

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

Shareholders of Paramount Corporation Berhad ("Paramount") should rely on their own evaluation to access the merits and risks of the Proposals (as defined herein). 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.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular in relation to the Proposed Increase in Authorised Share Capital (as defined herein) and the Proposed Amendments (as defined herein) prior to the issuance of this Circular as they are exempt documents pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities 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.



(Company No. 8578-A)  
(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:**

- (I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 84,452,864 NEW ORDINARY SHARES OF RM0.50 EACH IN PARAMOUNT ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD IN PARAMOUNT ("PARAMOUNT SHARES") ON AN ENTITLEMENT DATE TO BE DETERMINED LATER;**
- (II) **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF PARAMOUNT FROM RM200,000,000 COMPRISING 400,000,000 PARAMOUNT SHARES TO RM500,000,000 COMPRISING 1,000,000,000 PARAMOUNT SHARES; AND**
- (III) **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF PARAMOUNT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)  
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

The Notice of Extraordinary General Meeting ("EGM") to be held at the Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the 44<sup>th</sup> Annual General Meeting of Paramount which will be held at the same venue on the same day at 10.00 a.m., together with the Form of Proxy are enclosed in this Circular.

As a shareholder, you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and deposit the Form of Proxy at the Registered Office of Paramount at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not later than 48 hours before the time set for the EGM or any adjournment thereof. You are not precluded from attending and voting in person at the EGM should you wish to do so subsequent to the lodging of the Form of Proxy.

Last date and time for lodging the Form of Proxy : Saturday, 7 June 2014, at 11.00 a.m.  
Date and time of the EGM : Monday, 9 June 2014, at 11.00 a.m.

This Circular is dated 16 May 2014

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Act"	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
"Board"	: Board of Directors of Paramount
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Code"	: Malaysian Code on Take-Overs and Mergers, 2010
"EGM"	: Extraordinary General Meeting
"Entitled Shareholders"	: Shareholders whose names appear in our Record of Depositors on the Entitlement Date
"Entitlement Date"	: A date to be determined by our Board and announced later, on which our shareholders must be registered in our Record of Depositors as at 5.00 p.m. in order to participate in the Proposed Rights Issue
"EPS"	: Earnings per share
"FYE"	: Financial year ended/ending, as the case may be
"HLIB"	: Hong Leong Investment Bank Berhad
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities, as amended from time to time
"LPD"	: 21 April 2014, being the latest practicable date prior to the date of this Circular
"LTD"	: 11 April 2014, being the last trading day prior to the date of the announcement of the Proposals
"LTIP"	: Long Term Incentive Plan of up to 10% of the issued and paid-up share capital of our Company at any time during the seven (7) years from the date on which the LTIP takes effect for selected employees and Executive Directors of our Group
"LTIP Shares"	: Fully paid Paramount Shares granted to selected employees and Executive Directors pursuant to the LTIP
"M&A"	: Memorandum and Articles of Association of Paramount
"NA"	: Net assets
"Paramount"	: Paramount Corporation Berhad
"Paramount Shares" or "Shares"	: Ordinary shares of RM0.50 each in our Company
"Proposals"	: Proposed Rights Issue, Proposed Increase in Authorised Share Capital and Proposed Amendments, collectively
"Proposed Amendments"	: Proposed amendments to the M&A

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**DEFINITIONS (Cont'd)**

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"Proposed Increase in Authorised Share Capital"	: Proposed increase in the authorised share capital of our Company from RM200,000,000 comprising 400,000,000 Paramount Shares to RM500,000,000 comprising 1,000,000,000 Paramount Shares
"Proposed Rights Issue"	: Proposed renounceable rights issue of 84,452,864 Rights Shares on the basis of one (1) Rights Share for every four (4) existing Paramount Shares held on the Entitlement Date
"Record of Depositors"	: A record of securities holders established by Bursa Depository under the rules of Bursa Depository
"Rights Shares"	: New Paramount Shares to be issued pursuant to the Proposed Rights Issue, and " <b>Rights Share</b> " shall be construed accordingly
"RM" and "sen"	: Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
"TERP"	: Theoretical ex-rights price
"Undertakings"	: Irrevocable and unconditional written undertakings from Paramount Equities Sdn Bhd and Dato' Teo Chiang Quan, being the major shareholders of our Company, to subscribe in full for their respective entitlements under the Proposed Rights Issue
"VWAMP"	: Volume-weighted average market price

All references to "our Company" in this Circular are to Paramount, references to "our Group" are to our Company, our subsidiaries and associated companies, collectively, and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context requires, shall include our subsidiaries and associated companies.

All references to "you" in this Circular are to the shareholders of our Company.

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

All references to the time of day in this Circular are references to Malaysian time.

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(Company No. 8578-A)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

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

16 May 2014

**Board of Directors**

Dato' Md Taib bin Abdul Hamid	<i>(Chairman and Independent Non-Executive Director)</i>
Dato' Teo Chiang Quan	<i>(Executive Deputy Chairman)</i>
Ong Keng Siew	<i>(Non-Independent Non-Executive Director)</i>
Dato' Haji Azlan bin Hashim	<i>(Independent Non-Executive Director)</i>
Datuk Seri Michael Yam Kong Choy	<i>(Senior Independent Non-Executive Director)</i>
Dato' Rohana Tan Sri Mahmood	<i>(Independent Non-Executive Director)</i>
Quah Chek Tin	<i>(Independent Non-Executive Director)</i>

**To: Our shareholders**

Dear Sir/Madam,

- (I) **PROPOSED RIGHTS ISSUE**
  - (II) **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
  - (III) **PROPOSED AMENDMENTS**
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**1. INTRODUCTION**

On 14 April 2014, HLIB announced on behalf of our Board that our Company proposes to undertake the following proposals:

- (i) proposed renounceable rights issue of 84,452,864 Rights Shares on the basis of one (1) Rights Share for every four (4) existing Paramount Shares held in our Company on the Entitlement Date;
- (ii) proposed increase in the authorised share capital of our Company from RM200,000,000 comprising 400,000,000 Paramount Shares to RM500,000,000 comprising 1,000,000,000 Paramount Shares; and
- (iii) proposed amendments to the M&A of our Company.

