PARAMOUNT CORPORATION BERHAD
Interim Financial Report for the year ended 31 December 2017

The figures are unaudited

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR YEAR ENDED 31 DECEMBER 2017

	3 Months Ended 31 December		**12 Months Ended 31 December**	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Revenue	**239,733**	179,729	**758,325**	573,141
Operating profit	**43,080**	39,348	**197,913**	118,162
Interest expense	**(6,312)**	(2,210)	**(18,857)**	(7,643)
Interest income	**1,023**	724	**3,232**	2,245
Share of loss of associate & joint venture	**(66)**	(60)	**(119)**	(287)
Profit before tax	**37,725**	37,802	**182,169**	112,477
Taxation	**(10,943)**	(5,891)	**(31,890)**	(23,804)
Profit for the period	**26,782**	31,911	**150,279**	88,673
Profit attributable to:				
Ordinary equity holders of the Company	**24,687**	30,255	**133,409**	75,016
Non-controlling interest	**474**	-	**3,591**	-
Holder of private debt securities of the Company	**1,621**	1,656	**13,279**	13,657
	26,782	31,911	**150,279**	88,673
Earnings per share ("EPS") attributable to Ordinary equity holders of the Company (sen):				
Basic EPS	**5.82**	7.15	**31.46**	17.74
Diluted EPS	**5.61**	6.98	**30.35**	17.32

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 year ended 31 December 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2017

	3 Months Ended 31 December		**12 Months Ended 31 December**	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Profit for the period	**26,782**	31,911	**150,279**	88,673
Other comprehensive income	**(235)**	258	**(32)**	355
Total comprehensive income for the period	**26,547**	32,169	**150,247**	89,028
Total comprehensive income attributable to:				
Ordinary equity holders of the Company	**24,452**	30,513	**133,377**	75,371
Non-controlling interest	**474**	-	**3,591**	-
Holder of private debt securities of the Company	**1,621**	1,656	**13,279**	13,657
	26,547	32,169	**150,247**	89,028

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 year ended 31 December 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	As at 31/12/2017	As at 31/12/2016
	RM'000	RM'000
Non-current assets		
Property, plant and equipment	**624,924**	436,186
Land held for property development	**790,726**	870,967
Investment properties	**204,787**	177,750
Intangible assets	**163,822**	15,674
Investment in associates	**9,907**	10,220
Investment in joint venture	**0**	45
Other investments	**310**	340
Deferred tax assets	**31,670**	22,611
	1,826,146	1,533,793
Current assets		
Property development costs	**182,109**	76,957
Inventories	**35,886**	28,789
Trade receivables	**132,323**	54,259
Other receivables	**35,961**	16,550
Other current assets	**140,310**	143,269
Tax recoverable	**8,177**	8,964
Other investments	**10,047**	288
Cash and bank balances	**141,409**	149,176
	686,222	478,252
Assets held for sale	**5,732**	6,666
	691,954	484,918
Total assets	**2,518,100**	2,018,711
Current liabilities		
Borrowings	**161,170**	207,864
Trade payables	**82,222**	80,670
Other payables	**201,999**	103,536
Tax payable	**5,058**	1,994
Other current liabilities	**65,131**	56,631
	515,580	450,695
Net current assets	**176,374**	34,223
Non-current liabilities		
Borrowings	**662,662**	428,690
Deferred tax liabilities	**28,283**	4,903
	690,945	433,593
Total liabilities	**1,206,525**	884,288
Equity		
Share capital	**305,215**	211,467
Reserves	**731,578**	723,169
Equity attributable to ordinary equity holders of the Company	**1,036,793**	934,636
Non-controlling interests	**74,995**	0
Private debt securities	**199,787**	199,787
Total equity	**1,311,575**	1,134,423
Total equity and liabilities	**2,518,100**	2,018,711
Net assets (NA) per share (RM)	**2.44**	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 year ended 31 December 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 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	-	-	(32)	133,409	3,591	13,279	150,247
Transactions with owners							
Vesting of LTIP shares	1,977	(1,977)	-	-	-	-	-
Award of LTIP to employees	-	4,845	-	-		-	4,845
Acquisition of subsidiaries	-	-	-	-	74,456	-	74,456
Private debt securities distribution	-	-	-	-	-	(13,279)	(13,279)
Dividends	-	-	-	(36,065)	(3,052)	-	(39,117)
Total transactions with owners	**1,977**	**2,868**	**-**	**(36,065)**	**71,404**	**(13,279)**	**26,905**
As at 31 December 2017	**305,215**	**7,139**	**55**	**724,384**	**74,995**	**199,787**	**1,311,575**
As at 1 January 2016	302,281	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	957	(957)	-	-	-	-	-
Award of LTIP to employees	-	3,321	-	-		-	3,321
Private debt securities distribution	-	-	-	-	-	(13,657)	(13,657)
Dividends	-	-	-	(34,892)	-	-	(34,892)
Total transactions with owners	**957**	**2,364**	**-**	**(34,892)**	**-**	**(13,657)**	**(45,228)**
As at 31 December 2016	**303,238**	**4,271**	**87**	**627,040**	**-**	**199,787**	**1,134,423**

