

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in **Paramount Corporation Berhad (8578-A)**, you should at once hand this Circular together with the enclosed Form of Proxy to the agent through whom the sale was effected for onward transmission to the purchaser or transferee.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME FOR
ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF PARAMOUNT
CORPORATION BERHAD AND ITS SUBSIDIARIES**

Advised By



Aseambankers Malaysia Berhad (15938-H)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice convening the Extraordinary General Meeting ("EGM") to be held at Topas Room, Ground Floor, The Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Monday, 22 August 2005 at 10.00 a.m. for the purpose of considering the abovementioned proposal together with the form of proxy are enclosed in this Circular. A shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his behalf. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Circular Is Dated 5 August 2005

DEFINITIONS

In this Circular and the accompanying appendices, the following abbreviations shall have the following meanings unless otherwise stated:

"Act"	: Companies Act, 1965 as amended from time to time and any re-enactment thereof
"Articles"	: Articles of Association of the Company
"Ascambankers"	: Ascambankers Malaysia Berhad (15938-H)
"Board"	: Board of Directors of PCB
"Bursa Depository" or "the Depository"	: Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	: Bursa Malaysia Securities Berhad (635998-W)
"By-Laws"	: The rules, terms and conditions of the Proposed ESOS as set out in Appendix I of this Circular
"CDS"	: Central Depository System
"Director(s)"	: Shall have the meaning given in Section 4 of the Act
"Effective Date"	<p>: The date of full compliance with all relevant requirements prescribed under the Listing Requirements for the implementation of the Scheme including the following:</p> <ul style="list-style-type: none">(a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to paragraph 2.11 of the Listing Requirements and a checklist showing compliance with Appendix 6F of the Listing Requirements;(b) the approval of shareholders of the Company;(c) receipt of approval-in-principle from Bursa Securities for the listing of and quotation for the new ordinary shares to be issued pursuant to the exercise of the Options to be granted under the Scheme;(d) receipt of approvals from any other relevant authorities where applicable in respect of the Scheme; and(e) fulfillment of all conditions attached to the above approvals, if any. <p>The adviser of the Company for the Scheme shall submit a confirmation to Bursa Securities of full compliance pursuant to the above paragraph stating the effective date of implementation together with a certified true copy of the relevant resolution passed by the shareholders in general meeting. The submission of the confirmation must be made no later than five (5) Market Days after the effective date of implementation.</p>
"EGM"	: Extraordinary General Meeting
"Eligible Employee"	: An employee or Executive Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4 of the draft By-Laws

DEFINITIONS (Cont'd)

"EPS"	: Earnings per share
"ESOS"	: Employees' Share Option Scheme
"Executive Directors"	: The Directors of the PCB Group who are on the payroll of the Group and who are involved in the day-to-day management of the Group
"FIC"	: Foreign Investment Committee
"Grantee"	: An Eligible Employee who has accepted an offer in the manner indicated in By-Law 8 of the draft By-Laws
"Government"	: Government of Malaysia
"Listing Requirements"	: Listing Requirements of Bursa Securities
"Major Shareholder"	: Means a person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the company. For the purpose of this definition, "interests in shares" shall have the meaning given in Section 6A of the Act.
"Market Day"	: Any day between Mondays and Fridays which is not a market holiday or public holiday
"NTA"	: Net tangible assets
"Offer"	: An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in By-Law 5 of the draft By-Laws
"Offer Date"	: The date on which an Offer is made to an Eligible Employee to participate in the Scheme by the Option Committee
"Option(s)"	: The right of a Grantee to subscribe for new PCB Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner indicated in By-Law 8 of the draft By-Laws, of an Offer made to such Eligible Employee pursuant to By-Law 5 of the draft By-Laws
"Option Committee"	: The committee appointed by the Board to administer the Scheme
"Option Period"	: A period commencing from the Offer Date and expiring on a date which the Option Committee may in its discretion decide provided that no Option Period shall extend beyond the five (5) year period referred to in By-Law 18 of the draft By-Laws.
"PCB" or "the Company"	: Paramount Corporation Berhad (8578-A)
"PCB Group" or "the Group"	: PCB and its Subsidiaries
"PCB Shares"	: Ordinary shares of Ringgit Malaysia One (RM1.00) each in PCB

DEFINITIONS (Cont'd)

"Person(s) Connected"	: Such person, in relation to the Director or Major Shareholder, who falls under any one of the following categories: <ul style="list-style-type: none">(a) a member of the Director's or Major Shareholder's family, which family shall have the meaning given in Section 122A of the Act;(b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a member of the Director's or Major Shareholder's family is the sole beneficiary;(c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;(d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;(e) a person in accordance with whose directions, instructions or wishes of the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;(f) a body corporate or its Directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;(g) a body corporate or its Directors whose directions, instructions or wishes of the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;(h) a body corporate in which the Director, Major Shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or(i) a body corporate which is a related corporation.
"Record of Depositors"	: A record provided by Bursa Depository to the Company under Chapter 24 of the Rules of the Depository including any amendments thereof
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"Rules of the Depository"	: Rules of Bursa Depository
"Scheme" or "Proposed ESOS"	: The scheme for the grant of Options to Eligible Employees to subscribe for new PCB Shares on the terms as set out herein.
"SC"	: Securities Commission
"Senior Management"	: Subject to criteria to be determined by the Option Committee that may change from time to time and which criterion and any changes thereto shall be made known to the Eligible Employees
"Subsidiary" or "Subsidiaries"	: The subsidiary or subsidiaries of PCB within the meaning of Section 5 of the Act, which are not dormant

