

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 30 June 2017

The figures are unaudited

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR PERIOD ENDED 30 JUNE 2017**

	<b>3 Months Ended 30 June</b>		<b>6 Months Ended 30 June</b>	
	<b>2017 RM'000</b>	2016 RM'000	<b>2017 RM'000</b>	2016 RM'000
Revenue	<b>184,555</b>	145,306	<b>327,495</b>	258,635
Operating profit	<b>27,643</b>	33,077	<b>47,861</b>	52,952
Interest expense	<b>(3,784)</b>	(1,454)	<b>(6,180)</b>	(2,772)
Interest income	<b>840</b>	1,297	<b>1,359</b>	2,899
Share of loss of associate	<b>(10)</b>	(50)	<b>(49)</b>	(94)
Profit before tax	<b>24,689</b>	32,870	<b>42,991</b>	52,985
Taxation	<b>(7,396)</b>	(7,329)	<b>(12,426)</b>	(12,552)
Profit for the period	<b>17,293</b>	25,541	<b>30,565</b>	40,433
Profit attributable to:				
Ordinary equity holders of the Company	<b>14,674</b>	23,912	<b>22,966</b>	33,602
Non-controlling interest	<b>1,007</b>	-	<b>1,007</b>	-
Holder of private debt securities of the Company	<b>1,612</b>	1,629	<b>6,592</b>	6,831
	<b>17,293</b>	25,541	<b>30,565</b>	40,433
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	<b>3.47</b>	5.65	<b>5.43</b>	7.95
Diluted EPS	<b>3.34</b>	5.52	<b>5.23</b>	7.76

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2016.

**PARAMOUNT CORPORATION BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR PERIOD ENDED 30 JUNE 2017**

	<b>3 Months Ended 30 June</b>		<b>6 Months Ended 30 June</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit for the period	<b>17,293</b>	25,541	<b>30,565</b>	40,433
Other comprehensive income	<b>(254)</b>	(33)	<b>194</b>	(469)
<b>Total comprehensive income for the period</b>	<b>17,039</b>	25,508	<b>30,759</b>	39,964
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	<b>14,420</b>	23,879	<b>23,160</b>	33,133
Non-controlling interest	<b>1,007</b>	-	<b>1,007</b>	-
Holder of private debt securities of the Company	<b>1,612</b>	1,629	<b>6,592</b>	6,831
	<b>17,039</b>	25,508	<b>30,759</b>	39,964

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2016.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 30 June 2017

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	<b>As at 30/6/2017</b>	As at 31/12/2016
	<b>RM'000</b>	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	703,277	436,186
Land held for property development	827,278	870,967
Investment properties	179,993	177,750
Intangible asset	118,344	15,674
Investment in associates	10,369	10,220
Investment in joint ventures	45	45
Other investments	340	340
Deferred tax assets	24,276	22,611
	<u>1,863,922</u>	<u>1,533,793</u>
<b>Current assets</b>		
Property development costs	131,682	76,957
Inventories	6,932	28,789
Trade receivables	75,713	54,259
Other receivables	19,750	16,550
Other current assets	142,012	143,269
Tax recoverable	10,823	8,964
Other investments	0	288
Cash and bank balances	170,766	149,176
	<u>557,678</u>	<u>478,252</u>
Assets held for sale	6,600	6,666
	<u>564,278</u>	<u>484,918</u>
<b>Total assets</b>	<u>2,428,200</u>	<u>2,018,711</u>
<b>Current liabilities</b>		
Borrowings	202,021	207,864
Trade payables	60,928	80,670
Other payables	144,616	103,536
Tax payable	8,726	1,994
Other current liabilities	99,648	56,631
	<u>515,939</u>	<u>450,695</u>
<b>Net current assets</b>	<u>48,339</u>	<u>34,223</u>
<b>Non-current liabilities</b>		
Borrowings	701,710	428,690
Deferred tax liabilities	30,763	4,903
	<u>732,473</u>	<u>433,593</u>
<b>Total liabilities</b>	<u>1,248,412</u>	<u>884,288</u>
<b>Equity</b>		
Share capital	305,189	211,467
Reserves	627,149	723,169
<b>Equity attributable to ordinary equity holders of the Company</b>	<u>932,338</u>	<u>934,636</u>
Non-controlling interests	47,663	0
Private debt securities	199,787	199,787
<b>Total equity</b>	<u>1,179,788</u>	<u>1,134,423</u>
<b>Total equity and liabilities</b>	<u>2,428,200</u>	<u>2,018,711</u>
<b>Net assets (NA) per share (RM)</b>	<u>2.20</u>	<u>2.21</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2016.