- 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 year ended 31 December 2017

The figures are unaudited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2017

	12 Months Ended	
	31/12/2017	31/12/2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**182,169**	112,477
Adjustment for:		
Non-cash items	**33,710**	20,956
Non-operating items	**(62,474)**	(281)
Operating profit before working capital changes	**153,405**	133,152
Increase in receivables	**(89,185)**	(55,337)
Decrease in development properties	**74,369**	51,956
Increase in inventories	**(5,358)**	(27,836)
Increase/(decrease) in payables	**32,475**	(27,269)
Cash generated from operations	**165,706**	74,666
Taxes paid	**(61,077)**	(38,954)
Interest paid	**(37,851)**	(26,709)
Net cash generated from operating activities	**66,778**	9,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in land held for development	**(81,460)**	(20,202)
Addition in course development	**(61)**	-
Subscription of shares in a joint venture company	**-**	(45)
Purchase of property, plant and equipment	**(49,676)**	(20,251)
Purchase of investment properties	**(28,817)**	(23,129)
Acquisition of subsidiaries	**(152,235)**	-
Proceeds from disposal of property, plant and equipment	**166,302**	521
Proceeds from disposal of assets held for sale	**211**	12,650
Movement in other investment	**(9,759)**	(9)
Interest received	**3,232**	2,720
Net cash used in investing activities	**(152,263)**	(47,745)
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	**285,158**	115,675
Issuance of Islamic Medium Term Notes	**30,000**	-
PDS distribution	**(13,279)**	(13,657)
Placements in banks restricted for use	**(17,949)**	(2,300)
Repayment of borrowings	**(164,346)**	(55,460)
Net cash generated from financing activities	**80,467**	9,366
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(5,018)**	(29,376)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**114,445**	143,821
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**109,427**	114,445

	31/12/2017	31/12/2016
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	**88,343**	96,512
Fixed deposits	**53,066**	52,664
Cash and bank balances	**141,409**	149,176
Cash and bank balances restricted for use	**(23,699)**	(5,750)
Overdrafts	**(8,283)**	(28,981)
	109,427	114,445
Cash and bank balances held in HDA accounts	**45,642**	74,317

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

The figures are unaudited

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 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 ŏTransitioning Entitiesŏ).

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

	12 months ended	
	31/12/2017 RM'000	31/12/2016 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 31 December		12 months ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation of:				
- Property, plant and equipment	7,017	4,905	24,378	19,748
- Investment properties	345	459	1,860	1,064
Amortisation of intangible assets	1,219	0	1,219	0
Additions/(reversal) of allowance for impairment of trade and other receivables	(460)	(10)	358	(309)
Impairment of asset held for sale	868	0	868	0
Bad debts written off	92	119	119	169
(Gain)/loss on disposal of:				
- Property, plant and equipment	(34)	201	(77,863)	(298)
- Assets held for sale	0	(94)	(145)	(8,777)
Net derivative (gain)/loss on interest rate swap	(220)	(585)	(196)	418
Net foreign exchange (gain)/loss	(247)	(19)	(348)	(475)

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	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property	523,511	420,500	84,764	82,464
Education	234,692	152,411	100,593	36,379
Investment & others	271,662	99,680	252,192	111,003
	1,029,865	672,591	437,549	229,846
Inter-segment elimination	(271,540)	(99,450)	(255,380)	(117,369)
	758,325	573,141	182,169	112,477

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

(i) On 7 February 2017, the Company incorporated Paramount Education Sdn. Bhd. ("PESB") with an issued share capital of RM100.