DEFINITIONS (Cont'd)

"Subscription Price" : The price at which a Grantee shall be entitled to subscribe for new PCB Shares as set out in By-Law 7 of the draft By-Laws

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless specified otherwise.

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS	Page
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ESOS	2
3. RATIONALE FOR THE PROPOSED ESOS	9
4. FINANCIAL EFFECTS OF THE PROPOSED ESOS	9
5. HISTORICAL SHARE PRICES	12
6. CONDITIONS OF THE PROPOSED ESOS	12
7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	13
8. DIRECTORS' RECOMMENDATION	14
9. EXTRAORDINARY GENERAL MEETING	14
10. FURTHER INFORMATION	14
 APPENDICES	
I DRAFT BY-LAWS OF THE PROPOSED ESOS	15
II FURTHER INFORMATION	38
 NOTICE OF EXTRAORDINARY GENERAL MEETING	<i>Enclosed</i>
 FORM OF PROXY	<i>Enclosed</i>

PARAMOUNT™

CORPORATION BERHAD
(8578-A)

Registered Office:

Level 8, Uptown 1
1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

5 August 2005

The Board of Directors

Dato' Md. Taib Bin Abdul Hamid (*Chairman / Non-Executive Director, Independent Director*)
Dato' Teo Chiang Quan (*Group Managing Director & Group Chief Executive Officer*)
Ong Keng Siew (*Deputy Group Managing Director & Deputy Group Chief Executive Officer*)
Tan Sri Dato' Ahmad Sabki Bin Jahidin (*Non-Executive Director, Independent Director*)
Dato' Haji Azlan Bin Hashim (*Non-Executive Director, Independent Director*)
Rohana Tan Sri Mahmood (*Non-Executive Director, Non-Independent Director*)
Geh Cheng Hooi (*Non-Executive Director, Independent Director*)
Brian Shoy Teng To (*Non-Executive Director, Non-Independent Director*)

To: The Shareholders of Paramount Corporation Berhad

Dear Sir / Madam,

PARAMOUNT CORPORATION BERHAD

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME FOR ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF PCB AND ITS SUBSIDIARIES

1. INTRODUCTION

On behalf of PCB, Aseambankers had on 26 May 2005 announced that the Company has proposed to undertake the Proposed ESOS for the benefit of all Eligible Employees in the Company. The Group's previous ESOS had expired on 2 August 2003.

The purpose of this Circular is to provide you with the relevant information on the Proposed ESOS and to set out the view of your Board as well as to seek your approval for the relevant resolutions which will be tabled at the forthcoming EGM to be convened. A notice of the EGM together with the form of proxy is enclosed herewith in this circular.

SHAREHOLDERS OF PCB ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RELEVANT RESOLUTIONS PERTAINING TO THE PROPOSED ESOS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS involves the granting of Options to Eligible Employees of the PCB Group to subscribe for new PCB Shares. Options granted will entitle the Eligible Employees to subscribe for new PCB Shares at a specified price.

The Proposed ESOS will be administered by an ESOS Committee appointed by the Board and governed by the By-Laws. The proceeds from the exercise of the Options shall be utilised towards the Company's working capital requirements. A copy of the draft By-Laws pursuant to the Proposed ESOS is enclosed as Appendix I in this Circular.

The terms in the By-Laws shall have the same meanings used in this Circular unless otherwise defined herein. The salient features of the Proposed ESOS are as set out in following paragraphs.

2.1 Total number of PCB Shares available under the Scheme

The total number of new PCB Shares which may be subscribed for on the exercise of Options under the Scheme shall not be more than fifteen per centum (15%) (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the total issued and paid-up share capital of the Company at the point of time when an Offer is made as referred to in By-Law 5. PCB will, for the duration of the Scheme, keep available sufficient unissued PCB Shares to satisfy all outstanding Options accepted.

Notwithstanding the above provision and any other provisions herein contained, in the event the maximum number of new PCB Shares to be issued pursuant to the exercise of Options exceeds the aggregate of fifteen per centum (15%) of the total issued and paid-up share capital of the Company as a result of the Company purchasing its own PCB Shares in accordance with the provision of Section 67A of the Act and thereby reducing its issued and paid-up share capital or undertaking any other corporate proposal, then all Offers and Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid or valid and exercisable, as the case may be, in accordance with the provisions of this Scheme. However, no additional Options will be granted unless the number of Options that have been granted under the Scheme falls below fifteen per centum (15%) of the total issued and paid-up share capital of the Company.

