

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 31 March 2016

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 31 MARCH 2016**

	3 Months Ended 31 March		3 Months Ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	113,329	164,997	113,329	164,997
Operating profit	19,875	32,962	19,875	32,962
Interest expense	(1,318)	(1,162)	(1,318)	(1,162)
Interest income	1,602	1,628	1,602	1,628
Share of profit/(loss) of associate	(44)	162	(44)	162
Profit before tax	20,115	33,590	20,115	33,590
Taxation	(5,223)	(8,765)	(5,223)	(8,765)
Profit for the period	14,892	24,825	14,892	24,825
Profit attributable to:				
Ordinary equity holders of the Company	9,690	23,187	9,690	23,187
Holder of private debt securities of the Company	5,202	1,638	5,202	1,638
	14,892	24,825	14,892	24,825
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	2.29	5.49	2.29	5.49
Diluted EPS	2.24	N/A	2.24	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2015.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 31 March 2016

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 31 MARCH 2016**

	3 Months Ended 31 March 2016		3 Months Ended 31 March 2015	
	RM'000	RM'000	RM'000	RM'000
Profit for the period	14,892	24,825	14,892	24,825
Other comprehensive income	(436)	(113)	(436)	(113)
Total comprehensive income for the period	14,456	24,712	14,456	24,712
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	9,254	23,074	9,254	23,074
Holder of private debt securities of the Company	5,202	1,638	5,202	1,638
	14,456	24,712	14,456	24,712

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2015.

PARAMOUNT CORPORATION BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	As at 31/3/2016	As at 31/12/2015
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	433,654	435,089
Land held for property development	852,662	837,395
Investment properties	162,997	154,040
Intangible asset	15,674	15,674
Investment in associates	9,676	10,153
Other investments	340	340
Deferred tax assets	32,887	27,228
	<u>1,507,890</u>	<u>1,479,919</u>
Current assets		
Property development costs	122,098	125,709
Inventories	410	953
Trade receivables	90,758	91,976
Other receivables	15,162	14,542
Other current assets	69,549	52,083
Tax recoverable	6,185	4,579
Other investments	281	279
Cash and bank balances	108,320	149,644
	<u>412,763</u>	<u>439,765</u>
Assets held for sale	9,556	10,539
	<u>422,319</u>	<u>450,304</u>
Total assets	<u>1,930,209</u>	<u>1,930,223</u>
Current liabilities		
Borrowings	107,162	102,187
Trade payables	61,991	78,464
Other payables	78,002	104,814
Tax payable	8,201	7,593
Other current liabilities	110,769	84,426
	<u>366,125</u>	<u>377,484</u>
Net current assets	<u>56,194</u>	<u>72,820</u>
Non-current liabilities		
Borrowings	449,923	447,430
Deferred tax liabilities	14,284	14,686
	<u>464,207</u>	<u>462,116</u>
Total liabilities	<u>830,332</u>	<u>839,600</u>
Equity		
Share capital	211,467	211,132
Reserves	688,623	679,704
Private debt securities	199,787	199,787
Total equity	<u>1,099,877</u>	<u>1,090,623</u>
Total equity and liabilities	<u>1,930,209</u>	<u>1,930,223</u>
Net assets (NA) per share (RM)	<u>2.13</u>	<u>2.11</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2015.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 31 March 2016

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 31 MARCH 2016**

	<-----Non Distributable----->				Distributable Retained Earnings RM'000	Private debt securities RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Employee Share Reserve# RM'000	Translation Reserve RM'000			
As at 1 January 2016	211,132	91,149	1,907	(268)	586,916	199,787	1,090,623
Total comprehensive income	-	-	-	(436)	9,690	5,202	14,456
Transactions with owners							
Issuance of LTIP shares to employees	335	622	(957)	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(5,202)	(5,202)
Total transactions with owners	335	622	(957)	-	-	(5,202)	(5,202)
As at 31 March 2016	211,467	91,771	950	(704)	596,606	199,787	1,099,877
As at 1 January 2015	211,132	91,149	-	(1,129)	550,905	99,787	951,844
Total comprehensive income	-	-	-	(113)	23,187	1,638	24,712
Transactions with owners							
Private debt securities distribution	-	-	-	-	-	(1,638)	(1,638)
Total transactions with owners	-	-	-	-	-	(1,638)	(1,638)
As at 31 March 2015	211,132	91,149	-	(1,242)	574,092	99,787	974,918

- 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 2015.