**PARAMOUNT CORPORATION BERHAD**  
Interim Financial Report for the period ended 30 June 2017

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR PERIOD ENDED 30 JUNE 2017**

	<-----Non Distributable----->			Distributable Retained Earnings RM'000	Non- controlling interests RM'000	Private debt securities RM'000	Total Equity RM'000
	Share Capital RM'000	Employee Share Reserve# RM'000	Translation Reserve RM'000				
<b>As at 1 January 2017</b>	303,238	4,271	87	627,040	-	199,787	1,134,423
Total comprehensive income	-	-	194	22,966	1,007	6,592	30,759
<b>Transactions with owners</b>							
Vesting of LTIP shares	1,951	(1,951)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	46,656	-	46,656
Private debt securities distribution	-	-	-	-	-	(6,592)	(6,592)
Dividends	-	-	-	(25,458)	-	-	(25,458)
<b>Total transactions with owners</b>	<b>1,951</b>	<b>(1,951)</b>	<b>-</b>	<b>(25,458)</b>	<b>46,656</b>	<b>(6,592)</b>	<b>14,606</b>
<b>As at 30 June 2017</b>	<b>305,189</b>	<b>2,320</b>	<b>281</b>	<b>624,548</b>	<b>47,663</b>	<b>199,787</b>	<b>1,179,788</b>
<b>As at 1 January 2016</b>	302,281	1,907	(268)	586,916	-	199,787	1,090,623
Total comprehensive income	-	-	(469)	33,602	-	6,831	39,964
<b>Transactions with owners</b>							
Vesting of LTIP shares	957	(957)	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(6,831)	(6,831)
Dividends	-	-	-	(24,319)	-	-	(24,319)
<b>Total transactions with owners</b>	<b>957</b>	<b>(957)</b>	<b>-</b>	<b>(24,319)</b>	<b>-</b>	<b>(6,831)</b>	<b>(31,150)</b>
<b>As at 30 June 2016</b>	<b>303,238</b>	<b>950</b>	<b>(737)</b>	<b>596,199</b>	<b>-</b>	<b>199,787</b>	<b>1,099,437</b>

# - 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 2016.

**PARAMOUNT CORPORATION BERHAD**

Interim Financial Report for the period ended 30 June 2017

The figures are unaudited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR PERIOD ENDED 30 JUNE 2017**