2.2 Eligibility

2.2.1 Subject to the discretion of the Option Committee, any employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if as at the Offer Date, the employee:-

- (i) has attained the age of eighteen (18) years;
- (ii) is employed by and on the payroll of a company within the PCB Group;
- (iii) has been in the permanent full-time employment of the Group for a period of at least one (1) year of continuous services, including service during the probation period, and is confirmed in service; provided that a confirmed employee of a subsidiary of PCB must have completed at least one (1) year of continuous service following the date such a company is deemed a subsidiary of the Group;

- (iv) is an Executive Director who does not represents the Government or a Government institution/agency;
- (v) is not a Government employee serving in the public service scheme as defined under Article 132 of the Federal Constitution;
- (vi) is not a participant of any other employee share option scheme implemented by any other company within the PCB Group which is in force for the time being; and
- (vii) if he is an Executive Director and in addition to having satisfied the criteria set out in Sections 2.2.1(i) – 2.2.1(vi) herein, has not been prohibited or disallowed by the relevant authorities from participating in the Scheme.

2.2.2 The specific entitlement of Executive Directors of PCB shall be approved by the shareholders of the Company in a general meeting.

2.2.3 In addition to the above criteria of eligibility as set out in By-Law 4, any foreign employee (including Executive Directors) of the Group who is serving on a full-time capacity for at least one (1) year on or prior to the Offer Date, and whose contribution is vital to the success of the Group may be considered for participation in the Scheme, provided that no foreign employee (including Executive Directors) who is serving under an employment contract may be considered for participation in the Scheme unless the employment contract is for a duration of at least (3) years or such other longer period (if any) as may be required by the relevant regulatory authorities.

2.2.4 During the subsistence of the Scheme, the Company shall ensure that allocation of Options to the Eligible Employees pursuant to the Scheme is verified by the audit committee of the Company as being in compliance with the eligibility criteria set out in Sections 2.2.1, 2.2.2 and 2.2.3 herein, at the end of each financial year and that the statement by the audit committee to such effect is included in the annual reports to be issued by the Company.

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2.3 Maximum Entitlement And Basis Of Allocation

Subject to any adjustment which may be made under By-Law 14, the maximum number of new PCB Shares that may be offered under the Option and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee based on his performance and contribution to the PCB Group from time to time and the potential worth of the Eligible Employee to the continued success of the PCB Group.

Provided always that:

- (i) the number of PCB Shares allocated, in aggregate, to Executive Directors and Senior Management shall not exceed fifty per centum (50%) of the total PCB Shares available under the Scheme;
- (ii) the number of PCB Shares allocated to any individual Eligible Employee who, either singly or collectively through Persons Connected with the Eligible Employee, holds twenty per centum (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten per centum (10%) of the total PCB Shares to be issued under the Scheme.

At the discretion of the Option Committee, an Eligible Employee who is promoted to another category may be entitled to additional allocations (being the difference between the maximum number of new PCB Shares that may be allotted to such an Eligible Employee under the previous category and the maximum number of new PCB Shares that may be allotted under the new category) upon confirmation in the promoted category.

2.4 Subscription Price

The Subscription Price shall be based on the five (5) day weighted average market price of the PCB Shares (quoted and listed on Bursa Securities) at the time the Option is offered with a discount of not more than ten per centum (10%), if deemed appropriate, provided that the Subscription Price shall not be less than the par value of the PCB Shares and subject to any amendments and modifications to the Listing Requirements made thereof from time to time and any adjustments in accordance with By-Law 14.

2.5 Acceptance of the Offer

The Offer to participate in the Scheme shall be valid for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall be deemed to have lapsed.

Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) as non-refundable consideration for the Option.

Within thirty (30) days after the due acceptance of the Offer in accordance with the provisions of By-Law 8, the Option Committee shall issue to the Grantee a certificate of Option in such form as may be determined by the Option Committee.

2.6 Exercise of Options

Subject to By-Law 9.2 and 9.5, an Option can be exercised for the subscription of new PCB Shares by the Grantee by notice in writing to the Company during the Option Period in respect of all or any part of the new PCB Shares comprised in the Option, such part being in multiples of one thousand (1,000) PCB Shares and not less than one thousand (1,000) PCB Shares.

The partial exercise of an Option shall not preclude the Grantee from exercising the Option in respect of the balance of the new PCB Shares comprised in the Option.

