



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

SUMMARY OF KEY MATTERS DISCUSSED AT THE 48TH ANNUAL GENERAL MEETING HELD AT AUDITORIUM, NO. 9, PERSIARAN SELANGOR, SEKSYEN 15, 40200 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 15 DECEMBER 2016 AT 11.30 A.M.

YBhg. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim ("the Chairman") chaired the 48th Annual General Meeting of the Company ("AGM"). The Chairman called the Meeting to order at 11.30 a.m. after confirmation of the requisite quorum being present pursuant to the provision of the Company's Articles of Association. 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 polling before the Meeting proceeded with the formal agenda of the AGM.

The Company received 3 written questions and 1 recommendation from the Minority Shareholder Watchdog Group ("MSWG"). The letter from MSWG and the Company's written reply to the questions were read out to the shareholders at the AGM, as follows:-

Strategy/Financials

- 1) During the year under review, the Group recorded a phenomenal performance driven by the Group's manufacturing and property divisions. Manufacturing revenue grew by 20.5% from RM1.3 billion in the previous year to RM1.5 billion, fuelled by export sales. Similarly, the property division performed well against the backdrop of a slowing property market by recording revenue of RM651.5 million, an increase of 26.3% compared to the previous result.

What is the Group's business prospect for the next few years and what would be the expected growth rates for both divisions?

Answer : The Group's prospects in the foreseeable future shall continue to be underpinned by its twin core businesses of manufacturing and property development, details of which is set out in pages 18 to 21 of the Chairman's Statement of the Annual Report 2016. As MSWG is fully aware and or ought to know, the Group is unable to make such growth projections or forecasts due to regulatory constraints imposed on listed companies under Chapter 9 of the Main Market Listing Requirements as such disclosure would be deemed to be a breach of the Listing Requirements which will attract penalties.

- 2) On 29 September 2016, the Group has unveiled its first hand Asia's first state-of-the-art fully automated plant.
 - a) Please share with shareholders on its unique features and how would this new plant position the Group as an integrated single source supplier?

Answer : The plant is fully automated from production to packing with built-in clean room facilities with multi-partitioned GMP pressurized compartments and web inspection cameras at appropriate monitoring points to ensure high quality, contamination free BOPP film products for the global consumer packaging segment. With the addition of BOPP film to its product portfolio, this will complement the Group as it positions itself to be an integrated single source supplier of a variety of consumer packaging products ranging from PE film, CPP film, PU adhesives and BOPP film which are all complementary products in the manufacture of food grade consumer packaging products.

- b) What is the targeted capacity utilization for the fully automated plant in the coming years?

Answer : The plant has commissioned its first line in September 2016 and has recently commissioned its second line in December 2016 to give a combined production capacity of 60,000 MT per annum. The Group targets to achieve full production capacity in 2 years' time as it ramps up its production and expand its sales globally.

3) Property Development

As mentioned in the Chairman's Statement (page 19 of the Annual Report 2016), for the property division, the Group has continued to surpass expectations and its project launches have been well received. The Group encouraged by the response shown and will continue to add and increase its land banks.

- a) Please update on the current take-up rate of the Group's projects.

Answer : The Group's projects are focused on the affordable housing segment which generally has been well received by the public as judged from the various phases of launch, with an overall take up rate of approximately 90% of its international units being sold within the first 6 months from their respective launches.

- b) How many acres of development land does the Group currently has and how long would it take the Group to sustain the development if the landbank is not further increased? At what price and condition the Group would consider any land is reasonably priced?

Answer : The Group currently has a total landbank of approximately 2,300 acres which has varying stages of on-going development projects which would keep the Group busy over the next 8 to 10 years. The Group will continue to source for reasonably priced new landbanks which land cost forms approximately 10 to 20 % of the total GDV of the proposed development.

- c) Which project will be launched in the next 12 months and how would the Group address the current low sentiment and issues faced in the property segment?

Answer : The Group has taken cognizance of the current property slowdown particularly in Johor which has mainly affected the high end luxury homes market. As for the Group, it remains focused on the affordable housing segment as demand in this market segment remains resilient. As such, and for the next 12 months, the Group will continue with its existing projects with preparations for the conduct of new launches focused on this affordable housing segment.

Corporate Governance

MSWG is promoting high standards of corporate governance best practices in PLCs. In this regard, MSWG hope the Board would look into the issue of independent directors who have served for more than 9 years in the Board's succession planning.

