

PARAMOUNT CORPORATION BERHAD
(Company No. 8578-A)

Minutes of the **Extraordinary General Meeting** of Paramount Corporation Berhad (**Paramount or the Company**) duly held at Ballroom, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 13 September 2019 at 11.00 a.m.

DIRECTORS PRESENT

DATO' TEO CHIANG QUAN	(Chairman/Executive Director)
MR CHEW SUN TEONG	(Group Chief Executive Officer/ Executive Director)
DATUK SERI YAM KONG CHOY	(Senior Independent Non-Executive Director)
DATO' ROHANA TAN SRI MAHMOOD	(Independent Non-Executive Director)
MR ONG KENG SIEW	(Independent Non-Executive Director)
MR QUAH POH KEAT	(Independent Non-Executive Director)
PUAN FATIMAH BINTI MERICAN	(Independent Non-Executive Director)

ABSENT WITH APOLOGY

MR BENJAMIN TEO JONG HIAN	(Executive Director)
MS FOONG PIK YEE	(Independent Non-Executive Director)

SHAREHOLDERS PRESENT AS PER THE ATTENDANCE LIST

IN ATTENDANCE

MS NG WAI PENG	(Secretary)
MR TOMMY HAR	(Representatives of RHB Investment Bank Berhad)
MS JEANNE LIM	
MR KENNETH CHOONG	
MS YU HUI HOONG	
MS LEE LYNNIE	
MR ANDRIAN CHEE	(Representatives of Adnan Sundra & Low)
MS JACYN PHUAH LEE ZHIN	
MS MEGAN TAN	
MS MARYANN TAN	(Representative of Rothschild & Co)
MR RYAN WONG HING YEE	(Representative of Ernst & Young)
MS TAN TIEN YEE	(Representatives of PricewaterhouseCoopers Taxation Services Sdn Bhd)
MR JOSHUA NG	

CHAIRMAN OF THE MEETING

Dato' Teo Chiang Quan, the Chairman of the Board of Directors (**the Board**), took the Chair, and he welcomed all shareholders, corporate representatives and proxy holders to the Extraordinary General Meeting of the Company (**the EGM or the Meeting**).

He also conveyed the apologies of the newly appointed directors, namely, Mr Benjamin Teo Jong Hian and Ms Foong Pik Yee for being unable to attend the Meeting due to other commitments made by them prior to the fixing of the EGM date.

The Chairman further informed the Meeting that representatives of RHB Investment Bank Berhad, Rothschild Co Malaysia Sdn Bhd, Adnan Sundra & Low, Ernst & Young as well as PricewaterhouseCoopers Taxation Services Sdn Bhd were in attendance at the Meeting to assist the Board in providing further clarification, if necessary, on the corporate proposal, as presented in the Circular to Shareholders dated 28 August 2019 (**the Circular**).

QUORUM

The Secretary, upon the request of the Chairman, confirmed that the requisite quorum was present for the holding of the EGM. There being a quorum present, the Chairman declared the Meeting opened.

PROXIES AND CORPORATE REPRESENTATIVES

The Secretary informed the Meeting that 139 proxy forms and six certificates of appointment of corporate representatives covering a total of 313,581,598 ordinary shares and representing 51.69% of the issued share capital of the Company had been received, and a schedule of those appointments was tabled for inspection by the Chairman.

The Chairman inspected the schedule and confirmed that it was in order.

NOTICE OF THE MEETING

The notice convening the Meeting dated 28 August 2019 (**the Notice**), having been sent to all members of the Company, together with the Circular, and advertised in the News Straits Times daily newspaper on 28 August 2019 and duly released to Bursa Malaysia Securities Berhad (**Bursa Securities**) was, with the permission of the Meeting, taken as read.

VOTING

The Chairman informed the shareholders that as required under Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, voting at the EGM would be conducted by poll.

He further informed the Meeting that the Company had appointed the Share Registrar, Tricor Investor & Issuing House Services as the Poll Administrator and Asia Securities Sdn Bhd as the Poll Scrutineer to validate the poll results.

The Chairman also announced that polling would be conducted upon the conclusion of all deliberation on the proposed ordinary resolution as stated in the Notice.

TABLING OF PROPOSED RESOLUTION

To facilitate the smooth conduct of the Meeting, the Chairman proposed and Mr Chew Sun Teong seconded that the proposed ordinary resolution in relation to the proposed disposal of the Company's controlling equity interests in Paramount Education Sdn Bhd, Paramount Education (Klang) Sdn Bhd and Sri KDU Sdn Bhd to Prestigion Education Sdn Bhd (formerly known as Two Horses Capital Sdn Bhd) for an indicative total cash consideration of RM540,500,000.00 subject to such adjustments stipulated in the Share Sale and Purchase Agreement (**SSPA**) dated 19 June 2019 and as explained in Section 2.1 on Page 4 of the Circular Proposed Disposal be taken as read and deemed as tabled for deliberation, and there was no objection to the said proposal (**Proposed Disposal**).