Subsequently, Bursa Securities had, vide its letter dated 14 May 2014, approved the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities subject to the conditions disclosed in Section 9 of this Circular.

The purpose of this Circular is to provide you with details and information on the Proposals, to set out our Board's recommendation and to seek your approval for the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM. The Notice of EGM together with the Form of Proxy are enclosed in this Circular.

**YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Proposed Rights Issue**

The Proposed Rights Issue entails a renounceable rights issue of 84,452,864 Rights Shares on the basis of one (1) Rights Share for every four (4) existing Paramount Shares held by the Entitled Shareholders on the Entitlement Date.

As at the LPD, there are up to 33,781,145 Shares to be issued under our Company's LTIP. Our Company will not be awarding any LTIP Shares until after the Entitlement Date for the Proposed Rights Issue. As such, the Proposed Rights Issue will involve the issuance of 84,452,864 Rights Shares based on the existing issued and paid-up share capital of our Company as at the LPD, of RM168,905,728 comprising 337,811,456 Paramount Shares.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part.

Any Rights Shares which are not taken up or not validly taken up shall be made available for excess application by the other Entitled Shareholders and/or their renouncee(s). It is the intention of our Board to allocate the excess Rights Shares, if any, in a fair and equitable manner, and on such basis as it may deem fit or expedient and in the best interest of our Company, which will be determined by our Board and announced later by our Company.

The Rights Shares will be provisionally allotted to the Entitled Shareholders. Any fractional entitlements under the Proposed Rights Issue will be disregarded and shall be dealt with in such manner as our Board shall in its absolute discretion deem fit or expedient and in the best interest of our Company.

#### **2.1.1 Basis and justification for the issue price of the Rights Shares**

The issue price of the Rights Share will be determined and fixed by our Board at a later date and will take into consideration, amongst others, the then prevailing market conditions and share price of our Company and the TERP based on the five (5)-day VWAMP of the Paramount Shares immediately preceding the price-fixing date.

In any event, the issue price of the Rights Shares will not be lower than the par value of the Paramount Shares of RM0.50 each.

For illustrative purposes, the Rights Shares are assumed to be issued at an indicative issue price of RM1.10 per Rights Share. This represents a discount of approximately 30.82% to the TERP of RM1.59, based on the five (5)-day VWAMP of the Paramount Shares up to and including the LTD of RM1.71 each.

Notwithstanding the above, it is the intention of our Board to fix the issue price of the Rights Shares at a discount of approximately 30% to the TERP after taking into consideration, amongst others, the funding requirements of our Group, a reasonably attractive discount level for our shareholders to subscribe for the Rights Shares, the then prevailing market conditions and share price of our Company.

The maximum discount of the issue price to the TERP has not been determined at this juncture as this will depend on the then prevailing market conditions.

## 2.1.2 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Paramount Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares.

## 2.1.3 Shareholders' undertakings and underwriting arrangement(s)

The Proposed Rights Issue will be undertaken on a full subscription basis.

Our Company has procured written irrevocable undertakings from two (2) of our major shareholders, namely Paramount Equities Sdn Bhd and Dato' Teo Chiang Quan, to subscribe in full for their respective entitlements under the Proposed Rights Issue.

The details of the Undertakings are set out below:

Major shareholders	Shareholdings as at the LPD		Entitlements under the Proposed Rights Issue		Total	
	No. of Shares	(1)%	No. of Shares	%	No. of Shares	(2)%
Paramount Equities Sdn Bhd	88,144,000	26.09	22,036,000	26.09	110,180,000	26.09
Dato' Teo Chiang Quan	4,488,400	1.33	1,122,100	1.33	5,610,500	1.33

Notes:

(1) Based on 337,811,456 Paramount Shares in issue as at the LPD.

(2) Based on the enlarged number of 422,264,320 Paramount Shares in issue after the Proposed Rights Issue.

Accordingly, Paramount Equities Sdn Bhd and Dato' Teo Chiang Quan have confirmed vide their letters dated 14 May 2014 that they have sufficient financial resources to subscribe for their respective Rights Shares entitlements under the Proposed Rights Issue. Based on the documentary evidence provided by Paramount Equities Sdn Bhd and Dato' Teo Chiang Quan, HLIB, as the Adviser in relation to the Proposed Rights Issue has confirmed and verified that they have sufficient financial resources to subscribe for their respective Rights Shares entitlements under the Proposed Rights Issue.

Our Company will procure underwriting arrangements ("**Underwriting**") for the remaining 61,294,764 of Rights Shares ("**Shares to be Underwritten**"), which represents 72.58% of the Rights Shares and such Underwriting will be in place prior to the implementation of the Proposed Rights Issue and accordingly, the terms of the underwriting arrangements have not been finalised and the underwriting agreements have not been entered into at this juncture. The details of the Underwriting will be disclosed in the abridged prospectus to be issued by our Company in connection with the Proposed Rights Issue. The underwriting commission in respect of the Shares to be Underwritten will be borne by our Company.

After taking into consideration the Undertakings and the Underwriting, our Company confirms that the abovementioned subscription of the Rights Shares will not give rise to any consequences of mandatory general offer obligation pursuant to the Code.

## 2.2 Proposed Increase in Authorised Share Capital

As at the LPD, the authorised share capital of our Company is RM200,000,000 comprising 400,000,000 Paramount Shares, of which RM168,905,728 comprising 337,811,456 Paramount Shares have been issued and fully paid-up.

Our Company proposes to increase our authorised share capital to RM500,000,000 comprising 1,000,000,000 Paramount Shares by the creation of an additional 600,000,000 Paramount Shares to facilitate the implementation of the Proposed Rights Issue and any potential equity capital issuances in the future.

