PARAMOUNT CORPORATION BERHAD
Interim Financial Report for the year ended 31 December 2016

The figures are unaudited

CONDENSED CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2016

	3 Months Ended 31 December		12 Months Ended 31 December	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Revenue	**179,729**	148,059	**573,141**	576,034
Operating profit	**39,348**	22,576	**118,162**	102,495
Interest expense	**(2,210)**	(1,611)	**(7,643)**	(5,660)
Interest income	**724**	1,821	**2,245**	4,817
Share of profit/(loss) of associate	**(60)**	(46)	**(287)**	42
Profit before tax	**37,802**	22,740	**112,477**	101,694
Taxation	**(5,891)**	(6,210)	**(23,804)**	(27,513)
Profit for the period	**31,911**	16,530	**88,673**	74,181
Profit attributable to:				
Ordinary equity holders of the Company	**30,255**	14,901	**75,016**	67,681
Holder of private debt securities of the Company	**1,656**	1,629	**13,657**	6,500
	31,911	16,530	**88,673**	74,181
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	**7.15**	3.53	**17.74**	16.03
Diluted EPS	**6.98**	3.48	**17.32**	15.82

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 year ended 31 December 2016

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2016

	3 Months Ended 31 December		12 Months Ended 31 December	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Profit for the period	**31,911**	16,530	**88,673**	74,181
Other comprehensive income	**258**	52	**355**	861
Total comprehensive income for the period	**32,169**	16,582	**89,028**	75,042
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	**30,513**	14,953	**75,371**	68,542
Holder of private debt securities of the Company	**1,656**	1,629	**13,657**	6,500
	32,169	16,582	**89,028**	75,042

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
Interim Financial Report for the year ended 31 December 2016

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	As at 31/12/2016	As at 31/12/2015
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	436,186	435,089
Land held for property development	870,967	837,395
Investment properties	177,750	154,040
Intangible asset	15,674	15,674
Investment in associates	10,220	10,153
Investment in joint ventures	45	0
Other investments	340	340
Deferred tax assets	22,611	27,228
	1,533,793	1,479,919
Current assets		
Property development costs	76,957	125,709
Inventories	28,789	953
Trade receivables	54,259	91,976
Other receivables	16,550	14,542
Other current assets	143,269	52,083
Tax recoverable	8,964	4,579
Other investments	288	279
Cash and bank balances	149,176	149,644
	478,252	439,765
Assets held for sale	6,666	10,539
	484,918	450,304
Total assets	2,018,711	1,930,223
Current liabilities		
Borrowings	207,864	102,187
Trade payables	80,670	78,464
Other payables	103,536	104,814
Tax payable	1,994	7,593
Other current liabilities	56,631	84,426
	450,695	377,484
Net current assets	34,223	72,820
Non-current liabilities		
Borrowings	428,690	447,430
Deferred tax liabilities	4,903	14,686
	433,593	462,116
Total liabilities	884,288	839,600
Equity		
Share capital	211,467	211,132
Reserves	723,169	679,704
Private debt securities	199,787	199,787
Total equity	1,134,423	1,090,623
Total equity and liabilities	2,018,711	1,930,223
Net assets (NA) per share (RM)	2.21	2.11

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 year ended 31 December 2016

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2016

		<--------------Non Distributable-------------->					
	Share Capital RM'000	Share Premium RM'000	Employee Share Reserve# RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Private debt securities RM'000	Total Equity RM'000
As at 1 January 2016	211,132	91,149	1,907	(268)	586,916	199,787	1,090,623
Total comprehensive income	-	-	-	355	75,016	13,657	89,028
Transactions with owners							
Vesting of LTIP shares on 13 March 2016	335	622	(957)	-	-	-	-
Award of LTIP shares to employees	-	-	3,321	-	-	-	3,321
Private debt securities distribution	-	-	-	-	-	(13,657)	(13,657)
Dividends	-	-	-	-	(34,892)	-	(34,892)
Total transactions with owners	**335**	**622**	**2,364**	**-**	**(34,892)**	**(13,657)**	**(45,228)**
As at 31 December 2016	**211,467**	**91,771**	**4,271**	**87**	**627,040**	**199,787**	**1,134,423**
As at 1 January 2015	211,132	91,149	-	(1,129)	550,905	99,787	951,844
Total comprehensive income	-	-	-	861	67,681	6,500	75,042
Transactions with owners							
Issuance of private debt securities	-	-	-	-	-	100,000	100,000
Award of LTIP to employees	-	-	1,907	-	-	-	1,907
Private debt securities distribution	-	-	-	-	-	(6,500)	(6,500)
Dividends	-	-	-	-	(31,670)	-	(31,670)
Total transactions with owners	**-**	**-**	**1,907**	**-**	**(31,670)**	**93,500**	**63,737**
As at 31 December 2015	**211,132**	**91,149**	**1,907**	**(268)**	**586,916**	**199,787**	**1,090,623**