The number of new PCB Shares comprised in the Option which a Grantee can subscribe for in a particular year of the Scheme (the first year of the Scheme commencing on the date the Scheme comes into force) shall at all times be subject to the following maximum percentages:

Number of PCB Shares comprised in Option granted	Maximum percentage of PCB Shares exercisable under the Option within each particular year of the Scheme				
	Year 1	Year 2	Year 3	Year 4	Year 5
100,000 and below	40% ¹	30%	30% ²	-	-
Above 100,000	20%	20%	20%	20%	20% ³

Notes:-

¹ 40% or 40,000 new PCB Shares, whichever is the higher

² 30% or the remaining number of new PCB Shares

³ 20% or the remaining number of new PCB Shares

Where the maximum percentage of new PCB Shares or the maximum number of the new PCB Shares (as stated in the Notes above) exercisable under the Option within a particular year of the Scheme is not fully exercised by a Grantee, the percentage or number unexercised shall be carried forward to the next year and shall not be subject to the maximum percentage or number, whichever is higher, for that next year provided that no Option shall be carried forward beyond the Option Period. Any employee who becomes a Grantee after Year 1 of the Scheme shall not be entitled to have carried forward the maximum percentage or number, whichever is higher, of new PCB Shares exercisable during all the years prior to him becoming a Grantee.

In the event that the period between the Offer Date and the expiry of the Option Period is less than four (4) years, any remaining unexercised Options shall be exercisable on the last year of the Scheme.

Any new PCB Shares comprised in an Option not subscribed for in any year of the Scheme may be subscribed for in any subsequent years until and including the last year of the Scheme.

A Grantee who is a foreign Eligible Employee shall be entitled to exercise such percentage of the Option allocated to him as may be determined by the Option Committee in their discretion PROVIDED ALWAYS THAT the maximum percentage of PCB Shares exercisable under the Option exercisable in a particular year of the Scheme shall not exceed twenty per centum (20%) of the PCB Shares exercisable under the Option granted to such Grantee. Any remaining unexercised Option may be exercised if the remaining duration of the employment contract is less than five (5) years from the Offer Date granted to such Grantee.

Subject to the limits in this By-Law, any new PCB Shares comprised in an Option not subscribed for in any year of the Scheme may be subscribed for in any subsequent years until and including the last year of the Scheme PROVIDED ALWAYS THAT, subject to the discretion of the Option Committee, where a foreign Grantee is serving under an employment contract, any remaining unexercised Options will lapse after the expiry date of that employment contract.

Every such notice referred to in By-Law 9.1 must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of By-Law 7) for the full amount of the Subscription Price for the new PCB Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new PCB Shares to the Grantee accordingly.

A Grantee who exercises his Option shall provide the Option Committee with his CDS account number in the notice referred to in this By-Law. The new PCB Shares to be issued pursuant to the exercise of an Option will be credited directly into the CDS account of the Grantee. A notice of allotment stating the number of PCB Shares credited into his CDS account will also be issued and despatched to the Grantee and an application for the listing of and quotation for the new PCB Shares will be made within the said ten (10) Market Days subject to the provisions of the Articles. No physical share certificate will be issued to the Grantee.

The new PCB Shares to be allotted upon any exercise of the Option shall, upon allotment and issue, rank *pari passu* in all respects with the existing PCB Shares PROVIDED THAT the new PCB Shares shall not be entitled to any dividends declared in respect of the particular financial year if the Options relating thereto are not exercised prior to or on the entitlement date and to any other distributions unless the Options were exercised prior to or on the entitlement date (entitlement date means the date as to the close of business on which Shareholders must be registered in order to participate in any distributions).

All Options to the extent unexercised shall not carry any rights to vote at general meeting of the Company and shall not be entitled to any dividend, rights, allotments or distributions of the Company.

All Options to the extent unexercised on the expiry of the Option Period shall lapse and be null and void.

In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend the Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option.

2.7 Termination of the Option

In the event of the cessation of employment (whether by way of resignation or termination or any other way) of a Grantee with the PCB Group for whatever reason prior to the full exercise of an Option, such Option or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its discretion, if such cessation occurs by reason of:-

- (i) retirement on attaining the retirement age under the Group's retirement policy;
- (ii) retirement before attaining the normal retirement age but with the consent of Option Committee;
- (iii) redundancy;
- (iv) ill-health or injury; or
- (v) any other circumstances which are acceptable to the Option Committee;

such Option shall remain exercisable during the Option Period.

An Option shall lapse forthwith upon the resignation of the Grantee from his employment with the PCB Group and the new PCB Shares comprised in such Option or the balance thereof may, at the discretion of the Option Committee, be re-allotted to other Eligible Employees.

In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse and be null and void.

In the event that any of the subsidiary companies shall cease to be a subsidiary company of PCB, the Option Committee may allow all unexercised or partially exercised Options of Grantees who remain in the employment of the said subsidiary company to remain exercisable during the Option Period subject to such terms and conditions as may be imposed by the Option Committee in its absolute discretion.

Where a Grantee dies before the expiry of the Option Period, any part of an Option held by the Grantee that is unexercised may be exercised by the legal representatives of the Grantee within twelve (12) months after death or a longer period at the discretion of the Options Committee PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

2.8 Retention Period

A Grantee may deal with the new PCB Shares allotted and issued to him in any way he pleases. However, Grantees are encouraged to hold the new PCB Shares as investments rather than to realize immediate gain from their disposal.