## 2.3 Proposed Amendments

To facilitate and effect the Proposed Increase in Authorised Share Capital, the M&A of our Company is proposed to be amended as set out below:

Existing	Proposed Amendments
<p><b><u>Memorandum of Association</u></b></p> <p><b>Clause 5</b></p> <p>The share capital of the Company is <b>RM200,000,000.00</b> only divided into <b>400,000,000</b> ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> <p><b><u>Articles of Association</u></b></p> <p><b>Article 3</b></p> <p>The authorised share capital of the Company is <b>RM200,000,000.00</b> divided into <b>400,000,000</b> ordinary shares of RM0.50 each.</p>	<p><b>Clause 5</b></p> <p>The share capital of the Company is <b>RM500,000,000.00</b> only divided into <b>1,000,000,000</b> ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> <p><b>Article 3</b></p> <p>The authorised share capital of the Company is <b>RM500,000,000.00</b> divided into <b>1,000,000,000</b> ordinary shares of RM0.50 each.</p>

## 3. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM1.10 per Rights Share, the Proposed Rights Issue is expected to raise gross proceeds of approximately RM92.90 million. The gross proceeds are expected to be utilised as follows:

Proposed Utilisation	Note	Estimated timeframe for utilisation of proceeds from the date of listing of Rights Shares	RM'000
Repayment of existing bank borrowings	(1)	Within 6 months	40,000
Working capital purposes	(2)	Within 12 months	50,968
Defray estimated expenses in relation to the Proposals	(3)	Within 3 months	1,930
			<b>92,898</b>

Notes:

- (1) *As at the LPD, the total borrowings of our Group stood at approximately RM341.15 million. Our Board intends to utilise RM40.00 million of the proceeds raised from the Proposed Rights Issue to pare down the existing borrowings of our Group. Based on the estimated cost of borrowings of 4.75% per annum, such repayment is expected to result in annual interest savings of approximately RM1.90 million.*
- (2) *The working capital amount of approximately RM50.97 million will be utilised for our Group's day-to-day operations to support our existing business operations, which include the payment of payables, utilities, management, employees, marketing and other operating expenses. At present, our Company has not determined the exact breakdown of the proceeds in respect of the aforesaid working capital requirements.*
- (3) *The estimated expenses relating to the Proposals of approximately RM1.93 million comprise, amongst others, the professional fees, underwriting fees, fees payable to the relevant authorities, printing costs of the circular and abridged prospectus to be despatched to the shareholders of our Company and other miscellaneous expenses.*

Any surplus to or shortfall from the amount allocated for the repayment of bank borrowings and estimated expenses will be adjusted accordingly from/to the portion being earmarked for the working capital of our Company. Nonetheless, the actual proceeds to be raised from the Proposed Rights Issue will depend on the final issue price for the Rights Shares. In the event the actual amount of proceeds raised differs from the estimated amount, the shortfall/surplus will also be adjusted from/to the portion being earmarked for working capital. Pending the utilisation of the proceeds raised from the Proposed Rights Issue, the proceeds will be placed in interest-bearing deposit accounts or investments in money markets as our Board may deem fit and in the best interest of our Company.

#### **4. RATIONALE FOR THE PROPOSALS**

##### **4.1 Proposed Rights Issue**

The Proposed Rights Issue is undertaken to raise funds for the purposes as stated in Section 3 above which are expected to contribute positively to the future performance of our Group.

After due consideration of the various fund raising methods available to our Company, our Board is of the view that the Proposed Rights Issue is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (i) to achieve an optimal capital structure of our Group with equity financing via the Proposed Rights Issue;
- (ii) to enable our Company to raise funds without incurring interest cost compared to bank borrowings thereby reducing our Group's exposure to interest rate fluctuations, which in turn will enable our Group to manage its cash flows more efficiently; and
- (iii) to provide you with an opportunity to further increase your equity participation in our Company, and thereafter in the prospects and potential future growth of our Group at a discount to the prevailing market price.

##### **4.2 Proposed Increase in Authorised Share Capital and Proposed Amendments**

The Proposed Increase in Authorised Share Capital is intended to increase our Company's existing authorised share capital to a level sufficient to accommodate the increase in the number of Paramount Shares to be issued pursuant to the Proposed Rights Issue and any potential equity capital issuances in future. The Proposed Amendments is intended to reflect the Proposed Increase in Authorised Share Capital.

## **5. PROSPECTS**

### **5.1 The Malaysian economy**

The Malaysian economy expanded by 4.7% in 2013 (2012: 5.6%), driven by the continued strong growth in domestic demand. Despite the weaker external environment in the first half of the year, domestic demand remained resilient throughout the year, led by robust private sector activity.

The more moderate growth performance in 2013 was, to a large extent, attributable to developments in the external sector. Slower demand from the advanced and regional economies in the first half of the year contributed to the overall decline in real exports during the year. This was compounded by the continued expansion in real imports throughout 2013 arising from the sustained growth in domestic investment and consumption, which contributed to the contraction in net exports.

Private consumption continued to register a strong growth of 7.6% in 2013. Spending was underpinned mainly by favourable employment conditions and wage growth. The implementation of the minimum wage policy on 1 January 2013 contributed to the higher wage levels. Private consumption was also supported by government transfers to low and middle income households and continued access to financing for creditworthy households. Public consumption recorded a higher growth of 6.3% in 2013 (2012: 5.1%) due mainly to higher expenditure on supplies and services.

Although the pace of investment activity moderated from the exceptionally strong growth in 2012, it continued to be supported by private sector capital expenditure. Private investment continued to register a double-digit growth rate of 13.6% (2012: 21.9%), well above the average growth rate of 8.8% over 2000 to 2012. Private investment was driven by capital spending by both the domestic and foreign investors in the mining, services and manufacturing sectors. Public investment recorded a small positive growth of 0.7% (2012: 17.1%), following the decline in the Federal Government's development expenditure. Nevertheless, this was offset by higher capital spending by the public enterprises, which were channelled mainly into the oil and gas, transportation and energy sectors.