- 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 year ended 31 December 2016

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2016

	12 Months Ended	
	31/12/2016	31/12/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**112,477**	101,694
Adjustment for:		
Non-cash items	**24,137**	21,588
Non-operating items	**(2,987)**	290
Operating profit before working capital changes	**133,627**	123,572
(Increase)/decrease in receivables	**(55,337)**	20,628
Decrease in development properties	**51,965**	28,372
Increase in inventories	**(27,836)**	(554)
Decrease in payables	**(27,269)**	(24,137)
Cash generated from operations	**75,150**	147,881
Taxes paid	**(38,954)**	(38,450)
Interest paid	**(27,098)**	(21,909)
Net cash generated from operating activities	**9,098**	87,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	**(20,211)**	(296,993)
Subscription of shares in a joint venture company	**(45)**	(1,310)
Grants received	**-**	14,101
Purchase of property, plant and equipment	**(20,251)**	(39,361)
Purchase of investment properties	**(22,740)**	(43,674)
Proceeds from disposal of property, plant and equipment	**521**	3,143
Proceeds from disposal of assets held for sale	**12,650**	2,946
Movement in other investment	**(9)**	(9)
Interest received	**2,245**	4,817
Net cash used in investing activities	**(47,840)**	(356,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(34,892)**	(31,670)
Proceeds from borrowings	**115,675**	239,000
Repayment of Islamic Medium Term Notes	**-**	(21,600)
Proceeds from issuance of PDS	**-**	100,000
PDS distribution	**(13,657)**	(6,500)
Placements in banks restricted for use	**(2,300)**	195
Repayment of borrowings	**(55,460)**	(55,411)
Net cash generated from financing activities	**9,366**	224,014
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,376)**	(44,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**143,821**	188,625
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**114,445**	143,821

	31/12/2016	31/12/2015
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	**96,512**	107,023
Fixed deposits	**52,664**	42,621
Cash and bank balances	**149,176**	149,644
Cash and bank balances restricted for use	**(5,750)**	(3,450)
Overdraft	**(28,981)**	(2,373)
	114,445	143,821
Cash and bank balances held in HDA accounts	**74,317**	80,170

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

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 (2016 RS Award) of the LTIP; and

   (b) Up to 3,700,600 Paramount Shares under the Performance-based Share Incentive Plan (2016 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 first vesting of the 2015 RS Award that was granted on 13 March 2015.

A8. Dividends paid

	12 months ended	
	31/12/2016 **RM'000**	**31/12/2015** **RM'000**
Final dividends 2015 - 5.75 sen single tier (2014 - 5.00 sen single tier)	24,319	21,113
Interim dividends 2016 - 2.50 sen single tier (2015 - 2.50 sen single tier)	10,573	10,557
	34,892	31,670

A9. Profit before tax

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

	3 months ended 31 December		12 months ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of:				
- Property, plant and equipment	4,905	3,298	19,748	19,234
- Investment properties	459	7	1,064	28
Additions/(reversal) of allowance for impairment of trade and other receivables	(32)	(104)	55	99
Impairment of asset held for sale	0	100	0	100
Bad debts written off	119	169	169	179
(Gain)/loss on disposal of:				
- Property, plant and equipment	201	(243)	(298)	(965)
- Assets held for sale	(94)	154	(8,777)	154
Additions/(reversal) of allowance for impairment of trade and other receivables	(78)	132	(364)	0
Net derivative (gain)/loss on interest rate swap	(585)	282	418	78
Net foreign exchange (gain)/loss	(19)	263	(475)	(166)

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

	Revenue		Profit before tax	
Analysis by Business Segment	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property	420,500	427,335	82,464	83,107
Education	152,411	147,909	36,379	21,650
Investment & others	99,680	96,297	111,003	71,770
	672,591	671,541	229,846	176,527
Inter-segment elimination	(99,450)	(95,507)	(117,369)	(74,833)
	573,141	576,034	112,477	101,694

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 expect as disclosed in Note A13.