	6 Months Ended	
	30/6/2017 RM'000	30/6/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	42,991	52,985
Adjustment for:		
Non-cash items	11,419	10,176
Non-operating items	4,684	(8,952)
<b>Operating profit before working capital changes</b>	<b>59,094</b>	54,209
Increase in receivables	(18,907)	(33,879)
(Increase)/decrease in development properties	(7,413)	44,234
Decrease/(increase) in inventories	23,597	(16,999)
Decrease in payables	(17,603)	(34,955)
<b>Cash generated from operations</b>	<b>38,768</b>	12,610
Taxes paid	(15,076)	(22,166)
Interest paid	(14,080)	(13,376)
Net cash generated from/(used in) operating activities	<b>9,612</b>	(22,932)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in land held for development	4,080	(21,853)
Purchase of property, plant and equipment	(21,700)	(6,915)
Purchase of investment properties	(3,049)	(16,827)
Acquisition of subsidiaries	(147,719)	-
Proceeds from disposal of property, plant and equipment	111	142
Proceeds from disposal of assets held for sale	211	5,295
Movement in other investment	288	(5)
Interest received	1,359	2,899
Net cash used in investing activities	<b>(166,419)</b>	(37,264)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(25,458)	(24,319)
Proceeds from borrowings	260,018	26,254
Issuance of Islamic Medium Term Notes	30,000	-
PDS distribution	(6,592)	(6,831)
Placements in banks restricted for use	(5,250)	28
Repayment of borrowings	(73,872)	(25,941)
Net cash generated from/(used in) financing activities	<b>178,846</b>	(30,809)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>22,039</b>	(91,005)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>114,445</b>	144,153
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>136,484</b>	53,148
	<b>30/6/2017</b>	<b>30/6/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents comprise:		
Cash and bank balances	127,441	42,366
Fixed deposits	43,325	24,761
Cash and bank balances	170,766	67,127
Cash and bank balances restricted for use	(11,000)	(3,091)
Overdrafts	(23,282)	(10,888)
	<b>136,484</b>	53,148
Cash and bank balances held in HDA accounts	<b>96,113</b>	20,092

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the Year Ended 31 December 2016.

**PARAMOUNT CORPORATION BERHAD**  
**Interim Financial Report for the period ended 30 June 2017**

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**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 2016. 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 2016.

**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 2017 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 2017 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 2016 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.

##### (a) Employee share scheme

- (i) On 13 March 2017, the Company made its third award of up to 7,456,600 Long Term Incentive Plan ("LTIP") shares, comprising the following:
  - (i.i) 2,440,400 Paramount Shares under the Restricted Share Incentive Plan (2017 RS Award) of the LTIP; and
  - (i.ii) Up to 5,016,200 Paramount Shares under the Performance-based Share Incentive Plan (2017 PS Award)
- (ii) On 20 March 2017, the Company issued 613,600 and 748,900 ordinary shares respectively to its eligible employees, pursuant to the second vesting of the 2015 RS Award and first vesting of the 2016 RS Award, which were granted on 13 March 2015 and 14 March 2016.

##### (b) RM200 Million Sukuk Ijarah Programme

On 29 March 2017, KDU University College (PG) Sdn Bhd, a wholly owned subsidiary of the Company issued RM30.0 Million in nominal value of Islamic Medium Term Notes under its RM200.0 million SUKUK Ijarah Programme

#### A8. Dividends paid

	6 months ended	
	30/6/2017	30/6/2016
	RM'000	RM'000
Final dividends		
2016 - 6.00 sen single tier	25,458	24,319
(2015 - 5.75 sen single tier)		
	<u>25,458</u>	<u>24,319</u>

## A9. Profit before tax

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

	3 months ended 30 June		6 months ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation of:				
- Property, plant and equipment	5,775	5,083	10,402	10,059
- Investment properties	535	111	1,002	118
Additions/(reversal) of allowance for impairment of trade and other receivables	571	95	596	95
Bad debts written off	0	0	0	16
(Gain)/loss on disposal of:				
- Property, plant and equipment	(15)	(134)	(38)	(142)
- Assets held for sale	0	(6,393)	(145)	(8,763)
Additions/(reversal) of allowance for impairment of trade and other receivables	15	(195)	0	(271)
Net derivative (gain)/loss on interest rate swap	2	47	17	826
Net foreign exchange (gain)/loss	141	(57)	(25)	(394)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property	227,839	182,123	30,298	35,804
Education	99,717	76,009	18,604	23,223
Investment & others	116,316	77,984	100,123	63,949
	443,872	336,116	149,025	122,976
Inter-segment elimination	(116,377)	(77,481)	(106,034)	(69,991)
	327,495	258,635	42,991	52,985

## 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 2016.



## 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.

## A13. Changes in composition of the Group

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. The acquisition is deemed completed on 11 April 2017, after the payment of the 90% of the purchase consideration of RM164.7 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 30 June 2017 were as follows:

