ANNEXURE I

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)

Key matters discussed at the Forty-Seventh Annual General Meeting (**47th AGM**) of Paramount Corporation Berhad (**Paramount** or **the Compan**y) held in Ballroom 1, Main Wing, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 May 2017 at 10.30 a.m.

	Shareholders' Queries	Paramount's Response
1.	It is noted in the audited financial statements of the Company for the year ended 31 December 2016 (**FY2016**) that group borrowings have increased by RM53.8 million to RM636.5 million. It is also noted in the Company's quarterly report for the first quarter of 2017 (**1Q2017**) that the Company has provided for a total capital commitment of RM275.3 million. (a) Was the purchase consideration for the Company's 66% stake in R.E.A.L. Education Group Sdn Bhd (**R.E.A.L.**) included in the capital commitment? (b) Will the debt to equity (**D/E**) ratio of the Group for the next two financial years ending 31 December 2017 (**FY2017**) and 31 December 2018 (**FY2018**) be increased in view of the higher borrowings and capital commitments?	(a) The purchase consideration of RM183.0 million for Paramount's 66% stake in R.E.A.L. was not included in the capital commitment of RM275.3 million that was reported in the 1Q2017 quarterly report of the Company, as the acquisition of R.E.A.L. was completed in April 2017. (b) The Group's D/E ratio had increased to 0.72 times from 0.65 times following the drawdown on a RM160.0 million term loan in April 2017 to part finance the purchase consideration for R.E.A.L. The Group has been pursuing an exercise to monetise one of its investment assets to raise RM160.0 million. Part of the proceeds from this exercise will be utilised to pare down the Group's borrowings.
2.	(a) What is the expected return on investment from R.E.A.L.? (b) Will parents who are facing financial challenges due to the current economic uncertainties still consider enrolling their children into kindergartens?	(a) A return on capital employed (**ROCE**) of 8% per annum is expected from R.E.A.L. over a payback period of 12 years based on the purchase consideration of RM183.0 million paid by the Company for a 66% stake in R.E.A.L. that has a total equity value of RM277.0 million as at 31 December 2016 and a profit after tax of RM15.0 million for FY2016. The expected ROCE of 8% from R.E.A.L. is within the range of ROCE that the Company has attained from its investment in the other education institutions as well as in land bank held for development. Although R.E.A.L. was valued at a price earnings (**PE**) ratio of 18 times based on its FY2016 performance, the acquisition of R.E.A.L. will enable the Group to enlarge its share of the private school (**K-12**) market. With combined earnings from the Sri KDU and R.E.A.L. schools, it is anticipated that the value of the Group's K-12 segment will

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		eventually be much higher than the PE ratio of 18 times. (b) Irrespective of the economic situation, parents are aware of the importance of pre-school education in helping their children have a better head-start when they enter the primary school system. In view thereof, venturing downstream to kindergartens was one of the strategies identified in the Group's five-year (2014-2019) plan.
3.	Will revenue and profit before tax (**PBT**) contribution from the Education Division be higher for FY2017, following the acquisition of R.E.A.L.?	The financial results of R.E.A.L. for the nine-month period ending 31 December 2017 (**9M2017**), upon completion of the acquisition, will be included in the Company's consolidated results for FY2017. Hence, revenue contribution from the Education Division is expected to increase by approximately 10% to 40% based on R.E.A.L.'s revenue track record of RM100.0 million for FY2016. However, PBT contribution is expected to increase marginally by 2% to 34%, net of interest cost of RM8.0 million per year, based on R.E.A.L.'s PBT track record of RM17.0 million for FY2016.
4.	As at 31 December 2016, group borrowings due for repayment within a year had increased by more than double compared with the previous year-end, and as mentioned by the Group CEO, additional borrowings will be taken to finance new projects. In view of this capital requirement, will the Board be implementing any right issues of shares to fund the new projects.	Undoubtedly, additional funding will be needed for the Group to undertake new projects. However, the Group will plan and schedule the launching of new projects carefully to ensure that there is available funds to meet the capital requirements of those projects. For example, the Group has recently deferred the establishment of a new Sri KDU school in Klang in view of the acquisition of R.E.A.L. which has a track record of delivering earnings before interest, tax, depreciation and amortisation (**EBITDA**) of close to RM25.0 million a year. In view thereof, the Board has no plans to undertake any rights issue.
5.	Why was the 21-22 September 2016 Board meeting held in Sri Lanka?	The Board meeting was held at an off-site location in Sri Lanka to enable the Board and senior management to brainstorm on the Group's five-year strategic plan without distractions from the day-to-day operational issues of the Group, and to explore overseas expansion opportunities.
6.	What was the reason for the lower revenue growth of the Group for FY2016 compared with the preceding financial years?	The lower revenue growth for FY2016 was primarily due to the cessation of the Group's construction business that had been wound down since 2014 in view of the low gross profit margins of between 6% and 8% derived from external construction projects.

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		To compensate for the loss of revenue arising from the cessation of the construction business, more property development projects will be launched by the Group due to higher returns from development activities. The lower revenue was also partly due to the slower revenue growth of the tertiary education segment.
7.	It is commendable of the Board to declare a higher dividend for FY2016 compared with FY2015. However, will future dividends of the Company be hindered by the rising gearing ratio or will there be a further increase in dividends, moving forward?	In recommending a dividend payment, the Board takes into consideration profits that are attributable to shareholders as well as the working capital needs of the Group. Although the Board is unable to commit to any future dividend payment at this juncture, it will always take into consideration the need to reward shareholders for their investment.
8.	Is there any likelihood of the Group venturing into the property management business, and utilise the project management unit to control the rental rates and upkeep of the apartment blocks at Utropolis, Glenmarie?	The Group does not have any plans to venture into the property management business, and has adopted the approach of handing over the management of all completed stratified projects to the residents management committee upon the delivery of vacant possession.
9.	According to page 93 of the Company's 2016 annual report, there was a gain of RM8.7 million on the disposal of assets held for sale. From which assets was this gain derived?	The gain on disposal of RM8.7 million was derived from the sale of apartments in Kota Damansara, Selangor which were utilised as student accommodation that were no longer needed following the re-location of KDU University College (**KDU UC**) to Utropolis, Glenmarie in Shah Alam, Selangor.
10.	According to page 93 of the Company's 2016 annual report, accounts receivable have increased by RM55.0 million for FY2016 compared with a decrease by RM20.6 million for FY2015. Inventories have also increased by RM27.0 million from RM554,000/- in FY2015. Will the Group's cash flow be affected by the slow collection of receivables and the high level of inventories?	Receivables are generally higher for high-rise developments compared with landed developments due to the difference in the timing of revenue recognition and actual billing to purchasers, which in turn is due construction costs incurred on earthworks piling, foundation, etc, on which purchasers could not be billed. The higher accounts receivable of the Group for FY2016 was due to the higher composition of high-rise developments launched by the Group in the last two financial years compared with landed developments. With regard to the inventories of RM27.0 million at 31 December 2016, many of the completed units were sold in 1Q2017, as explained in the Company's response to a query from the Minority Shareholder Watchdog Group.