2.9 Listing of and Quotation for new PCB Shares

The new PCB Shares referred to in By-Law 3 will not be listed or quoted on Bursa Securities and any other relevant stock exchanges until the Option is exercised and the PCB Shares allotted in accordance with these By-Laws whereupon the Company will apply to Bursa Securities for the listing of and quotation for such new PCB Shares and will use its best endeavours to obtain permission from Bursa Securities to deal in and for the listing of and quotation for the new PCB Shares so allotted.

2.10 Duration of the Scheme

The Scheme shall be in force for a period of five (5) years commencing from the Effective Date. An extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the Effective Date (or any other duration that is allowed by the relevant authorities) and subject to the prior approval of the shareholders of the Company in a general meeting where such approval is required by applicable laws. In the event the Scheme is extended and implemented in accordance with the terms of these By-Laws, the Option Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.

Subject to compliance with the requirements of the relevant authorities and the written consent of the Option holders, who have yet to exercise their Options, either in part or in whole, the Company in general meeting may, by ordinary resolution passed by the shareholders of the Company, terminate the continuation of this Scheme at any time and in such an event no further Offers shall be made by the Option Committee from the date of such resolution and all Offers outstanding but not accepted by the Eligible Employee at the date of the said resolution and the Options as yet unexercised or partially exercised shall be deemed to be terminated at the date of such resolution.

Subject to compliance with the requirements of the relevant authorities, the Company may establish a new employee share option scheme upon expiry or termination of the Scheme. Any employee (including Executive Directors) of the Group who participated in the Scheme may be eligible to participate in a new scheme subject to that employee having fulfilled the eligibility criteria under the new scheme.

Further details of the Proposed ESOS are set out in the draft By-Laws, which are included in **Appendix I** of this Circular.

3. RATIONALE FOR THE PROPOSED ESOS

The Proposed ESOS will assist the Company to:

- motivate and encourage employees of the Group towards greater dedication and loyalty with enhanced productivity;
- reward and retain employees whose services are vital to the Group's businesses, continued growth and future expansion;
- allow employees to participate in the equity of the Company and to relate directly to the overall performance of the Group; and
- give a valuable incentive to employees without adversely affecting its cash flow.

4. FINANCIAL EFFECTS OF THE PROPOSED ESOS

The financial effects of the Proposed ESOS are as follows:

4.1 Share Capital

The effects on the issued and paid-up share capital of PCB are as follows:

	No. of PCB Shares
Existing as at 15 July 2005	103,551,949
Upon full exercise of Options under the Proposed ESOS *	15,532,700
Enlarged paid-up share capital	119,084,649

* Assuming the number of new PCB Shares issued under the Proposed ESOS is approximately 15% of PCB's issued and paid-up share capital as at 15 July 2005

4.2 Earnings

The Proposed ESOS will not have any effect on the EPS of the PCB Group for the financial year ending 31 December 2005. Any potential effect on the EPS would depend on the number of new PCB Shares issued and the Subscription Price payable upon the exercise of the Options as well as the utilisation of the proceeds raised from the Options exercised.

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4.3 NTA

The proforma effects of the Proposed ESOS on the NTA of PCB, based on the audited financial statements of the PCB Group as at 31 December 2004 are set out in the table below:

	Audited @ 31 December 2004 RM'000	(1) Assuming full exercise of Options under the Proposed ESOS RM'000
Share capital	103,552	119,085
Retained profits	141,726	141,726
Share premium account	64,153	79,926 ^{(1)&(2)}
Translation reserve	1,181	1,181
Revaluation reserve	3,532	3,532
Shareholders' funds	314,144	345,450
Less: Intangibles	-	-
NTA	314,144	345,450
NTA / share (RM)	3.03	2.90

Notes:

- (1) Assuming that all the Options are granted at a subscription price of RM2.02 per PCB Share, based on the weighted average market price per PCB Share for the five (5) market days immediately preceding 3 August 2005 of RM2.24, after applying a discount of approximately 10%.
- (2) After deducting estimated expenses for the Proposed ESOS of RM70,000

Notwithstanding the above, the Proposed ESOS is not expected to have any immediate effect on the NTA of the PCB Group until such time when the Options granted pursuant to the Proposed ESOS are exercised.

Any potential effect of the Proposed ESOS on the NTA of the PCB Group will depend on the number of Options granted and exercised under the Proposed ESOS and the Subscription Price at any particular point in time.

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4.4 Substantial Shareholders' Shareholdings

The Proposed ESOS will not have any immediate effect on the substantial shareholders' shareholdings in PCB until such time when the Options are exercised.

The effects of the Proposed ESOS on the substantial shareholders' shareholding in the Company based on the Register of Substantial Shareholders as at 15 July 2005 are set out below.

