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8 February 2019

Minority Shareholders Watch Group

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
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50200 Kuala Lumpur

BY FAX & HAND
03-2070 9107

Attn : Mr Devanesan Evanson

Dear Sir,

**RE: EXTRAORDINARY GENERAL MEETING (“EGM”) OF SCIENTEX BERHAD (“Company”
or “the Group”)**

We refer to the above and to your letter dated 29 January 2019.

We are pleased to forward hereinbelow the Board’s reply in response to the queries raised in your said letter.

For ease of reference, the questions raised are reproduced herein as follows:-

- 1) As stated on page 18 of the Circular to shareholder in relation to the EGM, the proposed acquisition of stake in Daibochi Bhd is set to enhance Scientex’s operating capabilities and economies of scale through synergistic and complementary products portfolios with increased product differentiation to better serve its customers. What is the differentiation in terms of products and how will it better serve your customers?

Answer: Due to the rising urgent demand for more eco-friendly products, most international brand owners have set targets to use fully recyclable packaging materials by 2025. Scientex, with its technical expertise in PE, CPP and BOPP based films, is able to leverage on the respective expertise of the various global resin producers, established machine producers and Daibochi’s converting experience with select brand owners towards enhancing its overall capabilities to innovate and produce fully recyclable mono-polymer based laminated products. These innovative products are expected to differentiate Scientex from the other packaging producers as international brand owners are expected to enjoy greater acceptance of these products and thus, global demand for such products is expected to accelerate in the future. Through this product differentiation, Scientex hopes to be able to better serve its customers and have access to more international brand owners as the global packaging industry begins to adopt more eco-friendly packaging solutions.

- 2) How will the acquisition contribute to Scientex’s topline and bottomline?

Answer : Subject to the completion of the Proposals(as defined in the Circular), Scientex’s topline will increase if the percentage of equity interest of Scientex in Daibochi is above 50% of Daibochi’s total share capital.

The contribution to Scientex's bottomline will also depend on the percentage of equity interest to be held by Scientex in Daibochi pursuant to the Proposals. Please refer to Section 9.4 of the Circular for further illustrations on the effects of the Proposals on Scientex's bottomline.

- 3) As stated on page 9 of the Circular, the offer price of RM1.60 per Daibochi share represents a price-to-earnings ratio (PER) of 20 times and price to book value (P/BV) of 2.62 times.

The PE and P/BV of the acquisition are higher than most of the selected comparable companies (page 11 of the Circular), and are higher than most of the acquisitions done by Scientex in the past such as Klang Hock Plastic Industries Sdn Bhd (PER of 17.14 times and P/BV of 1.69 times), Mondi Ipoh Sdn Bhd (PER of 20.7 times and P/BV of 1.55 times), and Great Wall Plastic Industries Bhd and GW Packaging Sdn Bhd (PER of 14.38 times and P/BV of 1.46 times).

What is the rationale for offering a comparatively richer valuation on the shares of Daibochi?

Answer: Although the implied PER and PB multiples are above the average multiples of the selected comparable companies, the implied PER and PB multiples are within the range of their respective valuation multiples. As illustrated in Section 2.1.6 of the Circular, the Offer Price of RM1.60 represents a discount of 22.33% to the 6 months VWAMP of Daibochi shares up to and including 13 November 2018, being the last transacted price of Daibochi shares prior to the signing of the HOA.

Amongst others, factors taken into consideration for the valuation include the potential prospects of growth for Daibochi and Scientex in new and expanding markets such as Myanmar and the surrounding countries in the region as well as having greater access to international brand owners currently served by Daibochi. For more details, please refer to Section 6 of the Circular.

We trust that we have adequately replied to your queries raised therein. On behalf of the Board, we thank MSWG for raising the questions in the interest of all parties.

Yours faithfully,
for and on behalf of the Board of Directors
Scientex Berhad


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Lim Peng Jin
Managing Director