A13. Changes in composition of the Group

(a) On 12 July 2016 and 8 September 2016, Paramount Projects Sdn Bhd and Paramount Global Assets Sdn Bhd, both are wholly owned subsidiaries have been placed under MembersôVoluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

(b) On 25 August 2016, the Company entered into a Joint Venture Agreement (the JVA) with Lasseters Properties Sdn Bhd (LPSB) and Lasseters Management (M) Sdn Bhd (LMSB) to jointly participate in the equity of Super Ace Resources Sdn Bhd (SAR), a joint venture vehicle to be used for the purpose of jointly developing and/or acquiring a building to be erected on a stratified title, to advise on the design and fit-out of the building suitable for use as a hotel and to identify and procure a hotel operator to manage and operate the hotel (the Proposed Hotel Project). On 20 September 2016, SAR increased its issued and paid-up capital to RM100,000.00 based on the proportion of LPSB (54%), LMSB (1%) and the Company (45%). As a result of this, SAR has ceased to be a subsidiary of the Company.

(c) On 20 December 2016, the Company incorporated Paramount Coworking Sdn. Bhd. with an issued and paid-up share capital of RM100 for RM100.

(d) On 11 January 2017, the Company entered into a Share Purchase Agreement (SPA) with Character First Sdn Bhd (Character First) for the proposed acquisition of 7,136,580 ordinary shares of RM1.00 each in R.E.A.L Education Group Sdn Bhd (R.E.A.L Education), representing 66% of the issued and paid-up share capital of R.E.A.L Education from Character First for a total cash purchase consideration of RM183 million.

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 December 2016 were as follows:

	RM'000
Approved and contracted for:-	
Investment properties	6,496
Property, plant & equipment	36,624
	43,120
Approved but not contracted for:-	
Investment properties	10,383
Property, plant & equipment	224,666
	235,049
	278,169

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	4,722	20,251

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 DatoôTeo Chiang Quan, a director of the Company, had substantial interests	33
Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of DatoôTeo Chiang Quan has substantial interest	669
Advisory fees paid to Mr. Chuan Yeong Ming, an ex-director of a subsidiary	29
Sale of property to Dato' Teo Chiang Quan	1,360
Sale of properties to Mr. Jeffrey Chew Sun Teong, a director of the Company	3,322
Sale of property to Mr. Beh Chun Chong, a director of subsidiary	993
Sale of property to Datin Teh Geok Lian, a director of subsidiary	693
Sale of property to Mr. Ooi Hun Peng, a director of subsidiary	1,280
Sale of property to Ms. Chong Beng Keok, a vice chancellor of a subsidiary	874
Sale of motor vehicle to Mr. Jeffrey Chew Sun Teong	133
Sale of motor vehicle to Mr. Beh Chun Choong	114
Sale of motor vehicle to Datin Teh Geok Lian	126
	9,626

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

The Group turned in an excellent performance in 4Q2016, surpassing the performances of the preceding three quarters to end FY2016 with a strong set of results. Strong sales momentum was seen across most of Paramount Property’s developments while Paramount Education held steady recording an overall student population marginally above that of the previous year’s level. Paramount Property’s newly launched Utropolis Batu Kawan development was very well received - its first phase of commercial properties with a GDV of RM162 million registered a take-up rate of 55%. With attractively packaged offers, sales at Utropolis Glenmarie quadrupled from the preceding quarter while Bukit Banyan in Sungai Petani and Sejati Residences in Cyberjaya continued to enjoy steady sales. Paramount Property recorded sales of 206 units with a sales value of RM197 million in 4Q2016. Overall 459 units with a sales value of RM420 million were sold in 2016. Paramount Education’s business remained competitive but the division managed to deliver a consistent performance for 4Q2016 through various cost savings measures and operational efficiencies.

4Q2016 vs 4Q2015

Group revenue for 4Q2016 increased by 21% to RM179.7 million (4Q2015: RM148.1 million) attributable to higher contributions from both the property and education divisions. Group Profit before tax (PBT) increased substantially, by 66%, to RM37.8 million (4Q2015: RM22.7 million).

Revenue for the property division increased by 28% to RM140.6 million (4Q2015: RM109.6 million) attributable to higher sales recorded across all its developments and higher progressive billings registered on the Utropolis Glenmarie, Sejati Residences and Greenwoods Salak Perdana developments.

PBT for the property division increased by 62% to RM29.9 million (4Q2015: RM18.5 million) mainly due to the higher PBT registered on the Bukit Banyan, Sejati Residences, Utropolis Glenmarie and Greenwoods Salak Perdana developments.

Revenue for the education division (comprising the primary, secondary and tertiary schools) grew marginally by 3% to RM39.1 million (4Q2015: RM38.1 million), with a higher revenue contribution from the primary and secondary school.