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5%-5.5%. Domestic demand will remain the key driver of growth, albeit at a more moderate pace. Private investment is forecast to register robust growth for the fifth consecutive year, driven by the ongoing implementation of multi-year projects and the improvement in external demand. Public investment is projected to register a higher growth, supported by both Government and public enterprise capital spending. Private consumption will be underpinned by healthy labour market conditions and sustained income growth. Public consumption is anticipated to record a lower growth due to the ongoing fiscal consolidation.

*(Source: Annual Report 2013, Bank Negara Malaysia)*

### **5.2 Outlook of the property development industry**

The Malaysian property market recorded a moderate growth which saw a contraction of 10.9% in volume but with a marginal increase of 6.7% in value in 2013. The market moved by - 8.1% (first quarter); 4.4% (second quarter); 0.3% (third quarter) and 4.1% (fourth quarter) against gross domestic product growth of 4.1% (first quarter), 4.4% (second quarter), 5.0% (third quarter) and 5.1% (fourth quarter). The year registered 381,130 transactions worth RM152.37 billion against 2012 which recorded 427,520 transactions and RM142.84 billion in volume and worth respectively.

Market activities softened across the board with all sub-sectors recorded decreases in the transaction activity. The commercial sub-sector led with 16.5% followed by the industrial sub-sector 15.7%, agricultural sub-sector 12.4%, residential sub-sector 9.7% and development land by 6.8%. By market share, residential sub-sector continued to dominate with 64.6% and trailed by agricultural (18.5%), commercial (9.0%), development land (5.6%) and industrial sub-sectors (2.2%).

In terms of value, with exception to development land and agricultural sub-sectors which declined by 8.8% and 7.0% respectively, all other sub-sectors sustained growth albeit at a smaller pace. Commercial, residential and industrial sub-sectors grew by 28.0%, 6.3% and 2.7% respectively. Seven states saw higher value of transaction preceded by Selangor (30.5%) and trailed by Johor (19.8%), Wilayah Persekutuan ("W.P.") Kuala Lumpur (13.1%), Pulau Pinang (8.9%), Perak (5.6%), Sarawak (3.7%) and Negeri Sembilan (3.6%). Other states registered lower value of transaction between 0.2% and 3.1%.

States performances softened across the board with exception of Johor and Perlis which increased by 7.1% and 5.9% respectively. Five states registered double digit contraction led by Putrajaya (39.4%) and followed by Kuala Lumpur (33.2%), Kelantan (24.6%), Pulau Pinang (21.4%), Sabah (17.4%) and Selangor (15.1%). Kedah, Negeri Sembilan, Melaka, Terengganu and Pahang recorded a notable drop of 8.6%, 5.0%, 3.4%, 3.7% and 2.3% respectively.

The residential sub-sector continued to spearhead the property market activities, taking up 64.6% share in volume and 47.3% in value. The year registered 246,225 residential property transactions worth RM72.06 billion which recorded contraction of 9.7% and an increase in value of 6.3% respectively.

In terms of volume, most states recorded downturn in market activity except Johor which recorded growth of 16.6%. W.P Putrajaya topped the list shrunk by 41.7%. Kelantan came out second with a drop of 34.6% after achieving 93.6% growth last year. Other states that declined were W.P. Kuala Lumpur (-34.4%), W.P Labuan (-33.9%), Pulau Pinang (-23.9%) and Selangor (-14.3%).

In terms of market share, Selangor outnumbered other states, contributing 26.1% (64,269 transactions) of the national residential transactions. Johor came next at 13.7% (33,651 transactions), Perak 11.4% (28,123 transactions), Pulau Pinang 7.2% (17,700 transactions) and Kedah 6.0% (14,844 transactions).

In terms of value, with exception to W.P Kuala Lumpur which contracted at 9.7%, other major states recorded growth. Johor recorded highest growth of 63.2% while Selangor recorded a small growth at 2.8% and Pulau Pinang with no growth. Meanwhile, other state which registered the highest growth was Perlis shoot up at 80.7% from previous year at 19.2% whilst the highest drop W.P Labuan registered a decline of 26.4%.

Prevailing low interest rate environment with the base lending rate of commercial banks sustaining at 6.53% and weighted average lending rate to 5.4% continued to support the domestic property market. The Bank Negara Malaysia's pre-emptive strategies to preserve household sector resilience through application of 70% loan-to-value ratio on third housing loans onwards as well as guidelines on responsible funding, had gradually impacted the housing market.

The market performance of commercial sub-sector subdued with lower volume of transaction. The year registered 34,298 transactions worth RM35.56 billion. The shop sub-sector contributed the most at 58.9% (20,185 transactions) of the volume and 39.7% (RM14.11 billion) of the value of transactions. Compared to the year before, the shop's market activity however, softened in the review period.

Across the country, five states recorded growth whilst twelve declines. W.P, Putrajaya, W.P. Labuan, Johor, Kedah and Pahang grew by 42.1%, 36.1%, 9.8%, 2.2% and 1.3% respectively. States that contracted were Kelantan (-49.6%), W.P. Kuala Lumpur (-36.1%), Sabah (-27.1%), Selangor (-26.9%), Perlis (-24.0%), Sarawak (-23.1%), Pulau Pinang (-20.7%), Melaka (-14.7%), Terengganu (-9.4%), Perak (-7.4%) and Negeri Sembilan (-7.2%).

In terms of market share, Selangor with 7,083 transactions (20.7%) led the market activity. This was followed by Johor 5,083 transactions (14.8%) and Kuala Lumpur 4,213 transactions (12.3%). In terms of value, Johor led with the highest at RM11.23 billion, trailed by Selangor (RM8.12 billion) and Kuala Lumpur (RM6.53 billion).