	(I) As at 15 July 2005			(II) After (I) and upon full exercise of Options under the Proposed ESOS		
	Direct No. Of PCB Shares	%	Indirect No. Of PCB Shares	Direct No. Of PCB Shares	%	Indirect No. Of PCB Shares
Paramount Equities Sdn Bhd	31,325,000	30.25	-	31,325,000	26.30	-
Dato' Teo Chiang Quan	508,000	0.49	31,654,888 ⁽¹⁾	1,258,000 ⁽⁷⁾	1.06	31,654,888 ⁽¹⁾
Southern Acids (M) Berhad	5,519,000	5.33	-	5,519,000	4.63	-
Southern Palm Industries Sdn Bhd	10,639,000	10.27	5,519,000 ⁽²⁾	10,639,000	8.93	5,519,000 ⁽²⁾
(formerly known as Serata Kaya Sdn Bhd)						
Southern Edible Oil Industries (M) Sdn Bhd	333,000	0.32	16,158,000 ⁽³⁾	333,000	0.28	16,158,000 ⁽³⁾
Southern Realty (M) Sdn Bhd	2,999,000	2.90	16,491,000 ⁽⁴⁾	2,999,000	2.52	16,491,000 ⁽⁴⁾
Banting Hock Hin Estate Co Sdn Bhd	184,000	0.18	19,490,000 ⁽⁵⁾	184,000	0.15	19,490,000 ⁽⁵⁾
Dato' Low Mong Hua	67,000	0.06	19,674,000 ⁽⁶⁾	67,000	0.06	19,674,000 ⁽⁶⁾

Notes:

1. By virtue of his deemed interest in Paramount Equities Sdn Bhd, Teo Soo Pin Sdn Berhad and Qualipro Corporation Sdn Bhd.
2. By virtue of his deemed interest in Southern Acids (M) Berhad.
3. By virtue of his deemed interest in Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
4. By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
5. By virtue of its deemed interest in Southern Realty (M) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
6. By virtue of his deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty (M) Sdn Bhd, Southern Edible Oil Industries (M) Sdn Bhd, Southern Palm Industries Sdn Bhd and Southern Acids (M) Berhad.
7. Based on the maximum number of 750,000 new PCB Shares that may be offered to Dato' Teo Chiang Quan under the Proposed ESOS

4.5 Dividend Rate

The Proposed ESOS will not have any immediate effect on any dividend payable by the Company for the financial year ending 31 December 2005. Any potential effect on dividend payable in future would depend on the timing and number of new PCB Shares issued pursuant to the exercise of the Options. The effect of any future dividend would also have to take into consideration the performance of the PCB Group and future economic conditions.

5. HISTORICAL SHARE PRICES

Details of the highest and lowest share price of the Company's shares as traded on the Main Board of Bursa Securities for each of the past twelve (12) months are as follows:

	LOW RM	HIGH RM
2004		
August	2.30	2.39
September	2.26	2.35
October	2.20	2.35
November	2.25	2.32
December	2.22	2.30
2005		
January	2.25	2.33
February	2.25	2.30
March	2.25	2.29
April	2.28	2.30
May	2.28	2.30
June	2.30	2.40
July	2.26	2.32

Last transacted market price per PCB Shares on 25 May 2005, being the date immediately prior to the announcement of the Proposed ESOS RM2.30

Last transacted market price per PCB Share on 3 August 2005, being the latest practicable date prior to the printing of this Circular RM2.30

(Source: Bloomberg)

6. CONDITIONS OF THE PROPOSED ESOS

The Proposed ESOS is conditional upon the following approvals being obtained:

- (a) Bursa Securities for the listing of and quotation for the new PCB Shares to be issued pursuant to the exercise of the Options to be granted under the Proposed ESOS; and
- (b) shareholders of PCB at the EGM to be convened for the Proposed ESOS.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors and/or Major Shareholders of the Company as well as persons connected with them has any interest, direct and/or indirect, in the Proposed ESOS:

- (a) Dato' Teo Chiang Quan is an Executive Director of PCB and is deemed a Major Shareholder of PCB through his substantial shareholdings in Paramount Equities Sdn Bhd, Teo Soo Pin Sdn Berhad and Qualipro Corporation Sdn Bhd (which are all shareholders in PCB). He is eligible for Options to be allocated under the Proposed ESOS and is therefore deemed interested in respect of his entitlement under the Proposed ESOS; and
- (b) Ong Keng Siew is an Executive Director of PCB and is eligible for Options to be allocated under the Proposed ESOS. He is therefore deemed interested in respect of his entitlement under the Proposed ESOS.

Dato' Teo Chiang Quan and Ong Keng Siew are collectively referred to as the "Interested Directors".

The direct and indirect interests of the aforementioned Executive Directors/Major Shareholder in the Company as at 15 July 2005 and their respective entitlements under the Proposed ESOS are set out below:-

Name of Executive Director/Major Shareholder	←-----No. of PCB Shares-----→				Maximum number of PCB Shares entitled under the Proposed ESOS
	Direct	%	Indirect	%	
<i>Executive Director/Major Shareholder</i>					
Dato' Teo Chiang Quan	508,000	0.49	31,654,888*	30.57	750,000
<i>Executive Director</i>					
Ong Keng Siew	363,000	0.35	-	-	500,000

Note:

- * By virtue of his deemed interest in Paramount Equities Sdn Bhd, Teo Soo Pin Sdn Berhad and Qualipro Corporation Sdn Bhd.