PBT for the education division increased by 118% to RM8.5 million (4Q2015: RM3.9 million) attributable to higher PBT from the primary and secondary school, and lower losses from KDU University College.

2016 vs 2015

Group revenue for FY2016 was RM573.1 million, marginally below the previous year's level (FY2015: RM576.0 million). The property division recorded marginally lower revenue but this was offset by a higher contribution from the education division. Group PBT, however, increased by 11% to RM112.5 million from RM101.7 million recorded in FY2015, attributable to higher PBT contribution from the education division.

Revenue for the property division was marginally lower at RM420.5 million, about 2% less compared with the previous year’s revenue (FY2015: RM427.3 million). This was due principally to the substantially lower contribution from the Sekitar26 Business development, which was completed and handed over during the year. Higher contributions from the Bukit Banyan and Sejati Residences developments arising from higher sales and higher progressive billings, together with the coming on-stream of new developments, namely, Greenwoods Salak Perdana and Utropolis Batu Kawan, ameliorated the lower revenue contribution from this completed development.

PBT for the division decreased marginally by 1% to RM82.5 million (FY2015: RM83.1 million) attributable to higher losses from property investment, which was offset by the higher PBT contributions from property development, namely, the Bukit Banyan, Sejati Residences, Greenwoods Salak Perdana developments and the recognition of remaining construction profits from a completed external project, the accounts of which were finalised at the beginning of FY2016.

B1. Review of performance (cont'd)

Revenue for the education division grew marginally by 3% to RM152.4 million (FY2015: RM147.9 million) attributable to higher revenue contributions from the primary & secondary schools, and KDU University College stemming from higher new student enrolments.

PBT for the division increased by 68% to RM36.4 million (FY2015: RM21.7 million) mainly attributable to the gain of RM8.8 million recognised on the disposal of a block of apartments that were no longer required. The primary & secondary school segment registered higher profits while lower losses were incurred by KDU University College offsetting the lower profits from KDU UC Penang.

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

Group PBT for 4Q2016 of RM37.8 million was higher compared with the preceding quarter's PBT of RM21.7 million. The substantially higher PBT was due to the coming on-stream of a new property development project, Utropolis Batu Kawan, as well as higher sales and progressive billings on existing projects, in particular Utropolis Glenmarie where sales quadrupled from the preceding quarter.

B3. Prospects

The weak consumer sentiment experienced in 2016 is expected to continue into 2017. The ringgit remains volatile, although BNM’s recent measures are expected to stablise the ringgit. In the property sector, the Bank’s stringent lending policies is not expected to ease anytime soon and without any near-term broad cooling measures to boost the property market, 2017 is expected to continue to be competitive. We expect a cautious market, with more homebuyers, upgraders and astute investors looking for properties in good locations, in particular townships/integrated developments that are affordably priced and innovatively conceptualised.

Under this scenario, Paramount Property’s performance will be underpinned by the breadth of its product portfolio, which includes both affordably-priced properties and innovatively conceptualised developments. The current portfolio consisting of Sejati Residences in Cyberjaya, Utropolis Glenmarie in Shah Alam, Bukit Banyan in Sungai Petani, Greenwoods Salak Perdana in Sepang and the newly launched integrated mixed development, Utropolis Batu Kawan in Penang, is expected to well serve market demand.

Sejati Residences—40-acre development comprising three storey super-links, semi-detached units, courtyard villas and bungalows, all anchored by the 2016 FIABCI award-winning Chengal House clubhouse boasts of being one of the developments in Cyberjaya offering the “best value for money”. Utropolis Glenmarie’s innovative university metropolis concept, anchored by the 10-acre KDU University College is being enhanced with the opening of a 120,000 sq ft retail centre and, in the pipeline, a hotel and co-working cum incubator space, which will complete the self-sustaining eco-system of the development.

Bukit Banyan and Greenwoods Salak Perdana both offer affordably priced homes while Utropolis Batu Kawan mirrors the very successful university metropolis concept in Glenmarie and offers a mix of affordably priced commercial and residential apartments for those seeking to live in Penang’s planned 3rd satellite city, as properties on the island are priced out of the reach of many. Utropolis Batu Kawan is centrally located in this 3rd satellite city, earmarked to serve as the Central Business District and Lifestyle Hub for the Northern region, and is within walking distance to Design Village premium outlet to the North and Aspen Vision City, Columbia Asia Hospital and IKEA to the South.

This product portfolio will be further supported by the rolling out of another two innovative concept developments in 2017. The first, in Section 13 in Petaling Jaya, will cater to those interested in investing in this mature and highly-accessible mid-town address complete with senior living concepts, while the second will be Sekitar26 Enterprise, a neighbourhood community retail centre designed for a myriad of uses, and anchored by Paramount Property’s new development office.