PRESENTATION ON THE PROPOSED DISPOSAL

To facilitate deliberation, Mr Chew Sun Teong, the Group Chief Executive Officer (**CEO**) of the Company, briefed the Meeting on the Proposal Disposal through a power-point presentation, covering the overview, basis and justification in arriving at the indicative disposal consideration, utilisation of proceeds, rationale, effects of the proposal and tentative timeline for completion of the SSPA.

QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP

Questions raised by the Minority Shareholders Watch Group (**MSWG**) in its letter dated 4 September 2019, and the Company's response to those questions were then presented to the Meeting, as follows:

Question 1

Does the Company foresee any problems in getting the approval from the Ministry of Education ("MoE") to dispose the 69.7% equity interest in Paramount Education Sdn Bhd ("PESB"), the 80% equity interest in Paramount Education (Klang) Sdn Bhd ("PEKSB") and the 80% equity interest in Sri KDU?

Paramount's Response

The proposed structure fulfils MoE's requirements including the local ownership requirement, which is one of MoE's key considerations. Barring any unforeseen circumstances, the Company does not foresee any problem in obtaining MoE's approval for the transaction. However, the final decision is at the sole discretion of the MoE

Question 2

What are the potential leakages apart from the Notified Leakage that is stated in the Salient Terms of the Sales and Purchase Agreement ("SPA")? (page 38 of the Circular)

Paramount's Response

The Paramount Group is taking active steps to monitor and minimise the occurrence of leakages post signing of the SPA.

Currently, the Paramount Group is not aware of any potential material leakages apart from the Notified Leakages.

Question 3

The Group's financial result after the disposal of the majority stake in the K12 education business will be dependent on the property development and the property investment sectors.

What are the measures taken by the Group to mitigate the drop in revenue and profit as presently the local property market is sluggish?

Paramount's Response

The property development business is expected to mitigate the loss of revenue and profit from the education business.

This is given that the profit before tax of the Group's property segment had grown by 111% since 2014 to RM129 million in 2018. Similarly, the segment's unbilled sales had grown by 118% over the same period to RM960 million, and this provides visibility of the Group's earnings for the next three to four years.

Despite the soft property market, the Group achieved a strong take-up rate of 81% (on average as at 30 June 2019) for its on-going projects with low inventories. The Group strives to maintain this sales momentum through six new property launches in the second half of 2019.

In addition, management is exploring opportunities to expand the Group's property development business regionally through joint ventures to ASEAN countries with high population density/ cities with positive gross domestic product (GDP) growth coupled with low urbanisation rates.

The cash proceeds from the Proposed Disposal will put the Group in a stronger financial position to seize opportunities arising from the current economic conditions.

Question 4

Will the Group eventually exit from its education business in the future and if so, why?

Paramount's Response

Paramount is divesting its majority stake to strategic partners that have the ability to take the Group's education business to a regional platform. After the divestment, Paramount will continue to be represented on the boards of the companies.

If the call options granted to UOWM Sdn Bhd ("UOWM") and Prestigion Education Sdn Bhd ("Prestigion") are fully exercised, the Group will cease to own any tertiary and K-12 education businesses.

In deciding whether Paramount will exercise its put option to sell its remaining shares in the tertiary and K-12 segments to UOWM and Prestigion respectively, Paramount will then assess, amongst

others, the attractiveness and prospects of the business going forward, in comparison to that of other businesses.

QUESTIONS FROM THE FLOOR

The Chairman then invited questions from the floor, and several questions were raised by the shareholders. The questions together with the respective answers, which were addressed by the Chairman and the Group CEO to the satisfaction of the shareholders, are appended in Annexure I annexed hereto.

POLLING PROCESS

Having tabled the proposed ordinary resolution and there being no further questions from the floor, the Chairman called upon the representative of the Poll Administrator to brief the Meeting on the polling procedures.

Upon conclusion of the briefing, the Chairman announced the commencement of polling, and shareholders proceeded to the e-voting kiosks to cast their votes.

ANNOUNCEMENT OF POLL RESULTS

Upon conclusion of the poll, the poll results as tabulated by the Poll Administrator and validated by the Poll Scrutineer were presented to the shareholders, as follows:

Ordinary Resolution to approve the Proposed Disposal:

Votes for the motion		Votes against the motion	
No of shares	%	No of shares	%
338,855,621	99.963	125,580	0.037

Based on the above poll results, the Chairman declared the ordinary resolution tabled at the EGM as carried.

CLOSE OF MEETING

There being no other business, Chairman declared the Meeting closed at 12.30 p.m.

A vote of thanks to the Chair was proposed by Mr Foong Poh Seng and seconded by Ms Ang Pei Ling.

CONFIRMED AS A CORRECT RECORD

DATO' TEO CHIANG QUAN
CHAIRMAN

Date: 1 October 2019

ANNEXURE I

PARAMOUNT CORPORATION BERHAD (Company No. 8578-A)

Key matters discussed at the Extraordinary General Meeting (**EGM**) of Paramount Corporation Berhad (**Paramount** or **the Company**) held at Ballroom 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 13 September 2019 at 11.00 a.m.