The Interested Directors (including Dato' Teo Chiang Quan in his capacity as an interested Major Shareholder) have abstained and will continue to abstain from all deliberations and voting at Board meetings in respect of their respective entitlements under the Proposed ESOS and will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to their entitlements under the Proposed ESOS at the forthcoming EGM.

The Interested Directors (including Dato' Teo Chiang Quan in his capacity as an interested Major Shareholder) will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to their entitlements under the Proposed ESOS at the forthcoming EGM.

8. DIRECTORS' RECOMMENDATION

The Board (save for Dato' Teo Chiang Quan and Ong Keng Siew, who are deemed interested in their respective allocation under the Proposed ESOS), after having considered all aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Company. Accordingly, the Board (save for Dato' Teo Chiang Quan and Ong Keng Siew) recommends that you vote in favour of the relevant resolutions to be tabled at the forthcoming EGM to give effect to the Proposed ESOS.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is enclosed in this Circular, will be held at Topas Room, Ground Floor, The Saujana, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan on Monday, 22 August 2005 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions pertaining to the Proposed ESOS.

If you are unable to attend and vote at the EGM in person, you will find enclosed with this Circular, a Form of Proxy which you are requested to complete, sign and return in accordance with the instructions contained therein as soon as possible and, in any event, to arrive at the Registered Office of the Company, at Level 8, Uptown 1, 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the EGM or any adjournment thereof.

The completion and lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of
PARAMOUNT CORPORATION BERHAD

DATO' MD. TAIB BIN ABDUL HAMID
Chairman

THE BY-LAWS OF THE PROPOSED ESOS

1. DEFINITIONS

Except where the context otherwise requires, the following expressions in these By-Laws shall have the following meanings:-

"Act"	:	The Companies Act 1965 of Malaysia and shall include all amendments, etc.
"Board"	:	The Board of Directors of PCB.
"Bursa Securities"	:	Bursa Malaysia Securities Berhad.
"By-Laws"	:	The proposed By-Laws of the Scheme.
"CDS"	:	Central Depository System.
"Eligible Employee"	:	An employee or Executive Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4.
"Executive Directors"	:	The Directors of the PCB Group who are on the payroll of the Group and who are involved in the day-to-day management of the Group.
"Grantee"	:	An Eligible Employee who has accepted an Offer in the manner indicated in By-Law 8.
"Listing Requirements"	:	Listing Requirements of Bursa Securities.
"Market Day"	:	Any day between Mondays and Fridays which is not a market holiday or public holiday
"Offer"	:	An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in By-Law 5.
"Offer Date"	:	The date on which an Offer is made to an Eligible Employee to participate in the Scheme by the Option Committee.

"Option"	:	The right of a Grantee to subscribe for new PCB Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner indicated in By-Law 8, of an Offer made to such Eligible Employee pursuant to By-Law 5.
"Option Committee"	:	The Option Committee appointed by the Board to administer the Scheme.
"Option Period"	:	A period commencing from the Offer Date and expiring on a date which the Option Committee may in its discretion decide provided that no Option Period shall extend beyond the five (5) year period referred to in By-Law 18.
"PCB" or "Company"	:	Paramount Corporation Berhad.
"PCB Group" or "Group"	:	PCB and its subsidiaries excluding subsidiaries that are dormant at any time and from time to time during the Option Period.
"PCB Shares"	:	Ordinary shares of RM1.00 each in the Company.
"RM" and "Sen"	:	Ringgit Malaysia and sen respectively.
"Scheme"	:	The scheme for the grant of Options to Eligible Employees to subscribe for new PCB Shares on the terms as set out herein.
"Subscription Price"	:	The price at which a Grantee shall be entitled to subscribe for new PCB Shares as set out in By-Law 7.

Words denoting the singular shall include the plural and references to gender shall include both genders and the neuter.

2. NAME OF SCHEME

The Scheme will be named "Paramount Corporation Berhad Employees Share Option Scheme."

3. TOTAL NUMBER OF NEW PCB SHARES AVAILABLE UNDER THE SCHEME

- 3.1 The total number of new PCB Shares which may be subscribed for on the exercise of Options under the Scheme shall not be more than fifteen per centum (15%) (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the total issued and paid-up share capital of the Company at the point of time when an Offer is made as referred to in By-Law 5. PCB will, for the duration of the Scheme, keep available sufficient unissued PCB Shares to satisfy all outstanding Options accepted.
- 3.2 Notwithstanding the above provision and any other provisions herein contained, in the event the maximum number of new PCB Shares to be issued pursuant to the exercise of Options exceeds the aggregate of fifteen per centum (15%) of the total issued and paid-up share capital of the Company as a result of the Company purchasing its own PCB Shares in accordance with the provision of Section 67A of the Act and thereby reducing its issued and paid-up share capital or undertaking any other corporate proposal, then all Offers and Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid or valid and exercisable, as the case may be, in accordance with the provisions of this Scheme. However, no additional Options will be granted unless the number of Options that have been granted under the Scheme falls below fifteen per centum (15%) of the total issued and paid-up share capital of the Company.