	<b>RM'000</b>
Approved and contracted for:-	
Investment properties	407
Property, plant & equipment	70,906
	<u>71,313</u>
Approved but not contracted for:-	
Investment properties	16,343
Property, plant & equipment	128,696
	<u>145,039</u>
	<u>216,352</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:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Property, plant and equipment Additions	12,523	21,700

**A17. Related party transactions****Financial  
Year-to-date  
RM'000**

Rental charges paid to Damansara Uptown One Sdn Bhd, a company in which a brother of DatoqTeo Chiang Quan has substantial interest	431
Advisory fees paid to Mr. Chuan Yeong Ming, an ex-director of a subsidiary	14
Sale of motor vehicle to Ms. Tay Lee Kong	96
Rental charges paid to CNS Corporation Sdn Bhd and CF Land Sdn Bhd, in which certain directors of a subsidiary have substantial interest	97
	<hr/>
	638
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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**

The Group delivered commendable performance for 2Q2017, after a strong 1Q2017. Paramount Property recorded sales of RM176 million for 2Q2017 while 6M2017 sales of RM420 million had surpassed the 2016 full-year sales of RM402 million. Strong sales were recorded by the Utropolis Batu Kawan in Penang and Sejati Residences in Cyberjaya developments while sales at the other ongoing developments, Bukit Banyan in Sungai Petani, Utropolis Glenmarie in Shah Alam and Greenwoods Salak Perdana in Sepang held steady. Unbilled sales as at 30 June 2017 had increased to RM534 million from RM503 million as at the end of 1Q2017. During the quarter, Paramount Property launched properties with a GDV of RM142 million. The performance of the Group's other division, Paramount Education, was largely boosted by a new stream of income from the Group's 66% equity interest in REAL Education Group (REAL), which acquisition was completed in April, and the stronger enrolment of new students by KDU University College (KDUUC).

#### 2Q2017 vs 2Q2016

For 2Q2017, the Group recorded a significantly higher revenue of RM184.6 million, an increase of 27% compared with the corresponding quarter last year (2Q2016: RM145.3 million) with higher contribution from both the property and education divisions. Group profit before tax (PBT) was, however, lower at RM24.7 million, a decrease of 25% compared with 2Q2016 (2Q2016: RM32.9 million), as the 2Q2016 PBT had included a non-recurring gain of RM6.4 million realised on the disposal of apartments by KDUUC that were no longer required following its move to its new campus. The lower PBT was also due to the lower PBT contribution from the property division which was, however, offset by the higher PBT contribution from the education division.

Revenue for the property division increased by 14% to RM122.9 million (2Q2016: RM107.6 million) attributable to higher sales and progressive billings from the Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana developments. PBT for the division, however, decreased by 31% to RM16.4 million (2Q2016: RM23.9 million) due to the higher losses of the retail mall, Utropolis Marketplace, and the lower contribution from the Bandar Laguna Merbok in Sungai Petani development, which was fully developed.

Revenue for the education division was significantly higher at RM61.6 million (2Q2016: RM37.4 million) attributable to REAL's revenue contribution of RM22.9 million as well as the higher revenue from Sri KDU, which grew by 9%, offsetting the lower revenue from KDU Penang University College (KDUPG). KDUUC's revenue was maintained. PBT for the division was RM11.7 million compared with RM13 million recorded in 2Q2016, which 50% of PBT comprised the non-recurring gain of RM6.4 million. In spite of this, PBT for the division was only 10% lower and this was attributable to REAL's PBT contribution of RM3.4 million and the higher PBT contribution from KDUPG and Sri KDU.

#### 6M2017 vs 6M2016

Group revenue for 6M2017 was RM327.5 million, an increase of 27% compared with the same period last year (6M2016: RM258.6 million) with higher contribution from both the property and education divisions. Group PBT of RM43 million was, however, lower, by 19%, compared with 6M2016 (6M2016: RM53 million) as the 6M2016 PBT had included a non-recurring gain of RM8.8 million realised on the disposal of apartments by KDUUC. The lower PBT was also due to the lower PBT contribution from the property division, which was, however, offset by the higher contribution from the education division.

