain/(loss)

	<b>Current</b> <b>Quarter</b> <b>RM'000</b>	<b>Financial</b> <b>Year-to-date</b> <b>RM'000</b>
Interest rate swap	(225)	(225)

Basis of fair value measurement: The differences between floating and fixed interest rates.

Reason for gain/(loss): The floating interest rate has moved unfavourably against the Group from the last measurement date.

## B11. Changes in material litigation

As at 28 May 2014, there were no changes in material litigation, including the status of pending litigation since the last annual reporting date of 31 December 2013.

## B12. Dividends payable

The Board does not recommend the payment of any dividend for the current financial quarter ended 31 March 2014.

### B13. 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.

	<b>Current Quarter</b>	<b>Financial Year-to-date</b>
Profit for the period (RM'000)	19,560	19,560
Weighted average number of ordinary shares ('000)	337,812	337,812
Basic EPS (sen)	<u>5.79</u>	<u>5.79</u>

(b) Diluted EPS

Not applicable to the Group.