

SCIENTEX BERHAD (“SCIENTEX” OR “COMPANY”)

(I) PROPOSED BONUS ISSUE OF SHARES; AND

(II) PROPOSED ISSUE OF FREE WARRANTS.

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of Scientex (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake the following:

- (i) a bonus issue of up to 1,033,729,744 new ordinary shares in Scientex (“**Scientex Shares**” or “**Shares**”) (“**Bonus Shares**”) on the basis of two Bonus Shares for every one existing Scientex Share held on an entitlement date to be determined and announced by the Board at a later date (“**Entitlement Date**”) (“**Proposed Bonus Issue of Shares**”); and
- (ii) an issuance of up to 103,372,974 free warrants in Scientex (“**Warrants**”) on the basis of one Warrant for every five existing Scientex Shares held on the same Entitlement Date as the Proposed Bonus Issue of Shares (“**Proposed Issue of Free Warrants**”).

2. DETAILS OF THE PROPOSALS

As at 9 September 2020, being the latest practicable date prior to the date of this announcement (“**LPD**”), the issued share capital of Scientex is RM691,781,279 comprising 515,876,872 Shares (including 100 treasury shares).

Further, the Company has the following approved and subsisting corporate exercises as at the LPD:

- (i) a share grant plan of the Company whereby Scientex is allowed to issue up to 5% of the total number of issued Shares to eligible key management and employees of Scientex and its subsidiaries (“**Scientex Group**” or the “**Group**”) that is in force up to 20 January 2024 (“**SGP**”); and
- (ii) an established dividend reinvestment plan of the Company whereby the Board shall, at its absolute discretion, determine whether to pay dividends of Scientex in cash or to offer shareholders of Scientex the option to reinvest all or part of their entitled dividends in new Shares (“**DRP**”).

On 18 September 2020, the Board had announced that the Company has awarded 988,000 new Scientex Shares pursuant to the SGP (“**SGP Award**”) which will be vested to the eligible employees of Scientex Group (“**Eligible Employees**”) upon their acceptances and issued to the Eligible Employees before the Entitlement Date. Save for the above, the Company does not intend to grant any new Scientex Shares pursuant to the DRP and SGP up to and including the Entitlement Date.

For the avoidance of doubt, the new Scientex Shares to be issued pursuant to the SGP Award will be entitled to the Bonus Shares and Warrants.

In this regard, the effects of the Proposals as disclosed in this announcement are illustrated based on the following scenarios:

Minimum Scenario : Assuming that:

- (i) the existing 100 treasury shares are retained in the Company on the Entitlement Date; and
- (ii) none of the Eligible Employees accept the SGP Award.

Maximum Scenario : Assuming that:

- (i) all the existing 100 treasury shares are resold by the Company in the open market at the acquisition cost before the Entitlement Date; and
- (ii) pursuant to the SGP, the Eligible Employees accept the SGP Award and 988,000 new Scientex Shares are vested and issued before the Entitlement Date based on the closing market price of RM9.05 per Scientex Share as at the LPD.

2.1 Details of the Proposed Bonus Issue of Shares

2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares will entail the issuance of up to 1,033,729,744 Bonus Shares on the basis of two Bonus Shares for every one existing Scientex Share held by all ordinary shareholders of Scientex whose names appear in the Record of Depositors of Scientex as at the close of business on the Entitlement Date ("**Entitled Shareholders**"). The actual number of Bonus Shares to be issued would depend on the number of Scientex Shares in issue (excluding treasury shares) on the Entitlement Date.

For illustrative purposes only, the number of Bonus Shares to be issued under the Minimum Scenario is 1,031,753,544 Bonus Shares and under the Maximum Scenario is 1,033,729,744 Bonus Shares.

Fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, shall be disregarded and dealt with in such manner as the Board shall at its absolute discretion deem fit, expedient and to be in the best interest of the Company.