4. ELIGIBILITY

- 4.1 Subject to the discretion of the Option Committee, any employee (including Executive Directors) of the Group shall be eligible to participate in the Scheme if as at the Offer Date, the employee:-
- (i) has attained the age of eighteen (18) years;
 - (ii) is employed by and on the payroll of a company within the PCB Group;
 - (iii) has been in the permanent full-time employment of the Group for a period of at least one (1) year of continuous services, including service during the probation period, and is confirmed in service; provided that a confirmed employee of a subsidiary of PCB must have completed at least one (1) year of continuous service following the date such a company is deemed a subsidiary of the Group;
 - (iv) is an Executive Director who does not represents the Government or a Government institution/agency;
 - (v) is not a Government employee serving in the public service scheme as defined under Article 132 of the Federal Constitution;

- (vi) is not a participant of any other employee share option scheme implemented by any other company within the PCB Group which is in force for the a time being; and
 - (vii) if he is an Executive Director and in addition to having satisfied the criteria set out in By-Law 4.1(i) – (vi), has not been prohibited or disallowed by the relevant authorities from participating in the Scheme.
- 4.2 In addition to By-Law 4.1, the specific entitlement of Executive Directors of PCB shall be approved by the shareholders of the Company in a general meeting.
- 4.3 In addition to the above criteria of eligibility as set out in this By-Law, any foreign employee (including Executive Directors) of the Group who is serving on a full-time capacity for at least one (1) year on or prior to the Offer Date, and whose contribution is vital to the success of the Group may be considered for participation in the Scheme, provided that no foreign employee (including Executive Directors) who is serving under an employment contract may be considered for participation in the Scheme unless the employment contract is for a duration of at least (3) years or such other longer period (if any) as may be required by the relevant regulatory authorities.
- 4.4 During the subsistence of the Scheme, the Company shall ensure that allocation of Options to the Eligible Employees pursuant to the Scheme is verified by the audit committee of the Company as being in compliance with the eligibility criteria set out in By-Laws 4.1, 4.2 and 4.3, at the end of each financial year and that the statement by the audit committee to such effect is included in the annual reports to be issued by the Company.

5. OFFER

- 5.1 The Option Committee shall, within the duration of the Scheme as defined in By-Law 18, make Offers to any Eligible Employees whom the Option Committee may in its discretion select to subscribe for new PCB Shares.
- 5.2 The actual number of new PCB Shares which may be offered to an Eligible Employee shall be at the discretion of the Option Committee and, subject to any adjustments that may be made under By-Law 14, shall not upon the exercise of the Options be less than one thousand (1,000) new PCB Shares and shall always be in multiples of one thousand (1,000) PCB Shares.
- 5.3 Nothing herein shall prevent the Option Committee from making more than one Offer to any Eligible Employee provided always that, subject to any adjustments that may be made under By-Law 14, the total aggregate number of Options to be so offered to any Eligible Employee (inclusive of Options previously offered under the Scheme, if any) shall not exceed the maximum entitlement of the Eligible Employee as set out in By-Law 6, and the total number of Options offered and to be offered at any time shall not upon exercise of the Options into new PCB Shares exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company at the time.

- 5.4 The Offer shall automatically lapse and be null and void in the event of the Eligible Employee ceasing to be employed by the PCB Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in By-Law 8.
- 5.5 Each Offer shall be made in writing and is personal to the Eligible Employee and is non assignable.

6. MAXIMUM ENTITLEMENT AND BASIS OF ALLOCATION

Subject to any adjustment which may be made under By-Law 14, the maximum number of new PCB Shares that may be offered under the Option and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee based on his performance and contribution to the PCB Group from time to time and the potential worth of the Eligible Employee to the continued success of the PCB Group subject always to the following:

- (a) the number of PCB Shares allocated, in aggregate, to Executive Directors and Senior Management shall not exceed fifty per centum (50%) of the total PCB Shares available under the Scheme;
- (b) the number of PCB Shares allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employee, holds twenty per centum (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten per centum (10%) of the total PCB Shares to be issued under the Scheme.

In this By-Law:

“Senior Management” shall be subject to criteria to be determined by the Option Committee that may change from time to time and which criterion and any changes thereto shall be made known to the Eligible Employees; and

“persons connected” has the same meaning as that in paragraph 1.01 of the Listing Requirements.

At the discretion of the Option Committee, an Eligible Employee who is promoted to another category may be entitled to additional allocations (being the difference between the maximum number of new PCB Shares that may be allotted to such an Eligible Employee under the previous category and the maximum number of new PCB Shares that may be allotted under the new category) upon confirmation in the promoted category.