PARAMOUNT CORPORATION BERHAD

Interim Financial Report for the quarter ended 31 March 2016

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 31 MARCH 2016**

	3 Months Ended	
	31/3/2016	31/3/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	20,115	33,590
Adjustment for:		
Non-cash items	4,983	3,995
Non-operating items	(2,618)	(466)
Operating profit before working capital changes	22,480	37,119
Increase in receivables	(13,513)	(55,348)
Decrease in development properties	4,462	20,579
Decrease in inventories	543	399
Decrease in payables	(16,947)	(18,338)
Cash used in operations	(2,975)	(15,589)
Taxes paid	(12,283)	(8,672)
Interest paid	(7,220)	(4,229)
Net cash used in operating activities	(22,478)	(28,490)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	(11,117)	(31,182)
Grants received	-	14,102
Purchase of property, plant and equipment	(3,541)	(1,968)
Purchase of investment properties	(8,062)	(15,098)
Proceeds from disposal of property, plant and equipment	8	970
Proceeds from disposal of assets held for sale	-	-
Movement in other investment	(2)	-
Interest received	1,602	1,628
Net cash used in investing activities	(21,112)	(31,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	14,992	-
Repayment of Islamic Medium Term Notes	-	(21,600)
PDS distribution	(5,202)	(1,638)
Placements in banks restricted for use	65	-
Repayment of borrowings	(15,517)	(12,449)
Net cash used in financing activities	(5,662)	(35,687)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,252)	(95,725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	144,153	192,270
CASH AND CASH EQUIVALENTS AT END OF PERIOD	94,901	96,545
	31/3/2016	31/3/2015
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	41,175	73,523
Fixed deposits	67,145	57,327
Cash and bank balances	108,320	130,850
Deposits restricted for use	(3,055)	-
Overdrafts	(10,364)	(34,305)
	94,901	96,545
Cash and bank balances held in HDA accounts	18,395	50,980

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2015.

PARAMOUNT CORPORATION BERHAD
Interim Financial Report for the quarter ended 31 March 2016

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 2015. 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 2015.

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 2016 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 FRS, Amendments to FRS and IC Interpretations which are issued but not yet effective for the financial year ending 31 December 2016 will not have any material impact on the financial statements of the Group and the Company in the period of initial application, other than as disclosed below:

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 2013, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for four years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and have opted to defer the adoption of the new MFRS Framework. Accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company 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 2015 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

Save for item 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

- (i) On 14 March 2016, the Company made its second award of up to 6,063,200 Long term incentive plan ("LTIP") shares, comprising the following:
 - (a) 2,362,600 Paramount Shares under the Restricted Share Incentive Plan (RS Award) of the LTIP; and
 - (b) Up to 3,700,600 Paramount Shares under the Performance-based Share Incentive Plan (PS Award)
- (ii) On 17 March 2016, the Company issued 669,100 ordinary shares of RM0.50 each to its eligible employees, pursuant to the RS Award of the LTIP which was vested on 14 March 2016.

