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

The figures are unaudited

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR PERIOD ENDED 30 SEPTEMBER 2017

	3 Months Ended 30 September		**9 Months Ended 30 September**	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Revenue	**191,097**	134,777	**518,592**	393,412
Operating profit	**106,220**	24,111	**154,833**	78,814
Interest expense	**(5,613)**	(2,661)	**(12,545)**	(5,433)
Interest income	**850**	373	**2,209**	1,521
Share of loss of associate	**(4)**	(133)	**(53)**	(227)
Profit before tax	**101,453**	21,690	**144,444**	74,675
Taxation	**(8,521)**	(5,361)	**(20,947)**	(17,913)
Profit for the period	**92,932**	16,329	**123,497**	56,762
Profit attributable to:				
Ordinary equity holders of the Company	**85,756**	11,159	**108,722**	44,761
Non-controlling interest	**2,110**	-	**3,117**	-
Holder of private debt securities of the Company	**5,066**	5,170	**11,658**	12,001
	92,932	16,329	**123,497**	56,762
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	**20.21**	2.64	**25.65**	10.59
Diluted EPS	**19.47**	2.58	**24.71**	10.33

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
Interim Financial Report for the period ended 30 September 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR PERIOD ENDED 30 SEPTEMBER 2017

	3 Months Ended 30 September		9 Months Ended 30 September	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Profit for the period	**92,932**	16,329	**123,497**	56,762
Other comprehensive income	**9**	566	**203**	97
Total comprehensive income for the period	**92,941**	16,895	**123,700**	56,859
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	**85,765**	11,725	**108,925**	44,858
Non-controlling interest	**2,110**	-	**3,117**	-
Holder of private debt securities of the Company	**5,066**	5,170	**11,658**	12,001
	92,941	16,895	**123,700**	56,859

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 September 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	As at 30/9/2017	As at 31/12/2016
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	**632,460**	436,186
Land held for property development	**782,702**	870,967
Investment properties	**183,795**	177,750
Intangible asset	**114,009**	15,674
Investment in associates	**10,403**	10,220
Investment in joint ventures	**45**	45
Other investments	**310**	340
Deferred tax assets	**33,352**	22,611
	1,757,076	1,533,793
Current assets		
Property development costs	**191,788**	76,957
Inventories	**8,668**	28,789
Trade receivables	**76,493**	54,259
Other receivables	**174,063**	16,550
Other current assets	**117,086**	143,269
Tax recoverable	**9,774**	8,964
Other investments	**0**	288
Cash and bank balances	**161,624**	149,176
	739,496	478,252
Assets held for sale	**6,600**	6,666
	746,096	484,918
Total assets	**2,503,172**	2,018,711
Current liabilities		
Borrowings	**180,202**	207,864
Trade payables	**62,619**	80,670
Other payables	**163,597**	103,536
Tax payable	**18,559**	1,994
Other current liabilities	**97,036**	56,631
	522,013	450,695
Net current assets	**224,083**	34,223
Non-current liabilities		
Borrowings	**699,990**	428,690
Deferred tax liabilities	**24,946**	4,903
	724,936	433,593
Total liabilities	**1,246,949**	884,288
Equity		
Share capital	**305,189**	211,467
Reserves	**702,307**	723,169
Equity attributable to ordinary equity holders of the Company	**1,007,496**	934,636
Non-controlling interests	**48,940**	0
Private debt securities	**199,787**	199,787
Total equity	**1,256,223**	1,134,423
Total equity and liabilities	**2,503,172**	2,018,711
Net assets (NA) per share (RM)	**2.37**	2.21

