



**SCIENTEX BERHAD**  
Company No. 7867-P  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE 50<sup>TH</sup> ANNUAL GENERAL MEETING HELD AT SCIENTEX PACKAGING FILM SDN BHD, LOT 4, JALAN SUNGAI PINANG 4/3, SEKSYEN 4, TAMAN PERINDUSTRIAN PULAU INDAH, 42920 PELABUHAN KLANG, SELANGOR DARUL EHSAN ON WEDNESDAY, 5 DECEMBER 2018 AT 11.00 A.M.**

YBhg. Tan Sri Dato’ Mohd Sheriff bin Mohd Kassim (“the Chairman”) chaired the 50<sup>th</sup> Annual General Meeting of Scientex Berhad (“the Company”) (“AGM”). The Chairman called the Meeting to order at 11.00 a.m. after confirmation of the requisite quorum being present at the AGM. With the consent of the shareholders and proxies present at the AGM, the Notice convening the AGM having been circulated earlier, was taken as read. The Chairman and Poll Administrator then briefed the conduct and process for the AGM, voting and e-polling before the Meeting proceeded with the formal agenda of the AGM. The independent Scrutineer also confirmed the e-polling procedures and system have been tested and proven reliable.

The Company received letter from the Minority Shareholders Watch Group (“MSWG”) and the Company’s written reply to the questions were read out to the shareholders at the AGM, as follows:-

**Strategy/Financials Matters**

- 1) Manufacturing operational activities
  - a) Please provide the revenue and gross profit margin for the three product lines for FY2017 and FY 2018?

Answer: The revenue and gross profit margin for FYs 2017 & 2018 are as follows:-

Product lines\Financial year	FY2018	FY2017
	Revenue (RM’ mil)	Revenue (RM’ mil)
Stretch film	745	659
Custom film	795	636
Specialty products	365	375

The combined average gross profit margin based on the three product lines was 12.1% in FY 2017 and 11.7% in FY 2018.

- b) Which product line is expected to grow the fastest in the future and why?

Answer: The global flexible plastic packaging (“FPP”) market is about 20 times bigger than the global stretch film market. Hence our custom film segment is expected to see faster growth in the foreseeable future. One of the key drivers is the changing market trends from rigid to FPP driven by lifestyle changes and increased demand of consumer preference in adopting FPP as a result of increased disposable incomes of consumers in the fast-growing emerging countries. Moving forward, with an estimated global FPP market size of approximately USD 200 billion by year 2020 based on a research by TechNavio Insights, our custom film segments is expected to contribute 60% of the total output capacity of the Manufacturing Division by year 2028.

- 2) The Group's 10-year vision to achieve RM10 billion revenue by 2018 (supposed to be '2028')
- a) What is the expected revenue contribution from the Manufacturing and Property Division respectively?
- Answer: The targeted revenue contribution from the Manufacturing and Property Divisions by 2028 are approximately RM8 billion and RM2 billion respectively.
- b) What are the measures taken to achieve the target?
- Answer: The Manufacturing Division will continue to expand its capacity organically or inorganically through merger and/or acquisition of assets to capture the fast-growing market demand. As for the Property Division, it will continue to explore new and suitable land banks in line with our Vision 2028 to build 50,000 affordable homes.
- 3) The Group recorded a substantial increase in Other Income from RM6.8 million in FY2017 to RM13.4 million in FY2018, an increase of RM6.6 million or 97.1%.
- a) Please provide the details of the Other Income for both FYs 2017 and 2018?
- Answer: The Other Income consists mainly of interest income, rental income and net foreign exchange gain. You may refer to Note 8 of our Notes to the Financial Statements at page 104 of Annual Report 2018.
- b) What was the reason for the increase in Other Income?
- Answer: The increase in Other Income for FY 2018 was mainly due to the increase in interest income and foreign exchange gain whereas there was a foreign exchange loss incurred in FY 2017.
- 4) Please provide the Gross Development Value ("GDV") of existing and new property launches in FY2019.
- Answer: For FY 2019, the total GDV for properties launched is RM215 million and the GDV for balance new launches in the financial year is approximately RM1.3 billion provided the relevant permits and approvals are in place accordingly.
- 5) Please provide the expected GDV of the recently acquired freehold land in the following states as disclosed on page 115 of the Annual Report:
- a) 121.20 acres in Mukim of Kulai, Johor for a cash consideration of RM127.4 million;
- Answer: The estimated GDV is about RM1.3 billion.
- b) 65.33 acres in Mukim of Rawang, Selangor for a cash purchase consideration of RM87.9 million;
- Answer: The estimated GDV is about RM1 billion.
- c) 335.57 acres in Mukim of Pulai, Johor for a cash purchase consideration of RM293.8 million;
- Answer: The estimated GDV is about RM3 billion.