(ii) On 11 April 2017, the Group completed the acquisition of 66% equity interest in R.E.A.L Education Group Sdn Bhd (ñREALò) for a total cash consideration of RM183 million by PESB.

(iii) On 13 December 2017, the Company acquired Aneka Sepakat Sdn. Bhd. with an issued share capital of RM1.

(iv) On 14 December 2017, the Company incorporated Paramount Property (Lakeside) Sdn. Bhd. with an issued share capital of RM100.

(v) On 29 December 2017, the Company incorporated Paramount Capital Resources Sdn. Bhd. with an issued share capital of RM100.

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 2017 were as follows:

	RM'000
Approved and contracted for:-	
Investment properties	4,805
Property, plant & equipment	75,248
	80,053
Approved but not contracted for:-	
Investment properties	14,104
Property, plant & equipment	93,901
	108,005
	188,058

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	1,163	49,676

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	986
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, Mr. Ooi Hun Peng and Mr. Wang Chong Hwa, directors of subsidiaries	1,995
Rental income received from Peoplender Sdn Bhd, a company in which Dato' Teo Chiang Quan and Mr. Chew Sun Teong have substantial interest	30
Rental charges paid to CNS Corporation Sdn Bhd and CF Land Sdn Bhd, in which certain directors of a subsidiary have substantial interest	432
	3,539

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

4Q2017 vs 4Q2016

	4Q2017 RM'000	4Q2016 RM'000	Var. %		**2017 RM'000**	2016 RM'000	Var. %
Revenue	**239,733**	179,729	33%		**758,325**	573,141	32%
Operating profit	**43,080**	39,348	9%		**197,913**	118,162	67%
Profit before interest & tax	**43,014**	39,288	9%		**197,794**	117,875	68%
Profit before Tax	**37,725**	37,802	0%		**182,169**	112,477	62%
Profit after tax	**26,782**	31,911	-16%		**150,279**	88,673	69%
Profit attributable to ordinary equity holders of the Company	**24,687**	30,255	-18%		**133,409**	75,016	78%

For 4Q2017, the Group recorded a significantly higher revenue of RM239.7 million, an increase of 33% compared with the corresponding quarter last year (4Q2016: RM179.7 million) with higher contribution from both the property and education divisions. Profit before tax (PBT), however, was maintained at RM37.7 million (4Q2016: RM37.8 million) mainly due to amortisation cost for the intangible assets and charging out of certain expenses incurred in relation to the acquisition of REAL Education (REAL acquisition).

Revenue for the property division increased by 23% to RM172.5 million (4Q2016: RM140.6 million) attributable to strong sales and higher level of work progress at the Utropolis Batu Kawan, Sejati Residences, Greenwoods Salak Perdana and Bukit Banyan developments. In line with this, PBT for the division also improved by 20% to RM36.1 million (4Q2016: RM30 million).

Revenue for the education division was significantly higher at RM67 million (4Q2016: RM39.1 million) mainly attributable to REAL Education's revenue contribution of RM26.6 million. PBT for the division, however, was RM7.7 million compared with RM8.4 million recorded in 4Q2016, which was largely due to rental payment by Sri KDU to Alpha REIT under the Sale and Leaseback agreement which was commenced on 30 September 2017 and amortisation cost for the intangible assets arising from the REAL acquisition. In addition, KDU University College in Glenmarie (KDUUC) also reported higher LBT due to intensified promotional activities in 4Q2017 in preparation for the enrolment blitz in January 2018.

FY2017 vs FY2016

Group revenue for FY2017 was RM758.3 million, an increase of 32% compared with the same period last year (FY2016: RM573.1 million) with higher contribution from both the property and education divisions. The Group delivered a higher PBT of RM182.2 million (FY2016: RM112.5 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 registered a gain on disposal of RM77.8 million.