Further, the Company confirms that the share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.50 based on the daily volume weighted average market price ("**VWAMP**") during the past three months period up to and including the LPD, which is in compliance with Paragraph 6.30(1A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

2.1.2 No capitalisation of reserves

The Bonus Shares will be issued as fully paid, at no consideration and without capitalisation of the Company's reserves. For the avoidance of doubt, the Proposed Bonus Issue of Shares will increase the number of Scientex Shares in issue but will not increase the value of share capital of the Company.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with all the existing Scientex Shares in issue at the date of allotment of the Bonus Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid which the relevant entitlement date is before the allotment date of the Bonus Shares.

For the avoidance of doubt, the Bonus Shares will not be entitled to the Warrants.

2.1.4 Listing and quotation of the Bonus Shares

An application will be made to Bursa Securities for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities within two months from the date of this announcement.

2.2 Details of the Proposed Issue of Free Warrants

2.2.1 Basis and number of Warrants

The Proposed Issue of Free Warrants will entail the issuance of up to 103,372,974 Warrants on the basis of one Warrant for every five existing Scientex Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Bonus Issue of Shares. The actual number of Warrants to be issued will depend on the number of Scientex Shares in issue (excluding treasury shares) on the Entitlement Date.

For illustrative purposes only, the number of Warrants to be issued under the Minimum Scenario is 103,175,354 Warrants and under the Maximum Scenario is 103,372,974 Warrants.

The Warrants to be issued pursuant to the Proposed Issue of Free Warrants will be issued at no cost to the Entitled Shareholders and Bonus Shares will not be entitled to the Warrants.

Fractional entitlements arising from the Proposed Issue of Free Warrants, if any, shall be disregarded and dealt with in such manner as the Board shall at its absolute discretion deem fit, expedient and to be in the best interest of the Company.

The Warrants will be issued in registered form and constituted by a deed poll to be executed by Scientex ("**Deed Poll**"). The indicative salient terms of the Warrants are set out in Section 2.2.5 of this announcement.

The Proposed Issue of Free Warrants is not intended to be implemented in stages over a period of time.

2.2.2 Basis of determining and justification for the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants ("**Exercise Price**") will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date. The exercise price of the Warrants will be determined and fixed after taking into consideration, amongst others, the historical price of Scientex Shares, the future funding requirements of Scientex Group, and the theoretical ex-bonus price of Scientex Shares ("**TEBP**") based on the five-day VWAMP of Scientex Shares up to and including the day immediately before the price-fixing date with a premium to be decided later.

For illustration purposes, the Exercise Price is assumed to be at RM4.00 per Scientex Share, being a premium of approximately 32.1% over the TEBP of RM3.03 per Scientex Share calculated based on the five-day VWAMP of Scientex Shares up to and including the LPD of RM9.08 per Scientex Share. Please refer to Section 2.3 of this announcement for further details on the theoretical ex-prices of Scientex Shares pursuant to the Proposals.

2.2.3 Ranking of the new Scientex Shares to be issued arising from the exercise of the Warrants (“Exercised Shares”)

The Exercised Shares will, upon allotment and issuance, rank equally in all respects with all the existing Scientex Shares in issue at the date of allotment of the Exercised Shares, save and except that the Exercised Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution which the relevant entitlement date is before the date of allotment of the Exercised Shares.

2.2.4 Listing and quotation of the Warrants and Exercised Shares

An application will be made to Bursa Securities for the admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing and quotation of the Warrants and Exercised Shares on the Main Market of Bursa Securities within two months from the date of this announcement.