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 September 2017

The figures are unaudited

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

		<------Non Distributable---->					
	Share Capital RM'000	Employee Share Reserve# RM'000	Translation Reserve RM'000	Distributable Retained Earnings RM'000	Non-controlling interests RM'000	Private debt securities RM'000	Total Equity RM'000
As at 1 January 2017	303,238	4,271	87	627,040	-	199,787	1,134,423
Total comprehensive income	-	-	203	108,722	3,117	11,658	123,700
Transactions with owners							
Vesting of LTIP shares	1,951	(1,951)	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	48,875	-	48,875
Private debt securities distribution	-	-	-	-	-	(11,658)	(11,658)
Dividends	-	-	-	(36,065)	(3,052)	-	(39,117)
Total transactions with owners	**1,951**	**(1,951)**	**-**	**(36,065)**	**45,823**	**(11,658)**	**(1,900)**
As at 30 September 2017	**305,189**	**2,320**	**290**	**699,697**	**48,940**	**199,787**	**1,256,223**
As at 1 January 2016	302,281	1,907	(268)	586,916	-	199,787	1,090,623
Total comprehensive income	-	-	97	44,761	-	12,001	56,859
Transactions with owners							
Vesting of LTIP shares	957	(957)	-	-	-	-	-
Private debt securities distribution	-	-	-	-	-	(12,001)	(12,001)
Dividends	-	-	-	(34,892)	-	-	(34,892)
Total transactions with owners	**957**	**(957)**	**-**	**(34,892)**	**-**	**(12,001)**	**(46,893)**
As at 30 September 2016	**303,238**	**950**	**(171)**	**596,785**	**-**	**199,787**	**1,100,589**

- 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 September 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED 30 SEPTEMBER 2017

	9 Months Ended	
	30/9/2017	30/9/2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**144,444**	74,675
Adjustment for:		
Non-cash items	**18,897**	15,533
Non-operating items	**(67,586)**	(5,042)
Operating profit before working capital changes	**95,755**	85,166
Decrease/(increase) in receivables	**17,551**	(42,131)
(Increase)/decrease in development properties	**(21,435)**	44,546
Decrease/(increase) in inventories	**21,798**	(30,419)
Increase/(decrease) in payables	**14,583**	(38,331)
Cash generated from operations	**128,252**	18,831
Taxes paid	**(29,941)**	(27,854)
Interest paid	**(27,957)**	(20,300)
Net cash generated from/(used in) operating activities	**70,354**	(29,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in land held for development	**8,395**	(9,873)
Subscription of shares in a joint venture company	**-**	(44)
Purchase of property, plant and equipment	**(57,044)**	(15,529)
Purchase of investment properties	**(6,384)**	(19,461)
Acquisition of subsidiaries	**(141,594)**	-
Proceeds from disposal of other investments	**30**	-
Proceeds from disposal of property, plant and equipment	**284**	498
Proceeds from disposal of assets held for sale	**211**	12,557
Movement in other investment	**288**	(6)
Interest received	**2,210**	1,521
Net cash used in investing activities	**(193,604)**	(30,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to ordinary equity holders of the Company	**(36,065)**	(34,892)
Dividends paid to non-controlling interest	**(3,052)**	-
Proceeds from borrowings	**268,186**	37,100
Issuance of Islamic Medium Term Notes	**30,000**	-
PDS distribution	**(11,658)**	(12,001)
Placements in banks restricted for use	**(3,962)**	28
Repayment of borrowings	**(106,740)**	(33,595)
Net cash generated from/(used in) financing activities	**136,709**	(43,360)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**13,459**	(103,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**114,445**	144,153
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**127,904**	41,133

	30/9/2017	30/9/2016
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	**135,876**	62,495
Fixed deposits	**25,748**	8,029
Cash and bank balances	**161,624**	70,524
Cash and bank balances restricted for use	**(9,713)**	(3,091)
Overdrafts	**(24,007)**	(26,300)
	127,904	41,133
Cash and bank balances held in HDA accounts	**77,606**	34,674

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

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 ôTransitioning Entitiesö).

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 Notes A9 and B6, 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

	9 months ended	
	30/9/2017	**30/9/2016**
	RM'000	**RM'000**
Final dividends 2016 - 6.00 sen single tier (2015 - 5.75 sen single tier)	25,458	24,319
Interim dividends 2017 - 2.50 sen single tier (2016 - 2.50 sen single tier)	10,607	10,573
	36,065	34,892

A9. Profit before tax

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

	3 months ended 30 September		9 months ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation of:				
- Property, plant and equipment	6,959	4,784	17,361	14,843
- Investment properties	513	487	1,515	605
Additions/(reversal) of allowance for impairment of trade and other receivables	222	(123)	818	(299)
Bad debts written off	27	34	27	50
(Gain)/loss on disposal of:				
- Property, plant and equipment	(77,791)	(357)	(77,829)	(499)
- Assets held for sale	0	80	(145)	(8,683)
Net derivative (gain)/loss on interest rate swap	7	177	24	1,003
Net foreign exchange (gain)/loss	(76)	(62)	(101)	(456)

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

Analysis by Business Segment	Revenue 2017 RM'000	Revenue 2016 RM'000	Profit before tax 2017 RM'000	Profit before tax 2016 RM'000
Property	350,858	279,490	49,025	52,563
Education	167,669	113,309	87,544	27,862
Investment & others	137,072	88,746	127,571	104,236
	655,599	481,545	264,140	184,661
Inter-segment elimination	(137,007)	(88,133)	(119,696)	(109,986)
	518,592	393,412	144,444	74,675

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.