Revenue for the property division increased by 25% to RM227.8 million (6M2016: RM182.1 million) attributable to higher sales and progressive billings from the Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana developments. PBT for the division, however, decreased by 15% to RM30.3 million (6M2016: RM35.8 million) due to the higher losses recorded by the retail mall, Utropolis Marketplace, and the lower contribution from the construction business, which had finalised all its external project accounts by 1Q2016. On a more positive note, the Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana developments contributed higher PBT for 6M2017.

## **B1. Review of performance (cont'd)**

Revenue for the education division grew by 31% to RM99.7 million (6M2016: RM76 million) attributable to REAL's revenue contribution of RM22.9 million as well as higher revenue contribution from Sri KDU and KDUUC stemming from higher new student enrolments. PBT for the division of RM18.6 million was 20% lower compared with 6M2016 (6M2016: RM23.2 million), as the 6M2016 PBT had included the non-recurring gain of 8.8 million. REAL's PBT contribution of RM3.4 million and the lower losses from KDUUC had ameliorated the lower PBT.

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

Group PBT for 2Q2017 of RM24.7 million was higher compared with the preceding quarter's PBT of RM18.3 million due to the new stream of contribution from REAL and the higher progressive billings recorded in 2Q2017.

## **B3. Prospects**

While consumer sentiments have rebounded (Source: MIER), the Group continues to take a cautious stand on the market. The muted economic environment, the banking sector's stringent lending policies, and pressures on disposable income continue to dampen short-term demand. Homebuyers, upgraders and astute investors are investing in properties in good locations, in particular townships/integrated developments that are affordably priced and innovatively conceptualised, as well as those with compelling value proposition as evidenced from the brisk sales chalked up by Paramount Property's developments.

Paramount Property's performance will be underpinned by the breadth of its product portfolio. The current portfolio consisting of Sejati Residences, Utropolis Glenmarie, Bukit Banyan, Greenwoods Salak Perdana and Utropolis Batu Kawan 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 co-working cum incubator. A 4-star hotel, currently in the pipeline, 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, offering a mix of affordably-priced commercial and residential apartments for those seeking to live in Penang's third satellite city.

This will be further supported by the rolling out of another innovative concept development in 2017, Sekitar26 Enterprise, a neighbourhood community retail centre designed for a myriad of uses, and anchored by Paramount Property's new development office.

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, with the rapid opening of new schools over the last few years, the accelerated increase in capacity of new schools and even established schools giving discounts, fee rebates, waivers and scholarships.

### B3. Prospects (cont'd)

Against this scenario, the tertiary education segment is stepping up its marketing efforts to reach new markets within Malaysia, whilst improving on its strategies for international marketing and relationship building with recruitment agencies. This is being further supported with the introduction of new programmes and articulation into universities worldwide to provide more options for students wishing to continue their studies overseas. Efforts are also being invested into building Unique Selling Propositions for selected flagship schools to raise their profiles, as well as the value and quality of programmes. The tertiary unit is placing increased focus on a structured entrepreneurship programme as a key attribute of KDU graduates. Cost management and consolidation, as well as improving work efficiencies to reduce cost of operations continue to be focus areas.

With the enlarged K-12 segment, comprising Sri KDU and the R.E.A.L Education Group, offering premium and more affordably priced alternative private and international schools respectively, Paramount Education is now able to reach a wider segment of the K-12 market. Sri KDU's excellence in quality education continues to be reinforced. Following the success of PISA in 2012, Sri KDU International School achieved the International School Quality Mark (ISQM) Gold Award this year, the first in Malaysia and third in Asia to procure this award.

With these efforts, Paramount Education's prospects remain good. Additionally to achieve the Group's asset-light strategy to unlock capital resources from long term assets, providing growth capital and allowing the Group to focus on its core activities to ultimately better reward shareholders, the Group had entered into a Sale and Leaseback agreement with Alpha REITs to dispose of the Sri KDU campus, which is expected to be completed in 4Q2017.