The industrial sub-sector remained the least active market, contributing 2.2% and 8.1% of the total market share in volume and value respectively. The review period recorded 8,418 transactions worth RM12.33 billion. The volume decreased by 15.7% (2012: 9,984 transactions) whilst value increased moderately at 2.7% (2012: RM12.00 billion).

Selangor continued to be the country's largest contributor in industrial transactions with 2,681 units, followed by Johor (1,214) and Perak (1,082). Two states recorded double digit growth; Perak (10.5%) and Kedah (67.7%). Thirteen states saw double digit reduction; Kelantan (-91.5%), W.P. Putrajaya (-50.0%), Pahang (-39.6%), Perlis (-36.4%), W.P. Kuala Lumpur (-29.9%), Sabah (-26.8%), Terengganu (-26.7%), Melaka (-24.5%), Pulau Pinang (-24.2%), Sarawak (-19.3%), Negeri Sembilan (-16.0%), Selangor (-13.0%) and W.P. Labuan (-12.0%). Johor decreased moderately by 6.8%.

The property market activity is expected to be driven largely by the residential sector. Affordable housing is foreseen to remain in focus in the coming years. In the commercial property sub-sector, the outlook for shopping complex and purpose built office is expected to be challenging with increasing supply of space and slower take-up rate. The performance of shopping complexes is expected to be moderated in tandem with bleak Business Condition Index and Consumer Sentiment Index. In the industrial sub-sector, there are emerging signs of improvement. More investments are expected to flow into the country in 2014 given the number of on-going and upcoming projects such as the West Coast Highway and Double-Tracking project, the PETRONAS projects in Sabah and Johor and the development under Regional Economic Corridors Projects. Considering all the concerted efforts taken by the government to stimulate the national economy which would have direct or indirect impact on the property sectors, the property market on the whole is expected to remain resilient in the coming year.

*(Source: Press Release dated 22 April 2014 on Malaysian Property Market 2013, Valuation & Property Services Department, Ministry of Finance)*

### **5.3 Outlook of the education industry**

Education plays a key role in the development of human capital by equipping them, particularly the youth with skills to meet the needs of a rapidly changing environment. In this regard, greater emphasis will be placed on building Malaysia's human capital, productivity and capacity for knowledge absorption and utilisation. The recent merger of the Ministry of Education and Ministry of Higher Education to the Ministry of Education ("**MOE**"), would ensure a continuity of quality as well as more dynamic policies and programmes in the national education system. The merger also strengthens the implementation of the Malaysia Education Blueprint 2013-2025 and the National Higher Education Strategic Plan 2011-2015. A total of RM52.8 billion was allocated to the merged MOE for operating and development expenditure, with RM36.3 billion spent as at end-August 2013, particularly for the Malaysia Education Blueprint 2013-2025, strengthening the role of pre-schools as well as skills and training.

The Government continues to focus on human capital development with emphasis on skills and training in order to create knowledgeable, creative and innovative human capital. In line with the current situation where graduates are still facing employability problems, the National Graduate Employability Blueprint ("**GEB**") 2012-2017 was launched on 4 December 2012 to strengthen the implementation of the Graduate Employability Programme. The Blueprint will serve as a guide to help higher education institutions in developing human capital strategies to meet the demands of the industries in line with the dynamic changing landscape of the country. A Graduate Employability Taskforce was established to monitor the implementation and effectiveness of the GEB. As of August 2013, RM36.5 million has been disbursed for the implementation of 54 graduate employability programmes which benefited more than 19,300 diploma and degree graduates.

*(Source: Economic Report 2013-2014)*

## 5.4 Prospects of our Group

The recent Budget 2014 announcement to abolish rebates, developer interest-bearing schemes ("DIBS") and the increase in real property gains tax has cooled down the property market. Banning DIBS has put the pressure of high acquisition cost on genuine buyers including first time buyers. Property investors particularly are playing the waiting game, while the banking sector has tightened the lines of credit, offering lower margins of housing loans to safeguard the banking institution. Similarly, the increase in foreign ownership threshold from RM500,000 to RM1 million across the board may be detrimental to the promotion of property acquisition by foreigners.

In the near term, we expect these various measures taken by the Government to discourage excessive speculative buying in order to stem property prices from spiraling to have a dampening effect on the property market. However, these corrective measures will ensure a more stable and sustainable property market in the mid to long term.

With strong carried forward lock-in sales boosted by the coming onstream of new developments in 2012 and 2013 – namely Bukit Banyan, a 520-acre gated and guarded mixed development in Sungai Petani, Kedah, Sejati Residences, a 50-acre high-end residential development in Cyberjaya, Selangor, Paramount Utropolis, a 11.71-acre integrated development at Glenmarie, Shah Alam, Selangor and Sekitar26 Business, a 13.2-acre industrial development at Section 26, Shah Alam, Selangor – the property development division is confident of its performance going forward, despite the challenges of the marketplace.

We are planning our way forward carefully to navigate these challenges, whilst continuing to build on our successes of recent years. This includes finding opportunities to successfully replicate our university metropolis concept, a 21.71-acre development anchored by our new 10-acre flagship KDU University College campus with the 11.71-acre Paramount Utropolis integrated development, in more markets, and building on the strong brand name and reputation for quality and value we have in the northern region.

We are also working hard on developing interesting and innovative concepts for our current landbank of 744.7 acres (Total estimated gross development value of RM7.0 billion), which we hope will capture the market's imagination and translate into strong sales.

With funds in our war chest from last year's capital raising efforts, the property division will also continue to source for strategically located development land while exploring joint venture opportunities to enhance its performance and provide sustainable growth in an increasingly competitive landscape.