Revenue for the property division increased by 25% to RM523.4 million (FY2016: RM420.2 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 increased marginally by 3% to RM85.1 million (FY2016: RM82.5 million) due to higher PBT from its property development projects but off-set by 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.

B1. Review of performance (cont'd)

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

Projects	Location	For period ended 31/12/17 Launched units	Units sold**	Sales value RM'M	As at 31/12/17 Unbilled sales RM'M
Central region	Klang valley	608	387	478	356
Northern region	Kedah, Penang	865	900	337	254
Total		**1,473**	**1,287**	**815**	**610**

** - Includes sales of units from prior years launches

Revenue for the education division grew by 54% to RM234.7 million (FY2016: RM152.4 million) attributable to REAL's revenue contribution of RM79.1 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 RM38.9 million was 41% higher compared with FY2016 (FY2016: RM27.6 million) mainly due to REAL's PBT contribution of RM14.2 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

	4Q2017 RM'000	3Q2017 RM'000	Var. %
Revenue	**239,733**	191,097	25%
Operating profit	**43,080**	106,220	-59%
Profit before interest & tax	**43,014**	106,216	-60%
Profit before Tax	**37,725**	101,453	-63%
Profit after tax	**26,782**	92,932	-71%
Profit attributable to ordinary equity holders of the Company	**24,687**	85,756	-71%

Group PBT for 4Q2017 of RM37.7 million was significantly lower compared with the preceding quarter's PBT of RM101.5 million due to the Group recognised a non-recurring gain of RM77.8 million in the preceding quarter.

B3. Prospects

As the Malaysia economy continues to recover, GDP growth is expected to moderate between 5%-5.5% in 2018, mainly driven by domestic demand and continued strength in global trade which is likely to expand by 5.3% year-on-year. Headline inflation is expected to decline to the 3%-3.5% range due to the lower impact from global oil prices. Foreign direct inflows are expected to remain on an uptrend and the overall Malaysian economy displaying resilience.

The improved property market is expected to persist in 2018. However, while overall market conditions may be better, there are still various challenges that continue to dampen overall consumer sentiment. This includes an overhang in supply of high-rise properties, tight financing, potential hike of interest rate and unaffordability issues.

In the education segment, market competition remains a key factor, with slow market growth and high market penetration for the tertiary segment. The K-12 segment is expected to see continued mushrooming of new entrants into the market.

In 2018, we will continue to adopt a pro-active stance reflected via our property and education divisions.

B3. Prospects (cont'd)

Our property division underpinned by strong lock-in sales fromlaunches such as Utropolis Batu Kawan, Sejati Residences and Urbano (Utropolis Glenmarie) as well as Bukit Banyan in 2017, will continue to see the benefits of revenue recognition and unbilled sales going forward into 2018.

We look forward to the launch of two new developments - Atwater Section 13 and our Klang project at Jalan Goh Hock Huat. The former will leverage on the integrated development and senior friendly living concepts. The latter will be anchored by our Sri KDU schools and residential as well as retail components.

Our entry into the senior living segment will hold us in good stead as we diversify to offer a broader spectrum of property offerings to meet all stages in the consumer lifecycle.

As at 31 December 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**

In line with our asset light strategy, we will continue to pursue sales & leaseback and joint venture development if such opportunities arise. We expect to complete the disposal of our Lot 7&9, Kota Damansara land in second half of 2018.

Responding to market conditions, the tertiary education segment will increase its marketing efforts to reach new markets within Malaysia, whilst also enhancing strategies for international marketing and relationship building with recruitment agencies.

The Division will also focus on developing Unique Selling Propositions to raise the profiles of selected flagship schools, as well as improve the value and quality of programmes offered. Internally, considerable efforts were made to harness greater operational efficiency via cost management and consolidation.

We will maintain existing business strategies – tapping the Bumiputera, UEC and outstations sub groups. With that, we foresee improved enrolment and efficiencies derived from cost optimisation.