Answer : The Board is of the opinion that its current serving directors, which consists of a good mix of skills, knowledge, competency and experience, has functioned and served the Group well as can be seen in the results achieved by the Group over the past few years. The Board sees no valid reason to make unnecessary changes but will continue to ensure that any mandatory requirements in compliance with the provisions of the Main Market Listing Requirements shall be adhered to.

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

In additional to the questions from MSWG, some shareholders raised questions on the following key matters:-

1. The continuous growth of the Company and the consistency of dividend payout to which the reply was that the Company had adopted a dividend policy of paying out at least 30% of the Group's annual net profit and this policy would continue as management sought to manage its balance sheet with the Group's gearing ratio to be maintained between 0.2 to 0.5 times, depending on the prevailing business environment and market conditions.
2. The Group's main business and operation strategy, the impact of a slowdown in the local property market, the impact of foreign currency and interest rate fluctuations to which it was replied that the Group was driven by its twin core businesses of manufacturing and property development and that for its manufacturing business, the Group had grown from 6 factories in 2013 to 13 factories to date whilst its property development business had seen its development expansion from an approximately 1,000 acres land located in Pasir Gudang to a total of 11 development projects at Johor, Melaka and Ipoh over 20 years, and this would continue to grow subject to the prevailing business environment.
3. The impact of foreign currency changes particularly the USD and the recent Bank Negara ruling to which the reply was that the Group in fact benefitted from the strengthening of the USD due to its export sales proceeds which were mainly denominated in USD. The Group supported Bank Negara's ruling in its efforts to stabilise the foreign currency fluctuation which in return, may help to enhance market confidence and bring greater stability to the economy of the country.
4. The impact of raw material prices on profit margins of the Group's manufacturing segment to which it was explained that raw materials used mainly in the Group's manufacturing process was resins which prices fluctuated marginally compared to crude oil prices movements and the selling prices of the Group's manufacturing products would be adjusted accordingly in line with raw material costs.
5. The impact of the weakening local property market of which it was stated that notwithstanding the same, the demand for the Group's affordable products remained resilient with revenue for the Group's property segment achieving RM651.5 million for the financial year 2016. Subject to any unforeseen circumstances, demand for the Group's affordable products was expected to remain sustainable.
6. The investment in Scientex Phoenix, LLC would see an initial investment of USD25 million and it would be increased progressively depending on the prevailing business and market conditions whereby increases in production capacity to meet the growing world demand for stretch film, especially in the American market which demand is estimated at approximately 1 million metric tons per annum.
7. With regards to the contributions from the newly acquired Mondi Ipoh Sdn Bhd to the Group's result, it was replied that the total capacity of Mondi Ipoh Sdn Bhd (now known as Scientex Great Wall (Ipoh) Sdn Bhd) was approximately 14,000 tons per annum and the Group was in the midst of expanding its production capacity from approximately 1,200 tons per month to 2,000 tons per month.
8. The Group's global market share for stretch film products was estimated at approximately 3% of the world market. As for its consumer packaging products, the Group contributed sales of approximately USD150 million to USD200 million out of the world market sales of approximately USD80 billion. The Group is also the largest manufacturer of PP strapping band in Asia. However, in general, the Group's products have a relatively small market share compared to the huge world market demand.
9. The Group's expansion on its manufacturing segment to which it was informed that in addition to the recent formation of a stretch film plant in US, the Group had also invested approximately RM800 million till date to expand the production capacity of its consumer packaging plants since 2013 of which full production capacity was expected to be achieved in the next 2 years.

10. With regards to the manufacturing plant in Vietnam, it was replied that the Group shifted its woven bag production lines from Malaysia to Vietnam due to cheaper labour costs in Vietnam compared to Malaysia. Hence, woven bags and raffia tape were produced in Vietnam and were mainly exported to Malaysia and Japan. The plant capacity had been expanded 2 years ago and there were still room to grow.

The Chairman and the Managing Director of the Company provided the necessary explanation and answers to all the questions raised.

The Managing Director proceeded to present a video on the newly commissioned Biaxially Oriented Polypropylene (BOPP) plant of the Company to the shareholders.

All the resolutions tabled at the AGM and voted upon by 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 2016 together with the Reports of the Directors and Auditors thereon.

The Chairman declared the AGM concluded at 1.35 p.m. and thanked all present.