2.2.5 Indicative salient terms of the Warrants

- Issue size : Up to 103,372,974 Warrants.
- Form and denomination : The Warrants will be issued in a registered form and constituted by the Deed Poll.
- Tenure : Five years commencing from and inclusive of the date of issuance of the Warrants (“**Issue Date**”).
- Exercise period : The Warrants may be exercised at any time within five years commencing on and including the Issue Date and ending at the close of business at 5.00 p.m. in Malaysia on the market day immediately preceding the fifth anniversary of the Issue Date. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
- Exercise price : The Exercise Price will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, subject to adjustments in accordance with the provisions of the Deed Poll.
- Exercise rights : Each Warrant entitles the holder of the Warrant (“**Warrant Holder**”) to subscribe for one new Scientex Share at the Exercise Price at any time during the exercise period, subject to adjustments in accordance with the provisions of the Deed Poll.
- Mode of exercise : The Warrant Holder is required to deliver and lodge an exercise form to be set out in the Deed Poll with the Company’s registrar, duly completed, signed and stamped together with payment of the Exercise Price in such manner to be determined later and to be set out in the Deed Poll.

- Participating rights of the Warrant Holder : The Warrants do not entitle the Warrant Holders to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of securities in the Company until and unless the Warrant Holders exercise their Warrants into new Scientex Shares.
- Adjustments in the Exercise Price and/or number of Warrants : The Exercise Price and/or number of Warrants in issue shall from time to time be adjusted subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- Transferability : The Warrants shall be transferable in accordance with provisions of the Deed Poll subject always to the prevailing provisions of the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
- Board lot : For the purpose of trading on Bursa Securities, a board lot of the Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Scientex Shares at any time during the exercise period, or such other denomination as may be varied from time to time by Bursa Securities and/or any relevant authorities.
- Rights in the events of winding-up, liquidation, compromise and/or arrangement : If a resolution is passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:
- (i) for the purposes of such winding-up, liquidation, compromise and/or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant Holders, or some persons designated by them for such purpose by a special resolution, shall be a party, the terms of such winding-up, liquidation, compromise and/or arrangement shall be binding on all the Warrant Holders; or
 - (ii) in any case and to the extent permitted by law, every Warrant Holder shall be entitled (subject to the conditions in the Deed Poll) at any time within six weeks after the passing of such resolution for a members' voluntary winding-up of the Company or six weeks after the granting of the court order approving the compromise and/or arrangement, by the irrevocable surrender of his Warrants to the Company, elect to be treated as if he had immediately before the commencement of such winding up, compromise and/or arrangement exercised the exercise rights (as set out above) represented by such Warrants to the extent specified in the exercise form(s) and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the Scientex Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above six weeks, all exercise rights of the Warrants shall lapse and cease to be valid for any purpose.

Modification of rights of the Warrant Holders : The Company may, from time to time, without the consent or sanction of the Warrant Holders following the provisions of the Deed Poll, modify the Deed Poll (including the form and content of the Warrant certificate), if such modification made does not materially prejudice the interest of the Warrant Holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, Rules of Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or the Listing Requirements.

Subject to the above and the approval of any relevant authority, any modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll (including the form and content of the Warrant certificate) proposed or agreed to by the Company must be sanctioned by special resolution of the Warrant Holders and comply with the requirements of the Deed Poll.

Listing status : The Warrants will be listed and quoted on the Main Market of Bursa Securities.

Governing law : The Warrants and the Deed Poll shall be governed by the applicable laws and regulations of Malaysia.

2.3 Theoretical ex-prices of Scientex Shares

For illustrative purposes only, the theoretical ex-price of Scientex Shares, computed based on the five-day VWAMP of Scientex Shares up to and including the LPD of RM9.08 per Scientex Share, after the Entitlement Date is as follows:

	<u>(I)</u>	<u>(II)</u>
	After the Proposed Bonus Issue of Shares	After (I) and the Proposed Issue of Free Warrants
Theoretical ex-price of Scientex Share	RM3.03	RM3.03

2.4 Utilisation of proceeds

The Proposed Bonus Issue of Shares will not raise any funds for the Company.

The Proposed Issue of Free Warrants will not raise any immediate funds for the Company as the Warrants will be issued at no cost to the Entitled Shareholders.

The quantum of proceeds to be raised by the Company from the exercise of the Warrants by the Warrant Holders in the future would depend on the actual number of Warrants exercised by the Warrant Holders during the exercise period of the Warrants as well as the Exercise Price, which will be determined at a later date. As such, the exact timeframe for the utilisation of the proceeds cannot be determined at this juncture.