2018 will see the full year's recognition of results for R.E.A.L Education Group, which will contribute strongly to our financial performance. Certainly, there is plenty of potential in the kindergarten and enrichment centre segment. We see synergies and opportunities for student continuity and retention, with R.E.A.L Kids kindergarten students moving to R.E.A.L Schools or Sri KDU national and international schools, and R.E.A.L School students moving to KDU University Colleges.

Barring any unforeseen circumstances, the Group is expected to deliver a better operating performance for 2018.

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	26,790	59,263
Deferred tax	(15,847)	(27,373)
	10,943	31,890

The effective tax rate for the current quarter 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.

The effective tax rate for the financial period 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 23 February 2018.

(i) On 22 December 2017, the Group entered into a Development Rights Agreement with Kumpulan Hartanah Selangor Berhad (KHSB) to accept the rights granted by KHSB to the proposed development of two (2) contiguous parcels of leasehold commercial land measuring approximately 9.662 acres in total area situated in Section 14, Bandar Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan.

(ii) On 2 January 2018, the Group entered into a sale and purchase agreement with EM Hub Sdn Bhd ("EHSB") for the proposed disposal of two (2) contiguous parcels of leasehold land held under titles H.S.(D) 242971 PT 10568 and H.S.(D) 242972 PT 10570, all situated in Mukim Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 9.4 acres in total area to EHSB for a total cash consideration of RM92,129,400.00.

(iii) On 12 January 2018, the Group entered into a Sale and Purchase Agreement (SPA) with Makmur Asiamaju Sdn Bhd for the proposed acquisition of a piece of freehold residential land measuring approximately 41.406 acres in total area held under title H.S.(D) 36154 PT 50495 situated in Mukim Dengkil, Daerah Sepang, Negeri Selangor at a total cash consideration of RM149,702,565.00.

B7. Borrowings and debts securities

The Group's borrowings and debts securities as at 31 December 2017 and 31 December 2016 were as follows:

	31/12/2017 RM'000	31/12/2016 RM'000
Short-term borrowings		
Bank overdraft - Secured	0	10,139
Bank overdraft - Unsecured	8,283	18,842
Revolving credit - Secured	41,713	15,344
Revolving credit - Unsecured	10,000	35,000
Current portion of long term loans - Secured	101,174	128,539
	161,170	207,864
Long-term borrowings (Secured)		
Term loans	533,996	328,928
Islamic Medium Term Notes (IMTN)	128,666	99,762
	662,662	428,690
Total borrowings	823,832	636,554

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

Floating interest rate	4.73%	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) Term loans - Increase was mainly to finance the acquisition of REAL Education (Note A13) and project expenditure;
(ii) IMTN - Increase was to finance the construction of university campus in Batu Kawan.

B8. Derivative financial instrument

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

	Contract amount RM'000	Net Fair value Assets/ (Liabilities) RM'000
Interest rate swap*		
- More than 3 years	82,030	(196)

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

B9. Fair value gain/(loss)

	Current Quarter RM'000	Financial Year-to-date RM'000
Interest rate swap	220	196

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

Reason for gain: The floating interest rate has moved favourably for the Group from the last measurement date.

B10. Changes in material litigation

As at 23 February 2018, there were no changes in material litigation since the last annual reporting date of 31 December 2016.

B11. Dividends payable

The Board of Directors has declared a single tier special dividend of 7.50 sen per share, in respect of the financial year ended 31 December 2017, which will be paid on 28 March 2018 to shareholders whose names appear on the Record of Depositors on 19 March 2018.

The Board of Directors has proposed a single tier final dividend of 6.0 sen per share, (2016: 6.0 sen) in respect of the financial year ended 31 December 2017.

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 16.0 sen per share, single tier. (2016: 8.50 sen per share, single tier)

B12. 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)	24,687	133,409
Weighted average number of ordinary shares ('000)	424,296	424,069
Basic EPS (sen)	5.82	31.46

(b) Diluted EPS

	Current Quarter	**Financial Year-to-date**
Profit attributable to equity holders of the Company (RM'000)	24,687	133,409
Weighted average number of ordinary shares ('000)	424,296	424,069
Effect of dilution ('000)	15,490	15,490
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	439,786	439,559
Diluted EPS (sen)	5.61	30.35