Barring any unforeseen circumstances, the Group is expected to deliver better results 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:

	<b>Current Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Income tax	8,134	13,792
Deferred tax	(738)	(1,366)
	<u>7,396</u>	<u>12,426</u>

The effective tax rate for the financial period was higher than the statutory income tax rate in Malaysia due to the losses of certain subsidiaries that were not available for full set off against taxable profits of other subsidiaries and certain expenses which were not deductible for tax purposes.

## B6. Corporate proposal

Save for the proposal disclosed below, there were no corporate proposals announced but not completed as at 10 August 2017.

On 1 August 2017, Sri KDU Sdn Bhd, a wholly-owned subsidiary of the Company, has entered into the following agreements with RHB Trustees Berhad (Trustee), acting as trustee for Alpha Real Estate Investment Trust (Alpha REIT):

- (i) a Master Agreement to dispose of the property held under titles H.S.(D) 216821 PT 9239, H.S.(D) 216822 PT 9240 and H.S.(D) 216823 PT 9241, all situated in Pekan Baru Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan together with the buildings erected thereon (Sri KDU Campus or the Property) to the Trustee for a total cash sale consideration of RM165,000,000/- ; and
- (ii) a Triple Net Lease Agreement (signed in escrow) to lease the Property from the Trustee for a period of ten (10) years upon completion of the Master Agreement with options to extend the lease for a first renewal term of an additional ten (10) years and a second renewal term of a further ten (10) years

## B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 30 June 2017 were as follows:

	<b>RM'000</b>
<u>Short-term borrowings</u>	
Bank overdraft - Secured	9,475
Bank overdraft - Unsecured	13,807
Revolving credit - Secured	29,232
Revolving credit - Unsecured	50,000
Current portion of long term loans - Secured	99,507
	<hr/>
	202,021
	<hr/>
<u>Long-term borrowings (Secured)</u>	
Term loans	573,124
Islamic Medium Term Notes	128,586
	<hr/>
	701,710
	<hr/>

## B8. Realised and unrealised profits

The breakdown of retained profits as at 30 June 2017 and 30 June 2016 on a group basis, into realised and unrealised profits, were as follows:

	<b>30/6/2017</b>	<b>30/6/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	877,337	792,089
- Unrealised	(6,314)	14,188
	<hr/>	<hr/>
	871,023	806,277
Total share of loss from associate		
- Realised	(819)	(576)
Less: Consolidation adjustments	(245,656)	(209,502)
	<hr/>	<hr/>
Total Group retained profits	624,548	596,199
	<hr/>	<hr/>

## B9. Derivative financial instrument

The outstanding interest rate swap contracts as at 30 June 2017 were as follows:

	<b>Contract amount</b>	<b>Net Fair value Assets/ (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest rate swap*		
- More than 3 years	85,133	(374)

\* 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 Quarter RM'000</b>	<b>Financial Year-to-date RM'000</b>
Interest rate swap	(2)	(17)

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 August 2017, there were no changes in material litigation since the last annual reporting date of 31 December 2016.

## B12. Dividends payable

The Board of Directors has declared an interim single tier dividend of 2.50 sen per share, (2016: 2.50 sen per share, single tier) in respect of the financial year ending 31 December 2017, which will be paid on 28 September 2017 to shareholders whose names appear on the Record of Depositors on 11 September 2017.

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 11 September 2017 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 2.50 sen per share, single tier. (2016: 2.50 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.

	<b>Current Quarter</b>	<b>Financial Year-to-date</b>
Profit attributable to equity holders of the Company (RM'000)	14,674	22,966
Weighted average number of ordinary shares ('000)	422,933	422,710
Basic EPS (sen)	3.47	5.43

#### (b) Diluted EPS

Profit attributable to equity holders of the Company (RM'000)	14,674	22,966
Weighted average number of ordinary shares ('000)	422,933	422,710
Effect of dilution ('000)	16,213	16,213
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	439,146	438,923
Diluted EPS (sen)	3.34	5.23