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 (REAL Education), representing 66% of the issued and paid-up share capital of REAL 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 September 2017 were as follows:

	RM'000
Approved and contracted for:-	
Investment properties	6,075
Property, plant & equipment	82,596
	88,671
Approved but not contracted for:-	
Investment properties	13,676
Property, plant & equipment	128,696
	142,372
	231,043

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	35,344	57,044

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 DatoôTeo Chiang Quan has substantial interest	648
Advisory fees paid to Mr. Chuan Yeong Ming, an ex-director of a subsidiary	14
Rental charges paid to Dato' Ricque Liew Yin Chew, director of subsidiaries	10
Sale of motor vehicle to Ms. Tay Lee Kong, director of subsidiaries	96
Sale of properties to Ms. Tay Lee Kong, Mr. Beh Chun Chong and Mr. Wang Chong Hwa, directors of subsidiaries	1,380
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	18
Rental charges paid to CNS Corporation Sdn Bhd and CF Land Sdn Bhd, in which certain directors of a subsidiary have substantial interest	216
	2,382

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

3Q2017 vs 3Q2016

	3Q2017 RM'000	3Q2016 RM'000	Var. %		**9M2017 RM'000**	9M2016 RM'000	Var. %
Revenue	**191,097**	134,777	42%		**518,592**	393,412	32%
Operating profit	**106,220**	24,111	341%		**154,833**	78,814	96%
Profit before interest & tax	**106,216**	23,978	343%		**154,780**	78,587	97%
Profit before Tax	**101,453**	21,690	368%		**144,444**	74,675	93%
Profit after tax	**92,932**	16,329	469%		**123,497**	56,762	118%
Profit attributable to ordinary equity holders of the Company	**85,756**	11,159	668%		**108,722**	44,761	143%

For 3Q2017, the Group recorded a significantly higher revenue of RM191.1 million, an increase of 42% compared with the corresponding quarter last year (3Q2016: RM134.8 million) with higher contribution from both the property and education divisions. The Group delivered a higher profit before tax (PBT) of RM101.5 million (3Q2016: RM21.7 million), following the completion of the Sale and Leaseback agreement with Alpha REIT to dispose of the Sri KDU campus under its asset-light strategy which generated a gain on disposal of RM77.8 million.

Revenue for the property division increased by 26% to RM123.1 million (3Q2016: RM97.4 million) attributable to strong sales and higher level of work progress at the Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana developments. In line with this, PBT for the division also improved by 11% to RM18.7 million (3Q2016: RM16.8 million).

Revenue for the education division was significantly higher at RM68.0 million (3Q2016: RM37.3 million) mainly attributable to REAL Educationӳ revenue contribution of RM29.6 million as well as higher revenue from Sri KDU. Meanwhile, revenue from the tertiary education segment was maintained. Excluding the non-recurring gain, PBT for the division was RM12.6 million compared with RM4.7 million recorded in 3Q2016, which was largely due to REAL Educationӳ PBT contribution and improved performance of KDU University College in Glenmarie (KDUUC). KDUUC had begun seeing improvement in its performance and had managed to narrow its losses following conscious efforts in cost optimisation and more targeted marketing and promotional activities during the year.

9M2017 vs 9M2016

Group revenue for 9M2017 was RM518.6 million, an increase of 32% compared with the same period last year (9M2016: RM393.4 million) with higher contribution from both the property and education divisions. Group PBT of RM144.4 million had also increased by 93%, compared with 9M2017 (9M2016: RM74.7 million) as the 9M2017 PBT had included the above-mentioned non-recurring gain of RM77.8 million.