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of:				
- Property, plant and equipment	4,976	4,503	4,976	4,503
- Investment properties	7	7	7	7
Additions of allowance for impairment of trade and other receivables	0	225	0	225
Bad debts written off	16	15	16	15
Gain on disposal of:				
- Property, plant and equipment	(8)	(567)	(8)	(567)
- Assets held for sale	(2,370)	0	(2,370)	0
Reversal of allowance for impairment of trade and other receivables	(76)	(16)	(76)	(16)
Net derivative (gain)/loss on interest rate swap	779	702	779	702
Net foreign exchange (gain)/loss	(337)	(332)	(337)	(332)

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property	74,531	128,457	12,084	29,083
Education	38,642	36,093	10,221	6,125
Investment & others	53,218	6,498	46,522	1,210
	<u>166,391</u>	<u>171,048</u>	<u>68,827</u>	<u>36,418</u>
Inter-segment elimination	(53,062)	(6,051)	(48,712)	(2,828)
	<u>113,329</u>	<u>164,997</u>	<u>20,115</u>	<u>33,590</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 2015.

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

There were no changes in the composition of the Group during the current quarter and financial year to 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. Capital commitment

The amount of commitments not provided for in the interim financial statements as at 31 March 2016 were as follows:

	RM'000
Approved and contracted for:-	
Investment properties	18,972
Property, plant & equipment	9,485
	<u>28,457</u>
Approved but not contracted for:-	
Investment properties	5,648
Property, plant & equipment	180,796
	<u>186,444</u>
	<u>214,901</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 Additions	<u>3,541</u>	<u>3,541</u>

A17. 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 DatoqTeo Chiang Quan, a director of the Company, has substantial interests	23
Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of DatoqTeo Chiang Quan has substantial interest	167
	<u>190</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

1Q2016 vs 1Q2015

For 1Q2016, the Group recorded a lower revenue of RM113.3 million, a decrease of 31% compared with RM165.0 million recorded in 1Q2015, with the lower contribution from the Property Division offset by the higher contribution from the Education Division. As a result of the lower revenue, the Group recorded a lower profit before tax (PBT) of RM20.1 million for the period (1Q2015: RM33.6 million).

The Property Division's revenue decreased by 42% to RM74.5 million (1Q2015: RM128.5 million) attributable to lower progressive billings recorded on its Sejati Residences in Cyberjaya, Utropolis in Glenmarie, Shah Alam and Sekitar26 Business in Shah Alam developments. Lower sales were also recorded on these developments as well as on the Group's Bukit Banyan development in Sg Petani. As a result of the lower revenue, PBT for the Property Division decreased by 58% to RM12.1 million (1Q2015: RM29.1 million).

Revenue for the Education Division, comprising the primary and secondary school and the tertiary institutions, grew by 7% to RM38.6 million (1Q2015: RM36.1 million) due to higher student population. Revenue from KDU University College in Utropolis, Glenmarie (KDU UC) grew by 21%, whilst revenue from the Sri KDU schools grew by 5%. As a result of the higher revenue and a gain of RM2.3 million recognised on the sale of apartments that served as student accommodation and were no longer feasible following KDU UC's move to its new campus in Glenmarie, Shah Alam, PBT jumped 67% to RM10.2 million (1Q2015: RM6.1 million), with higher PBT from Sri KDU and lower losses incurred by KDU UC.

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

Group PBT for 1Q2016 of RM20.1 million was lower compared with the preceding quarter's PBT of RM22.7 million.

B3. Prospects

The Malaysian economy is forecasted to grow at a slower rate of between 4% and 4.5% in 2016 from 5% recorded in 2015, amidst challenging economic environments, both internally and externally. Internally, the fall in oil prices that has led to the plunge of the Ringgit against major currencies. Although the oil price recovery in recent months has strengthened the ringgit, the currency remains volatile. Weak consumer spending on the back of the introduction of GST, high household debt and increasing cost of living have all negatively impacted growth, as have external factors, in particular the economic slowdown in China, Malaysia largest trading partner with heavy investments in Johor and the Klang Valley. Against this scenario, the property market is not likely to recover in the short term.