For illustration purposes only, assuming that all Warrant Holders exercise their Warrants at the Exercise Price of RM4.00 per Scientex Share, the proceeds to be raised by the Company will amount to approximately RM412.7 million under the Minimum Scenario and approximately RM413.5 million under the Maximum Scenario.

Such proceeds to be raised, as and when the Warrants are exercised, shall be utilised for (i) working capital of the Group which may include payment of trade and other payables, employee costs, and marketing and administrative expenses, and (ii) future expansion of existing businesses in manufacturing and property development. The actual allocation of the proceeds raised to the intended usage above is subject to the Group's funding requirements for its working capital and/or future expansion purposes and the timing when such proceeds are being raised from the exercise of the Warrants. Therefore, the actual allocation and utilisation cannot be determined at this juncture.

3. RATIONALE FOR THE PROPOSALS

The Proposed Bonus Issue of Shares:

- (i) is expected to further enhance the marketability and trading liquidity of Scientex Shares on the Main Market of Bursa Securities as a result of the increase in the number of Scientex Shares in issue;
- (ii) will result in an adjustment to the market price of Scientex Shares which leads to it being more affordable, thus potentially appealing to a wider group of public shareholders and/or investors to participate in the growth of the Company; and
- (iii) enable the existing shareholders of Scientex to have a larger number of Scientex Shares while maintaining their percentage of equity interest in the Company.

The Proposed Issue of Free Warrants:

- (i) will reward the shareholders for their continuous support by enabling them to participate in a derivative of the Company without incurring any costs;
- (ii) provides the shareholders with an opportunity to further increase their equity participation in the Company by exercising the Warrants at a pre-determined price during the exercise period. The shareholders may also benefit from potential capital appreciation from the exercise of the Warrants;
- (iii) will further strengthen the capital base of the Company with the proceeds from the exercise of Warrants; and
- (iv) is an appropriate avenue to raise funds as opposed to other fund raising exercises in view that it will progressively raise proceeds as and when the Warrants are exercised to fund the working capital requirements of the Group without the need of incurring interest costs or offering security as collateral as in the case of bank borrowings. This will also consequently improve the gearing of the Group.

As at the date of this announcement, there are no other equity fund-raising exercises that have been undertaken by Scientex in the past 12 months.

4. INDUSTRY OVERVIEW AND PROSPECTS

Scientex Group is involved in the manufacturing of flexible plastic packaging products and property development. During the financial year ended (“**FYE**”) 31 July 2019, Scientex Group’s revenue was mainly derived from Malaysia representing approximately 48.5% of total revenue, with the remaining revenue contributed from exports to over sixty countries. As such, Scientex Group’s financial performance is largely driven by the economic growth of the Malaysian economy, and the outlook of the manufacturing and property sectors.

4.1 Overview and outlook of Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in the 2nd quarter of 2020. As a result, the economy registered its first contraction of 17.1% for the 2nd quarter of 2020 since the Global Financial Crisis (3rd quarter of 2009: -1.1%). On the supply side, this was reflected in a contraction across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. A contraction was recorded in most economic sectors amidst the imposition of the Movement Control Order (“MCO”), followed by the conditional MCO and recovery MCO.

Domestic demand declined by 18.7% in the 2nd quarter of 2020 (1st quarter of 2020: 3.7%), mainly due to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved mainly due to the larger contraction in imports vis-à-vis the previous quarter.

Economic activity has resumed significantly since the economy began to reopen in early May 2020. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all rebounded in June after the contractions in the period between March 2020 and May 2020. The improvement in growth in the 2nd half of 2020 will also be supported by the recovery in global growth and continued policy support. In particular, consumption and investment activities are expected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. Growth could potentially be lifted by a larger-than-expected impact from stimulus measures. Nevertheless, the prospect of secondary COVID-19 outbreaks leading to the re-imposition of containment measures, more persistent weakness in labour market conditions, and a weaker-than-expected recovery in global growth pose downside risks to growth.