Prospects (cont'd)

On the education front, Paramount Education will continue to face challenges, particularly in the tertiary segment where competition is intense and highly price-sensitive. Education institutions have gone into a price war in an attempt to hold their respective market positions and compete for new students. In the primary and secondary school segments, competition is also stepping up due to the accelerated increase in capacity both from the rapid opening of new schools over the last few years and expansion of existing schools resulting in schools, even the established ones, giving discounts, fee rebates, waivers and scholarships.

Against this scenario, Paramount Education's prospects remain good, as overall enrolment to-date has registered growth over the previous year. The primary and secondary schools, with their strong value proposition, will continue to drive the performance of the division.

The recent acquisition of R.E.A.L Education Group, an established K-12 player with three key brands - REAL Kids, REAL Schools and the Cambridge English for Life - will boost Paramount Education's income, accelerate its growth plans, and allow instant access to REAL's 18,000 strong student base, in the process establishing Paramount Education as one of the largest full-spectrum education services providers in Malaysia.

The acquisition also provides Paramount Education the opportunity to offer a more affordable alternative for high quality K-12 education, in turn allowing it to reach out to a wider student universe and diversify into a new kindergarten market. There are also many synergies to be reaped, from staffing and training, marketing and shared services, as well as opportunities for student continuity and retention into the Sri KDU schools and KDU university colleges.

In the tertiary segment, 2016 saw many new programmes being approved, ready for offering in 2017. Several articulation relationships were established with universities worldwide to provide more options for students who wish to continue their studies overseas. Efforts were also invested into building USP's for flagship schools to raise their profiles, as well as the value and quality of programmes. Increased focus was also placed on a structured entrepreneurship programme as a key attribute of KDU graduates. With these efforts, Paramount Education is confident that overall enrolment, which has registered growth over the previous year, will continue to hold steady. Additionally the division's pursuit of an asset-lite strategy to improve the utilisation of its real estate assets will enhance returns on capital employed and create long term shareholder value.

Barring any unforeseen circumstances, the Group is expected to deliver a comparable performance for 2017.

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	3,196	28,562
Real property gain tax	5	408
Deferred tax	2,690	(5,166)
	5,891	23,804

The effective tax rate for the current quarter and financial year to date was lower than the statutory income tax rate in Malaysia due to certain income received was subject to lower tax rate and the Group also benefited from certain tax incentive.

B6. Corporate proposal

Save for the proposed acquisition as disclosed in A13(d), as at 8 February 2017, there were no corporate proposals announced but not completed.

B7. Borrowings and debts securities

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

	RM'000
Short-term borrowings	
Bank overdraft - Secured	10,139
Bank overdraft - Unsecured	18,842
Revolving credit - Secured	15,344
Revolving credit - Unsecured	35,000
Current portion of long term loans - Secured	128,539
	207,864
Long-term borrowings (Secured)	
Term loans	328,928
Islamic Medium Term Notes	99,762
	428,690

B8. Realised and unrealised profits

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

	31/12/2016 RM'000	31/12/2015 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	793,748	773,816
- Unrealised	17,617	11,962
	811,365	785,778
Total share of loss from associate		
- Realised	(770)	(482)
Less: Consolidation adjustments	(183,555)	(198,380)
Total Group retained profits	627,040	586,916

B9. Derivative financial instrument

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

	Contract amount	Net Fair value Assets/ (Liabilities)
	RM'000	RM'000
Interest rate swap*		
- More than 3 years	94,499	(392)

* 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	585	(418)

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 8 February 2017, 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

(i) A proposed single tier final dividend of 6.00 sen, for the financial year ended 31 December 2016 has been recommended by the directors;
(ii) Amount per share - single tier 6.00 sen;
(iii) Previous corresponding period - a single tier final dividend of 5.75 sen per share;

The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on a date to be announced.

The total dividend for the current financial year to date is 8.50 sen per share, single tier. (2015: 8.25 sen per share, single tier)

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)	30,255	75,016
Weighted average number of ordinary shares ('000)	422,933	422,823
Basic EPS (sen)	7.15	17.74

(b) Diluted EPS

	Current Quarter	Financial Year-to-date
Profit attributable to equity holders of the Company (RM'000)	30,255	75,016
Weighted average number of ordinary shares ('000)	422,933	422,823
Effect of dilution ('000)	10,378	10,378
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	433,311	433,201
Diluted EPS (sen)	6.98	17.32