Paramount Property's performance in 2016 is expected to be underpinned by the breadth of its product portfolio, which offers a wide range of products in different locations and at different price points, to appeal to a wider segment of the market. The current portfolio, which features innovatively conceptualised developments, consisting of Sejati Residences in Cyberjaya, Sekitar26 Business in Shah Alam, Utropolis Glenmarie in Shah Alam, Greenwoods Salak Perdana in Sepang and Bukit Banyan in Sungai Petani; will all serve market demand well.

Prospects (Cont'd)

Paramount Property is moving to broaden its offering of affordable homes, in addition to current developments in Greenwoods Salak Perdana in Selangor and Bukit Banyan in Kedah, where demand remains positive. The Group is finalising plans for the roll out of its new development in Batu Kawan, Penang, which remains a property hotspot. The development mirrors Paramount's very successful Utropolis Glenmarie project, anchored on the concept of a university metropolis. Utropolis Batu Kawan is primed to meet demand for what is planned to be Penang's third satellite city, as properties on the island become more expensive, beyond the reach of the mass market.

On the education front, Paramount Education will continue to experience intense competition in the tertiary business. As a result of the muted economic environment, many private higher education providers are offering significant reductions in tuition fees by way of discounts and promotions. In the primary and secondary segment, competition is also stepping up due to new schools opening, with more in the pipeline scheduled for 2016 to 2018. Sri KDU's excellent reputation, its strong value proposition, and its consistent enrolment, which is on track with budget, is expected to drive the performance of Paramount Education in 2016.

Barring any unforeseen circumstances, the Group is expected to deliver a satisfactory set of results for 2016.

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	11,678	11,678
Real property gain tax	162	162
Deferred tax	(6,617)	(6,617)
	<u>5,223</u>	<u>5,223</u>

The effective tax rate for the financial period was slightly 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

As at 10 May 2016, there were no corporate proposals announced but not completed.

B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 31 March 2016 were as follows:

	RM'000
<u>Short-term borrowings</u>	
Bank overdrafts - Unsecured	7,203
Bank overdrafts - Secured	3,161
Current portion of long term loans - Secured	96,798
	<u>107,162</u>
<u>Long-term borrowings (Secured)</u>	
Term loans	350,237
Islamic Medium Term Notes	99,686
	<u>449,923</u>

B8. Realised and unrealised profits

The breakdown of retained profits as at 31 March 2016 and 31 March 2015 on a group basis, into realised and unrealised profits, were as follows:

	31/3/2016 RM'000	31/3/2015 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	782,320	783,082
- Unrealised	17,473	(3,674)
	<u>799,793</u>	<u>779,408</u>
Total share of loss from associate		
- Realised	(526)	(362)
Less: Consolidation adjustments	(202,661)	(204,954)
Total Group retained profits	<u>596,606</u>	<u>574,092</u>

B9. Derivative financial instrument

The outstanding interest rate swap contracts as at 31 March 2016 were as follows:

	Contract amount	Net Fair value Assets/ (Liabilities)
	RM'000	RM'000
Interest rate swap*		
- More than 3 years	100,890	(752)

* 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)

	Current Quarter RM'000	Financial Year-to-date RM'000
Interest rate swap	(779)	(779)

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

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

B11. Changes in material litigation

As at 10 May 2016, there were no changes in material litigation, including the status of pending litigation since the last annual reporting date of 31 December 2015.

B12. Dividends payable

The Board does not recommend the payment of any dividend for the current financial quarter ended 31 March 2016.

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.

	Current Quarter	Financial Year-to-date
Profit attributable to equity holders of the Company (RM'000)	9,690	9,690
Weighted average number of ordinary shares ('000)	422,487	422,822
Basic EPS (sen)	2.29	2.29
(b) Diluted EPS		
Profit attributable to equity holders of the Company (RM'000)	9,690	9,690
Weighted average number of ordinary shares ('000)	422,487	422,822
Effect of dilution ('000)	10,378	10,378
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	432,865	433,200
Diluted EPS (sen)	2.24	2.24