Revenue for the property division increased by 25% to RM350.9 million (9M2016: RM279.5 million) attributable to the higher sales and progressive billings from the Utropolis Batu Kawan, Sejati Residences and Greenwoods Salak Perdana developments. PBT for the division, however, decreased by 7% to RM49.0 million (9M2016: RM52.6 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 9M2017.

B1. Review of performance (cont'd)

The sales status and unbilled sales of the property division are as follow:

Projects	Location	For period ended 30/9/17 Launched units	Units sold**	Sales value RM'M	As at 30/9/17 Unbilled sales RM'M
Central region	Klang valley	608	304	344	339
Northern region	Kedah, Penang	865	727	289	249
Total		**1,473**	**1,031**	**633**	**588**

** - Includes sales of units from prior years launches

Revenue for the education division grew by 48% to RM167.7 million (9M2016: RM113.3 million) attributable to REAL Education's revenue contribution of RM52.5 million as well as higher revenue contribution from Sri KDU and KDUUC stemming from higher new student enrolments. Excluding non-recurring gain, PBT for the division of RM31.2 million was 63% higher compared with 9M2016 (9M2016: RM19.2 million) mainly due to REAL Education's PBT contribution of RM9.7 million and the lower losses from KDUUC.

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

	3Q2017 RM'000	2Q2017 RM'000	Var. %
Revenue	**191,097**	184,555	4%
Operating profit	**106,220**	27,643	284%
Profit before interest & tax	**106,216**	24,699	330%
Profit before Tax	**101,453**	24,689	311%
Profit after tax	**92,932**	17,293	437%
Profit attributable to ordinary equity holders of the Company	**85,756**	14,674	484%

Group PBT for 3Q2017 of RM101.4 million was higher compared with the preceding quarter's PBT of RM24.7 million due to the non-recurring gain of RM77.8 million and the higher contribution from the property and education divisions.

B3. Prospects

Paramount Property recorded sales of RM213 million for 3Q2017 mainly from the encouraging take-up rate of new launches, namely Urbano at Glenmarie and Sekitar Business Park at Shah Alam. 9M2017 sales of RM633 million had surpassed the 2016 full-year sales of RM402 million. Unbilled sales as at the end of 3Q2017 had increased to RM588 million from RM534 million as at the end of 2Q2017.

Spurred by domestic demand and public investments, Malaysia is expected to continue the buoyant momentum for the remaining of 2017 with both World Bank and the Government revising Malaysia's gross domestic product (GDP) growth forecast for 2017 upwards from 4.9% to 5.2% and from 4.8% to 5.5% - 5.7% respectively.

Paramount Property is expected to benefit from the positive market sentiment by promoting and developing properties that are affordably priced and innovatively conceptualised.

The encouraging response received from the market at the recent ballot launch of high-rise residential development, Urbano at the self-sustaining eco-system Glenmarie solidifies our compelling value proposition to the public and Urbano shall continue to drive the growth for the property division. Paramount Property strives to continue with such good value offering in our new projects.

Utropolis Batu Kawan also 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.

B3. Prospects (cont'd)

Sejati Residences' 40-acre township development comprising super-links, semi-detached units, courtyard villas and bungalows, anchored by the 2016 FIABCI award-winning Chengal House clubhouse, boasts of being one of the anchor developments for Paramount Property. The thriving sales for this "best value for money" offering is expected to continue for the remaining year.

Sekitar26 Enterprise, a neighbourhood community retail centre designed for a myriad of uses and anchored by Paramount Property's new development office, has also been receiving satisfactory take-up rate.

Paramount Property's performance will be further supported by the rolling out of another two innovative concept developments in near future. 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 Greenwoods at Salak Perdana shall have double storey landed properties at affordable pricing value proposition.

As at 30 September 2017, the Group's land bank is as follow:

Projects	Location	No. of projects	Original land size (Acres)	Undeveloped (Acres)
Central region	Klang valley	8	902.7	337.0
Northern region	Kedah, Penang	4	1,117.9	213.4
Total		**12**	**2,020.6**	**550.4**

The Group's land bank in Malaysia is expected to contribute positively to its future prospects and remain sustainable. The Group is continuously seeking opportunities to increase its new land bank.

On the education front, Paramount Education will continue to face intense competition in a highly price-sensitive environment. Tertiary 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 escalating, with the mushrooming of new schools over the last few years and the rapidly increasing capacity of new schools. Amidst this challenging business environment, even established schools are now giving discounts, fee rebates, waivers and scholarships.