The construction segment, after completing the balance of two external projects in 2014, namely, the Bayan City project, which comprises three blocks of 28-storey integrated commercial and residential development at Bayan Baru, Penang and the Melaka Straits Hospital and Nursing College project at Kledeng, Melaka, will switch its focus to in-house projects. These in-house projects include the new Bukit Banyan, Sejati Residences, Paramount Utropolis and Sekitar26 Business developments as well as existing developments such as Bandar Laguna Merbok, a 476.9-acre mixed development in Sungei Petani, Kedah and Kemuning Utama, a 524.7-acre mixed development in Shah Alam, Selangor. With increased activities in the new developments, the construction segment is expected to record higher progressive billings moving forward.

While competition is intensifying, we are confident that our Sri KDU private and international schools, with its excellent product offering and strong reputation for quality, will be able to weather the challenges. We are not resting on our laurels; instead we are doing more to make the successes of Sri KDU more widely known, paving the way for us to enter more market centres. We are also actively seeking opportunities to expand our footprint either through land acquisitions or joint ventures with developers.

In line with its planned elevation to University College status, KDU College Penang is in the process of developing many more new and industry-driven programmes. Its focus is to provide students with more options and opportunities to either pursue a degree locally or transfer to universities abroad after completing one to two year(s) of diploma/degree studies locally. This will open up more flexible study pathways to a large percentage of students.

In the Klang Valley, KDU University College continues to operate in an extremely competitive market. However, the upcoming move to its new purpose-built campus at Paramount Utropolis will offer new opportunities to reposition itself in the eyes of today's students and their parents, and we are working hard to make the most of this.

Overall, the KDU Education Group will continue to build on what has become the ethos of KDU and the cornerstones to its evolution – to provide good quality, high value education, to inspire the spirit of nation building and to be community-minded.

(Source: Our management)

## 6. EFFECTS OF THE PROPOSALS

The Proposed Increase in Authorised Share Capital and Proposed Amendments will not have any effect on the issued and paid-up share capital, NA per share, gearing, earnings, EPS and the substantial shareholders' shareholdings in our Company.

For illustration purposes, the proforma effects of the Proposed Rights Issue on the share capital, NA per share, gearing, earnings, EPS and the substantial shareholders' shareholdings in our Company are set out below:

### 6.1 Issued and paid-up share capital

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the issued and paid-up share capital of our Company are shown below:

	No. of Shares (‘000)	Share capital RM'000
Issued and paid-up share capital as at the LPD	337,812	168,906
Rights Shares to be issued pursuant to the Proposed Rights Issue	84,453	42,226
<b>Enlarged issued and paid-up share capital</b>	<b>422,265</b>	<b>211,132</b>

### 6.2 NA per share and gearing

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the consolidated NA and gearing ratio of our Group based on the audited consolidated statement of financial position of our Group as at 31 December 2013 are shown below:

	Audited as at 31 December 2013 RM'000	Proforma I After the Proposed Rights Issue RM'000
Share capital	168,906	211,132
Reserves	558,192	<sup>(1)</sup> 606,934
<b>Shareholders' funds/ NA</b>	<b>727,098</b>	<b>818,066</b>
No. of Paramount Shares in issue (‘000)	337,812	422,265
NA per Share (RM)	2.15	1.94
Total borrowings (RM'000)	317,746	<sup>(2)</sup> 277,746
Gearing ratio (times)	0.44	0.34

Notes:

- (1) Assuming an indicative issue price of RM1.10 per Rights Share and taking into consideration the estimated expenses of approximately RM1.93 million in relation to the Proposals.

- (2) Assuming the repayment of bank borrowings of RM40.00 million derived from the proceeds of the Proposed Rights Issue.

### 6.3 Earnings and EPS

The Proposed Rights Issue is not expected to have any material effect on the consolidated earnings of our Group for the FYE 31 December 2014 as the Proposed Rights Issue is only expected to be completed by the third quarter of 2014 whilst the proceeds to be raised from the Proposed Rights Issue is expected to be utilised within 12 months from the completion of the Proposals. However, the EPS of our Group may be diluted as a result of the increase in the number of Paramount Shares in issue upon completion of the Proposed Rights Issue.

The actual impact of the Proposed Rights Issue on the future earnings of our Group will depend on the level of returns derived from the utilisation of proceeds as set out in Section 3 above. Notwithstanding the above, as part of the proceeds to be raised from the Proposals will be utilised to repay our Group's bank borrowings, this will result in an annual interest savings of approximately RM1.90 million to our Group, based on the estimated cost of borrowings of 4.75% per annum.

### 6.4 Substantial shareholders' shareholdings

Assuming all the Entitled Shareholders subscribe for their respective entitlements, the Proposed Rights Issue will not have any effect on our substantial shareholders' percentage of shareholdings in our Company as the Rights Shares will be allotted on a pro-rated basis to all the Entitled Shareholders. Accordingly, the number of Paramount Shares held by each shareholder will increase proportionately pursuant to the Proposed Rights Issue.

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the shareholding structure of our substantial shareholders are as follows:

Substantial shareholders	Proforma I							
	Existing as at the LPD				After the Proposed Rights Issue *			
	<---Direct-->		<---Indirect-->		<---Direct-->		<---Indirect-->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Paramount Equities Sdn Bhd	88,144	26.09	-	-	110,180	26.09	-	-
Dato' Teo Chiang Quan	4,488	1.33	<sup>(1)</sup> 88,826	26.29	5,611	1.33	<sup>(1)</sup> 111,033	26.29
Southern Palm Industries Sdn Bhd	29,789	8.82	<sup>(2)</sup> 15,453	4.57	37,237	8.82	<sup>(2)</sup> 19,317	4.57
Southern Edible Oil Industries (M) Sdn Bhd	932	0.28	<sup>(3)</sup> 45,242	13.39	1,166	0.28	<sup>(3)</sup> 56,553	13.39
Southern Realty (Malaya) Sdn Bhd	8,397	2.49	<sup>(4)</sup> 46,175	13.67	10,497	2.49	<sup>(4)</sup> 57,719	13.67
Banting Hock Hin Estate Co Sdn Bhd	515	0.15	<sup>(5)</sup> 54,572	16.15	644	0.15	<sup>(5)</sup> 68,215	16.15
Dato' Low Mong Hua (deceased)	-	-	<sup>(6)</sup> 55,087	16.31	-	-	<sup>(6)</sup> 68,859	16.31

Notes:

\* Assuming all Rights Shares are fully subscribed by the Entitled Shareholders.