*(Unless otherwise stated, all definitions and terms used in this Appendix I shall have the same meaning as defined in the Circular to Shareholders dated 28 August 2019 (**the Circular**) issued by the Company in relation to the Proposed Disposal and the ordinary resolution proposed for approval at the EGM).*

	Shareholders' Queries	Paramount's Response
1.	How did you arrive at the multiple of 13.8 times of the normalised EBITDA for calculation of the Call and Put Option share prices (page 42 of the Circular)?	<p>The multiple of 13.8 times of the normalised EBITDA used for calculation of the Call and Put Option share prices was agreed upon between Paramount and Prestigion Education on a willing-buyer willing-seller basis after taking into consideration the prospective earnings of the Target Companies and REAL Education after the completion of the Proposed Disposal.</p> <p>Although 13.8 times is below the agreed EV/EBITDA multiple of 16 times for the Proposed Disposal, it is still above the average EV/EBITDA of 13 times for similar transactions in the region, as indicated on page 7 of the Circular.</p>
2.	Why is the RM160 million Option Floor Price applicable to the Call Option only (page 42 of the Circular)?	<p>The Option Floor Price of RM160 million is to protect Paramount's interest if Prestigion Education exercises the Call Option to buy over Paramount's remaining 20% stake in the Target Companies when the EBITDA of the Target Companies and REAL Education are low.</p> <p>In the case of the Put Option, there is no necessity for a floor price, as Paramount is at liberty to decide whether to exercise and when to exercise the Put Option to dispose of its remaining 20% stake to Prestigion Education.</p>
3.	Can the SPA be easily terminated by Prestigion Education since no deposit was paid to Paramount?	<p>A deposit of 5% of the sale consideration was initially structured into the SPA, but both parties eventually agreed to remove this requirement, as the request was for Paramount to also pay Prestigion Education an amount equivalent to the deposit sum in the event of a material breach of the warranties in the SPA by Paramount.</p> <p>Given that the SPA contains various warranties and obligations, Paramount decided, as a matter of prudence, to remove the deposit requirement so that in the event of any unforeseen circumstances, Paramount will not be subject to the payment of any compensation</p>

		to Prestigion Education should there be any material breach of any of the warranties stipulated in the SPA.
4.	<p>Will there be any adjustment to the exercise price of the warrants that were issued by Paramount on 29 July 2019 arising from the special dividend of RM177 million to be distributed from the proceeds of the Proposed Disposal (page 11 of the Circular)?</p> <p>Is the special dividend a form of capital repayment by the Company?</p>	<p>No, the exercise price of the warrants will not be adjusted arising from the special dividend.</p> <p>No, the special dividend is not a capital repayment arrangement, but merely to share with shareholders a portion of the gain of RM487 million (page 9 of the Circular) from the disposal of the K-12 business, which Paramount has started since 2003.</p>
5.	<p>How will the Company maintain its current level of earnings after the Proposed Disposal?</p>	<p>The Target Companies and REAL Education contributed approximately RM40 million, in aggregate, to the Group's PBT for FYE2018. After the completion of the Proposed Disposal, this contribution will be reduced by RM32 million (80% of RM40 million).</p> <p>At the same time, the net proceeds of RM363 million (i.e. after the distribution of the proposed RM177 million special dividend) will provide internal funding for the Group's business activities as well as to reduce existing bank borrowings, thereby generating loan interest savings of approximately RM18 million (based on a rate of 5% per annum) for the Group.</p> <p>Hence, the effective shortfall in PBT per year after the Proposed Disposal will be approximately RM14 million (being RM32 million less RM18 million), which could be covered by additional property sales of approximately RM100 million (assuming a profit margin of between 12% and 15%).</p>
6.	<p>After the Proposed Disposal, Paramount will depend entirely on its property development business for revenue and earnings.</p> <p>Given the current soft market conditions, how sure is Paramount that its new property launches will be successful?</p>	<p>The property market has been on a downward trend since 2013. In spite of this market trend, Paramount's property development business has registered a PBT growth of 111% since 2014 to RM129 million by FYE2018. Unbilled sales from this business have also grown by 118% over the same period to a total of RM960 million to-date, and this provides visibility of Paramount's earnings for the next three years.</p> <p>Moreover, Paramount has, in the first half of FYE2019, achieved a strong sales take-up rate of 81% (on average as at 30 June 2019) for its on-going property development projects.</p> <p>Notwithstanding the current lacklustre economic environment, Paramount will strive to maintain this sales momentum through new property launches.</p>

		<p>The education business has become increasingly challenging, with KDUUC and KDUPJ registering an aggregated LBT of approximately RM70 million over the last five years up to FYE2018.</p> <p>Although KDUPG and the K-12 segment continue to register profits, they are beginning to experience a slower growth in student enrolment due to intense competition from new industry players.</p> <p>Hence, it is a timely decision for Paramount to put more focus on growing the property development business that has, all the while, been a major contributor, contributing approximately 70% to the Group's revenue and earnings.</p>
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