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12 December 2019

Minority Shareholders Watch Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

BY FAX & HAND

Attn : Mr Devanesan Evanson

Dear Sir,

RE: FIFTY-FIRST ANNUAL GENERAL MEETING (“AGM”) OF SCIENTEX BERHAD

We refer to the above and to your letter dated 2 December 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 :-

Strategy & Financial Matters

- 1) With the integration of Daibochi and Mega, the Group’s manufacturing division has expanded its products segment from 3 main categories of stretch film, custom film and specialty products to the latest 4th Category which is known as converting (page 28 of the Annual Report (MD&A)).
 - a) Please provide the revenue and gross profit margin for the four product lines for FY2019.

Answer: The revenue breakdown for the four product lines for FY2019 are as follows :-

Product Line	Revenue (RM mil)
Stretch film	793
Custom film	1,038
Specialty products	340
Converting	187 *

* Comprising 5 months results from March to July 2019

Collectively, the four product lines yield an average gross profit margin of approximately 13.3% for FY2019.

b) What are the benefits of integration of Daibochi and Mega to the Group?

Answer: The integration of Daibochi and Mega into the Group is expected to derive the following benefits :-

- (i) it enhances and strengthens the operating capabilities and enables the Group to realize greater economies of scale through synergistic and complementary product portfolios with increased product differentiation to better serve customers within the enlarged Group;
- (ii) the Group is able to leverage on the respective strengths, brand names and track record built up over the years to capitalise on shifting consumer needs and an evolving customer landscape by collaborating with brand owners to provide responsible and sustainable packaging solutions to address growing environmental concerns; and
- (iii) it brings together complementary organisations producing high quality custom films for the global flexible plastic packaging (FPP) market whilst creating a strong packaging entity from Malaysia to compete globally besides being a catalyst for the future growth and development of the Malaysian plastic converting industry.

c) What are Daibochi's percentage contribution towards topline and bottomline of the Group?

Answer: For FY2019, Daibochi contributed revenue of RM187.236 million, which represent 5.76% of the Group's total revenue. It also contributed RM6.828 million in terms of net profit, representing 2.04% of the Group's total net profit for the same period.

2) In relation to manufacturing plant

a) Please provide details of the list of manufacturing plant capacity and utilization rate under the Scientex's Group.

Answer: Collectively, the manufacturing division has an existing utilization rate of approximately 65% based on its capacity of approximately 460,000 metric tonnes in respect of its 19 manufacturing facilities spread over Malaysia and overseas.

b) What are the strategies adopted currently to control the Group's plant production cost?

Answer:

- 1) Adoption of a world class ERP system which enables the Group to have excellent resource planning in terms of inventory management, production and delivery with a lean and cost-effective operating model.
- 2) Exploring new technologies to further enhance current recycling efforts to deal with printed waste products which is currently treated as waste as it is not recycleable and has a cost impact on production.
- 3) Gradual adoption of process automation to improve long term productivity and reduce wastage which will yield better results via reduction of production down time, reduction

of waste and reduction of manufacturing defects which are factors bearing cost impact on the Group's performance.

3) As stated on Page 157 (Segmental Information) of the Annual Report, the Group's property development contributed RM286.544 million or 62.05% of the consolidated profit.

a) Will property development segments become the major contributor towards the bottom-line of the group in the future?

Answer: The Group has 2 core divisions namely manufacturing and property development. It is the intention of the Group that both divisions shall play an equal role in contributing to the bottom-line of the Group as part of its overall risk management strategy to ensure sustainable growth without over-reliance on a specific sector or industry which may be subject to cyclical performance. Accordingly, both divisions are expected to continue to play an equally important role in the Group's performance for the foreseeable future.

b) What are the strategies going forward on property segment?

Answer: The property development division will continue to look out for reasonably priced landbanks at strategic locations throughout Peninsular Malaysia which will enable the Group to plan and develop sustainable self-contained townships with specific focus on the affordable housing segment as its core product offering. The Group will focus on deriving operational efficiencies through better township planning and utilization of land, adoption of cost effective industrialised building systems with on-time delivery of products to buyers and centralized planning and purchasing as part of its on-going and continuous efforts to manage costs overall.

c) As the group is focusing on affordable home segments, are there any plans to diversify into luxury or high-end segments of property?

Answer: The Group foresees that the affordable housing segment to be the main revenue generator in the near and mid-term as demand for affordable housing remains resilient. The Group may consider to diversify into the higher end property segment when there is a growing market demand for such products.

4) The Group has recorded a substantial increase in Other expenses from zero in FY2018 to RM21.213 million in FY2019, an increase of 21.213 million or 100.0% (page 88, Statements of Profit and Loss and Other Comprehensive Income of the Annual Report).

a) Please provide the details of Other Expenses for FY2019

Answer: Details can be found at Page 121 Note 8 whereby the expenses comprises realized and unrealized losses on foreign exchange

b) What was the reason for the increase in Other Expenses?

Answer: The increase is attributed to both realized and unrealized losses on foreign exchange due to the weakening of Ringgit Malaysia. This is in contrast to the previous financial year where the gain on foreign exchange was recorded in Other Income.

5) Please provide the Gross Development Value (“GDV”) of existing and new property launches in FY2020.

Answer: For FY2020, existing GDV launched is approximately RM100 million and upcoming new launches is estimated at RM1 billion.

6) Please provide the expected GDV of the recently acquired freehold land in the following states as disclosed on page 134 of the Annual Report:-

a) 17.60 acres in Mukim Hulu Kinta, Perak for a cash purchase consideration of RM25,600,000.

Answer: The GDV is approximately RM100 million.

b) 2 pieces of land measuring approximately 208.90 acres and a piece of land measuring approximately 4.74 acres in Mukim Durian Tunggal, Melaka for cash purchase consideration of RM71,116,000 and RM2,355,000 respectively.

Answer: The GDV is approximately RM600 million.

7) In line with the Group’s aggressive expansion strategies, Group trade receivables has increased tremendously (page 142 of Annual Report). Group’s trade receivable has increased 55.13% to RM598.079 million in FY2019 from RM385.544 million in FY2017.

a) What are reasons for the increase in trade receivables?

Answer: The increase in trade receivables is in tandem with the overall increase in revenue which was contributed by the organic growth of the Group as well as the inorganic growth arising from the new acquisitions. Notwithstanding the aforesaid, and based on annualized Q4FY2017 and Q4FY2019 trade debtors turnover days, the turnover days remain consistent at below 60 days.

b) What are the strategies adopted currently to reduce the risk of impairment?

Answer: The credit control department continuously monitors the creditworthiness of debtors on a regular and periodic basis, thus enabling credit control to take appropriate and timely action when there are signs of deterioration in asset quality. As for the property development division, the pre-qualification of potential buyers by the financial institutions has substantially reduced the risk of default by the buyers in its development projects.

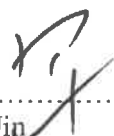
Corporate Governance Matter

1) The board does not have 30% gender composition of women directors. Kindly look into this to be in line with Practice 4.5 of the Malaysian Code of Corporate Governance 2017 that stipulates that Large Companies are required to have 30% women directors.

Answer: The Group targets to comply with the recommendation of Practice 4.5 of the Malaysian Code of Corporate Governance 2017 within 3 years as disclosed in its CG Report 2019. The Nomination and Remuneration Committees will, when sourcing for suitable candidates for any Board positions, give due consideration to the diversity issue of gender, ethnicity and age to ensure that it is in line with existing best practices.

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