(1) By virtue of his deemed interest in Paramount Equities Sdn Bhd and the shareholdings of his family members.

- (2) By virtue of its deemed interest in Southern Acids (M) Berhad ("**Southern Acids**").
- (3) By virtue of its deemed interest in Southern Palm Industries Sdn Bhd ("**Southern Palm**") and Southern Acids.
- (4) By virtue of its deemed interest in Southern Edible Oil Industries (M) Sdn Bhd ("**Southern Edible Oil**"), Southern Palm and Southern Acids.
- (5) By virtue of its deemed interest in Southern Realty (Malaya) Sdn Bhd ("**Southern Realty**"), Southern Edible Oil, Southern Palm and Southern Acids.
- (6) By virtue of the deceased's deemed interest in Banting Hock Hin Estate Co Sdn Bhd, Southern Realty, Southern Edible Oil, Southern Palm and Southern Acids.

## 6.5 Convertible securities

As at the LPD, our Company does not have any outstanding convertible securities.

## 7. HISTORICAL SHARE PRICES

The monthly high and low prices of Paramount Shares as traded on the Main Market of Bursa Securities for the past twelve (12) months are set out below:

	High RM	Low RM
<b>2013</b>		
May	1.78	1.49
June	1.75	1.53
July	1.71	1.53
August	1.62	1.45
September	1.54	1.50
October	1.60	1.50
November	1.59	1.52
December	1.54	1.48
<b>2014</b>		
January	1.53	1.47
February	1.61	1.47
March	1.68	1.50
April	1.75	1.64

Last transacted market price of Paramount Shares on the LTD RM1.71

Last transacted market price of Paramount Shares on the LPD RM1.68

(Source: Bloomberg)

## 8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of our Directors and/or major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposals save for their respective entitlements as our shareholders under the Proposed Rights Issue, which are also available to other shareholders of our Company.

## 9. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to and conditional upon approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities;
- (ii) our shareholders at the forthcoming EGM; and
- (iii) other relevant authorities/parties, if required.

The approval of Bursa Securities, which was obtained vide its letter dated 14 May 2014, is subject to the following conditions:

Conditions	Status of compliance
(i) Our Company and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue;	Noted.
(ii) Our Company and HLIB to inform Bursa Securities upon the completion of the Proposed Rights Issue; and	To be complied.
(iii) Our Company to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.	To be complied.

The Proposed Rights Issue is conditional upon the Proposed Increase in Authorised Share Capital and Proposed Amendments. The Proposed Increase in Authorised Share Capital and Proposed Amendments are inter-conditional upon each other. The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by our Company.

## 10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the corporate exercise below, our Board confirms that there is no other outstanding corporate exercise that has been announced but not yet completed as at the LPD:

On 25 March 2014, our Company entered into a Purchase and Development Agreement ("**PDA**") with Penang Development Corporation for the proposed acquisition of a piece of freehold land measuring in total area approximately 30.70 acres situated at Batu Kawan, Mukim 13, District of Seberang Perai Selatan, State of Penang for a total cash consideration of RM67,007,594.40 on the terms and conditions as contained in the PDA ("**Proposed Acquisition**"). The Proposed Acquisition is currently pending the fulfilment of the conditions precedent.

## 11. DIRECTORS' STATEMENT

Our Board, having considered and deliberated on all aspects of the Proposals, including the rationale for and the effects of the Proposals, is of the opinion that the Proposals are in the best interest of our Company. Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

## 12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposals to be completed in the third quarter of 2014.

The tentative timeline for the implementation of the Proposals are set out below:

Key milestones	Tentative timeline
EGM	9 June 2014
Announcement of the Entitlement Date for the Proposed Rights Issue	End June 2014
Entitlement Date and issuance of abridged prospectus in relation to the Proposed Rights Issue	Mid July 2014
Commencement of trading of rights entitlements	Mid July 2014
Closing date of acceptance of and applications for the Rights Shares	End July 2014
Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities	Early August 2014

## 13. EGM

An EGM, the Notice of which is enclosed in this Circular, will be held at the Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 11.00 a.m., to consider and, if thought fit, to pass the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, please complete the Form of Proxy, which is attached in this Circular, in accordance with the instructions contained therein and forward it to Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.

## 14. FURTHER INFORMATION

You are requested to refer to the enclosed appendix for further information.

Yours faithfully,  
For and on behalf of the Board  
**PARAMOUNT CORPORATION BERHAD**

**DATO' MD TAIB BIN ABDUL HAMID**  
Chairman

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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

Our Board has seen and approved the contents of this Circular and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

**2. CONSENT AND DECLARATION OF CONFLICT OF INTERESTS**

HLIB, being the Adviser, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references in the form and context in which they appear in this Circular.

HLIB confirms that there is no conflict of interest existing or is likely to exist in its capacity as the Adviser to our Company in respect of the Proposals.

**3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceeding which might materially and adversely affect the business and financial position of our Group.

**4. MATERIAL COMMITMENTS**

Save as disclosed below, as at the LPD, our Board is not aware of any other material commitments incurred or known to be incurred by our Group:

	<b>RM '000</b>
Investment properties:	
Authorised and contracted for	83,050
Authorised and not contracted for	17,013
	<u>100,063</u>
Property, plant and equipment:	
Authorised and contracted for	149,346
Authorised and not contracted for	62,955
	<u>212,301</u>
Land held for property development:	
Authorised and contracted for	38,928
Authorised and not contracted for	-
	<u>38,928</u>

**5. CONTINGENT LIABILITIES**

As at the LPD, our Board is not aware of any contingent liabilities which, upon being enforceable, may have a material adverse effect on our Group's profits or NA.