## Corporate Governance

1. We accessed the Company's website on 19 November 2018 and note that there was no publication of "Key Matters Discussed" in the Company's 49<sup>th</sup> Annual General Meeting held on 6 December 2017 as required under paragraph 9.21(2)(b) of the Main Market Listing Requirements.
- Answer: The information is available for viewing at our website under the Investor Relations FAQ section (question no. 8) or you may visit [www.scientex.com.my/investor-faq/](http://www.scientex.com.my/investor-faq/).

On behalf of the Board, the Chairman thanked MSWG for raising the questions in the interest of all parties.

Following the reading of questions and answers, there were other shareholders raised questions on key matters, in which the Chairman and Managing Director of the Company provided the explanation and answers, amongst others:-

1. The Group sought to improve its profit margins by leveraging on its operational efficiency. The automation adopted by the Group's bi-axially oriented polypropylene plant has increased its production efficiency. The Group also intends to go downstream by acquiring Daibochi Berhad (formerly known as Daibochi Plastic and Packaging Industry Berhad) ("Daibochi"). The proposed merger will enhance operating capabilities of the enlarged Scientex Group with greater economies of scale and enable Scientex to penetrate the global market by offering high quality packaging products at competitive prices.
2. Most of the customers of the Group based in United States ("US") were located along the west coast of US. The close proximity of the new stretch film manufacturing plant of the Group in Phoenix, Arizona to its customers and railway station enabled Scientex to provide better sales and services and shorter delivery lead time. The Group stood to benefit from having an efficient operations, costs savings in logistics costs and growing supply of shale gas-based resin. Furthermore, labour cost in Arizona was relatively cheaper compared to Los Angeles and Texas. Presently, there are 2 production lines installed at the Arizona plant. The purchase of the third production line has also been confirmed. In total, the Arizona plant is able to cater up to 5 production lines.
3. The inventory of the Group consisted mainly of raw materials and unsold completed property units of the manufacturing and property divisions respectively. The inventory turnover period of its Pulau Indah plant was approximately 1 week as it was nearer to the port. However, the turnover period of other plants ranges from 2 weeks to 1 month. The unsold completed property units were mainly pending approval of authorities for the release of bumi lots.
4. The disclosure in notes to the audited financial statements of the Group for financial year 2018 in relation to a write off of inventory arose from a flood incident happened at its Sungai Siput plant. The amount was fully covered by insurance.
5. The Group's optimal gearing ratio is at less than 0.5 times based on the prevailing business environment and market conditions. Based on the gearing ratio recorded in financial year 2018, the Group expects its gearing position will improve further in financial year 2019, assuming there are no new major capital expenditure.
6. Prior to the acquisition, Klang Hock Plastic Industries Sdn Bhd ("KHPI") was a direct competitor of Scientex. Upon the integration of KHPI, Scientex was able to expand its products portfolio and further enhanced its capabilities in the flexible packaging business through synergistic and complementary products which allowed Scientex to serve better its global customers.
7. The Group identified Daibochi as the target company for the proposed acquisition due to its market presence as a leading manufacturer and converter of flexible packaging in the ASEAN region. Scientex intends to maintain the listing status of Daibochi on the Main Market of Bursa Malaysia Securities Berhad upon the completion of the proposed mandatory take-over.
8. The Board took note of a shareholder's request to allow for fractional entitlements of the new shares of the Company to be issued and/or amount resulting in odd lots in relation to the electable portion under the Dividend Reinvestment Plan ("DRP").

All the resolutions tabled at the AGM and voted upon by e-polling were duly passed by the shareholders. The shareholders also received the Audited Financial Statements of the Company for the financial year ended 31 July 2018 together with the Reports of the Directors and Auditors thereon.

The Chairman declared the AGM concluded at 12.35 p.m.