Against this scenario, the tertiary education segment is stepping up its marketing efforts to reach new markets within Malaysia, whilst also beefing up on its strategies for international marketing and relationship building with recruitment agencies. Efforts are also being invested into building Unique Selling Propositions to raise the profiles of selected flagship schools, as well as the quality of programmes. The tertiary unit is placing greater emphasis on a structured entrepreneurship programme as a key attribute of KDU graduates.

On the operational front, cost management and consolidation, as well as strategies for improving work efficiencies continue to be focus areas in an effort to optimise cost of operations.

With the enlarged K-12 segment, comprising Sri KDU and REAL Education which offer 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 mark of excellence in quality education continues to prevail in the market. 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 the completion of the Sale and Leaseback agreement with Alpha REIT, as part of its asset-light strategy, the Group would continue to explore opportunities to enter into similar ventures in future.

The Group achieved RM144.4 million of PBT for 9M2017 and expects the operating PBT to remain strong until the end of the year.

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	18,681	32,473
Deferred tax	(10,160)	(11,526)
	8,521	20,947

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 was not subject to income tax.

B6. Corporate proposal

Save for the proposal disclosed below, there were no corporate proposals announced but not completed as at 9 November 2017.

On 1 August 2017, Sri KDU Sdn Bhd (Sri KDU), 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 million (Proposed Disposal) ; 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 (Proposed Lease).

The Proposed Disposal was deemed completed on 29 September 2017, being the date of satisfaction of the remaining 90% of the sale consideration amounting to RM148.5 million by Aplha REIT, and that the Proposed Lease of the Property was commenced on 30 September 2017.

As disclosed in Note A9, the Group recognised a gain of RM77.8 million from the Proposed Disposal and the remaining 90% of the sale consideration amounting to RM148.5 million was released to Sri KDU by the stakeholder on 12 October 2017.

B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 30 September 2017 and 30 September 2016 were as follows:

	30/9/2017 RM'000	30/9/2016 RM'000
Short-term borrowings		
Bank overdraft - Secured	10,115	11,829
Bank overdraft - Unsecured	13,892	14,471
Revolving credit - Secured	37,400	10,000
Revolving credit - Unsecured	50,000	0
Current portion of long term loans - Secured	68,795	103,544
	180,202	139,844
Long-term borrowings (Secured)		
Term loans	571,363	337,472
Islamic Medium Term Notes (IMTN)	128,627	99,735
	699,990	437,207
Total borrowings	880,192	577,051

The weighted average interest rate at the end of the reporting period were as follows:

Floating interest rate	4.72%	4.77%
Fixed interest rate	5.06%	5.06%

There were no bank borrowings denominated in foregin currencies as at the reporting date.

The increase in bank borrowings was mainly due to:

(i) Revolving credit - Increase was mainly to finance project expenditure and working capital;

(ii) Term loans - Increase was mainly to finance the acquisition of REAL Education (Note A13) and project expenditure;

(iii) IMTN - Increase was to finance the construction of university campus in Batu Kawan.

B8. Realised and unrealised profits

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

	30/9/2017 RM'000	30/9/2016 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	910,405	763,290
- Unrealised	8,578	10,152
	918,983	773,442
Total share of loss from associate		
- Realised	(823)	(710)
Less: Consolidation adjustments	(218,463)	(175,947)
Total Group retained profits	699,697	596,785

B9. Derivative financial instrument

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

	Contract amount	Net Fair value Assets/ (Liabilities)
	RM'000	**RM'000**
Interest rate swap*		
- More than 3 years	82,015	(368)

* 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	(7)	(24)

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

B12. Dividends payable

The Board does not recommend the payment of any dividend for the current financial quarter ended 30 September 2017.

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)	85,756	108,722
Weighted average number of ordinary shares ('000)	424,296	423,842
Basic EPS (sen)	20.21	25.65

(b) Diluted EPS

	Current Quarter	Financial Year-to-date
Profit attributable to equity holders of the Company (RM'000)	85,756	108,722
Weighted average number of ordinary shares ('000)	424,296	423,842
Effect of dilution ('000)	16,213	16,213
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	440,509	440,055
Diluted EPS (sen)	19.47	24.71