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**FURTHER INFORMATION (Cont'd)**

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**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our Registered Office at Level 8, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) from the date of this Circular to the date of our EGM:

- (i) Memorandum and Articles of Association of our Company;
- (ii) audited consolidated financial statements of our Group for the past 2 FYEs 31 December 2012 and 2013;
- (iii) letters of Undertakings referred to in Section 2.1.3 of this Circular; and
- (iv) consent letter referred to in Section 2 above.

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(Company No. 8578-A)  
(Incorporated in Malaysia under the Companies Act, 1965)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Extraordinary General Meeting ("**EGM**") of Paramount Corporation Berhad ("**Paramount**" or "**Company**") will be held at the Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 44<sup>th</sup> Annual General Meeting of the Company which will be held at the same venue and on the same day at 10.00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTION 1

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 84,452,864 NEW ORDINARY SHARES OF RM0.50 EACH IN PARAMOUNT ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD IN PARAMOUNT ("PARAMOUNT SHARES") ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE")**

**"THAT**, subject to the approvals of all relevant authorities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Malaysia Securities Berhad being obtained and the passing of Ordinary Resolution 2 and Special Resolution 1, the Board of Directors of Paramount ("**Board**") be and is hereby authorised to provisionally allot by way of a renounceable rights issue of 84,452,864 Rights Shares on the basis of one (1) Rights Share for every four (4) existing Paramount Shares held by the shareholders of the Company whose names appear on the Record of Depositors of the Company at a later date to be determined by the Board;

**THAT** any fractional entitlements under the Proposed Rights Issue will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;

**THAT** any Rights Shares which are not taken up or not validly taken up shall be made available for excess application and the Board be and is hereby authorised to allocate the excess Rights Shares in a fair and equitable manner;

**THAT** the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Rights Issue as set out in Section 3 of the Circular to Shareholders of the Company dated 16 May 2014 and the Board be authorised to revise the utilisation of proceeds from the Proposed Rights Issue in such manner as the Board shall in its absolute discretion deem fit and in the best interest of the Company;

**THAT** the Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Paramount Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares;

**AND THAT** the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Rights Issue with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue."

## ORDINARY RESOLUTION 2

**PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY FROM RM200,000,000 COMPRISING 400,000,000 PARAMOUNT SHARES TO RM500,000,000 COMPRISING 1,000,000,000 PARAMOUNT SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")**

"**THAT**, subject to the passing of Special Resolution 1, the authorised share capital of the Company be increased from RM200,000,000 divided into 400,000,000 ordinary shares of RM0.50 each to RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each;

**AND THAT** the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Increase in Authorised Share Capital with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Increase in Authorised Share Capital."

## SPECIAL RESOLUTION 1

**PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF PARAMOUNT ("PROPOSED AMENDMENTS")**

"**THAT**, subject to the passing of Ordinary Resolution 2, the Memorandum and Articles of Association of the Company shall be amended as follows:

Existing	Proposed Amendments
<p><b><u>Memorandum of Association</u></b></p> <p><b>Clause 5</b></p> <p>The share capital of the Company is <b>RM200,000,000.00</b> only divided into <b>400,000,000</b> ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> <p><b><u>Articles of Association</u></b></p> <p><b>Article 3</b></p> <p>The authorised share capital of the Company is <b>RM200,000,000.00</b> divided into <b>400,000,000</b> ordinary shares of RM0.50 each.</p>	<p><b>Clause 5</b></p> <p>The share capital of the Company is <b>RM500,000,000.00</b> only divided into <b>1,000,000,000</b> ordinary shares of RM0.50 each. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.</p> <p><b>Article 3</b></p> <p>The authorised share capital of the Company is <b>RM500,000,000.00</b> divided into <b>1,000,000,000</b> ordinary shares of RM0.50 each.</p>

**AND THAT** the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Amendments with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Amendments."

## BY ORDER OF THE BOARD

Tay Lee Kong (MAICSA 772833)  
Ng Wai Peng (MAICSA 7014112)  
Secretaries

Petaling Jaya  
Selangor Darul Ehsan

16 May 2014

### NOTES:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.*
2. *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
3. *The Form of Proxy must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below.*
4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

## FORM OF PROXY

I/We \_\_\_\_\_  
(name of shareholder as per NRIC or name of company, in capital letters)

NRIC No./ID No./Company No. \_\_\_\_\_ (New) \_\_\_\_\_ (Old)

of \_\_\_\_\_  
(full address)

being a Member of Paramount Corporation Berhad ("the Company") hereby appoint  
\_\_\_\_\_ NRIC No. \_\_\_\_\_ (New)  
(name of proxy as per NRIC, in capital letters)

\_\_\_\_\_ (Old) of \_\_\_\_\_  
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Extraordinary General Meeting of the Company to be held at the Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 9 June 2014 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the 44<sup>th</sup> Annual General Meeting of the Company which will be held at the same venue on the same day at 10.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy to vote (see Note 4) for or against the resolutions to be proposed at the meeting as hereunder indicated.

		For	Against
Ordinary Resolution 1	Proposed Rights Issue		
Ordinary Resolution 2	Proposed Increase in Authorised Share Capital		
Special Resolution 1	Proposed Amendments		

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2014.

CDS ACCOUNT NO.

NO. OF SHARES HELD

Signature/Common Seal

### NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. A proxy need not be a member of the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The Form of Proxy must be signed by the appointer or his attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its attorney or officer duly authorised in writing. The power of attorney or a duly certified copy thereof must be deposited at the Company's Registered Office within the period stated below.
4. Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Uptown 1, 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 3 June 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

The Company Secretary  
**Paramount Corporation Berhad**  
Level 8, Uptown 1  
1, Jalan SS 21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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