(Source: Bank Negara Malaysia, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020)

4.2 Overview and outlook of the manufacturing sector in Malaysia

The manufacturing sector contracted by 18.3% (1st quarter of 2020: 1.5%), largely due to the imposition of the MCO restrictions as well as weak demand conditions. The extension of the MCO from end-March throughout April curtailed production activity across all industries. Essential sectors and those in the related supply-chain sectors operated at reduced capacity to ensure sufficient social distancing at workplaces, while non-essential sectors such as transport equipment and textile-related industries did not operate. Following the lifting of MCO restrictions in May, manufacturing firms gradually restarted operations, but did so while observing sector-specific health protocols amidst subdued demand conditions externally and domestically. The latter had particularly affected the performance of the primary- and consumer-related clusters. Nevertheless, the impact of weak demand was partially mitigated by a backlog of orders which supported a faster production recovery, observed mainly in the electric and electronics (“E&E”) industry.

(Source: Bank Negara Malaysia, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020)

In 2020, the performance of the export-oriented industries is anticipated to improve in tandem with the uptick in the E&E cycle, especially during the second half of the year. Capital outlays will remain concentrated in the services and manufacturing sectors. The E&E, machinery and equipment, chemicals and chemical products, and aerospace industries will remain as the priority within the manufacturing sector due to their strong inter-linkages. Further, overall gross exports are expected to expand 1% benefitting from the anticipated improvement in global trade activities and the uptick in the E&E cycle. Accordingly, exports of manufactured goods are projected to increase by 0.9% with exports of E&E expanding 0.8%. Meanwhile, exports of non-E&E products are expected to expand 1.1% contributed by higher demand for chemicals and chemical products, machinery, equipment and parts, metal and petroleum products.

(Source: Economic Outlook 2020, Ministry of Finance Malaysia)

4.3 Overview and outlook of the property sector in Malaysia

The property market performance recorded a slight improvement with a marginal increase in 2019. A total of 328,647 transactions worth RM141.4 billion were recorded, showing an increase of 4.8% in volume and 0.8% in value compared to 2018, which recorded 313,710 transactions worth RM140.3 billion.

The residential sub-sector led the overall property market, with 63.7% contribution. This was followed by agriculture sub-sector (20.9%), commercial (7.8%), development land (5.7%) and industrial (1.9%). In terms of value, residential took the lead with 51.2% share, followed by commercial (20.5%), industrial (10.5%), development land (9%) and agriculture (8.9%).

The residential sub-sector is expected to be challenging in 2020. With the downside in the Consumer Sentiment Index at 82.3 points as at 4th quarter of 2019, coupled with the insecurity of employment and household income, there is a high likelihood that the purchase for big-ticket items such as houses may have to be put on hold by prospective purchasers.

Various incentives are initiated to tackle the affordability and home ownership issues for the nation, B40 and M40 groups in particular, which include:

- (i) Youth Housing Scheme by BSN - to extend the scheme from January 1, 2020 until December 31, 2021;
- (ii) Rent-to-own (RTO) financing scheme for first-time homebuyers for housing projects priced up to RM500,000. The applicant will rent the property for up to five years and after the first year, the tenant will have the option to purchase the house based on the price fixed at the time the tenancy agreement is signed;
- (iii) Property Crowdfunding - In September 2019, the Securities Commission Malaysia (SC) announced that EdgeProp Sdn Bhd (EdgeProp) has been registered as the first recognised market operator to establish and operate a property crowdfunding (PCF) platform in Malaysia; and
- (iv) MyKNP (Khidmat Nasihat Pembiayaan) launched by Bank Negara Malaysia to provide free of charge advisory service to applicants who failed to secure home loan.

Further, the Government of Malaysia ("**Government**") has introduced several incentives to help cushion-off the impact on the property market namely:

- (a) the revision of the base year for real property gain tax to 1 Jan 2013 (initially 1 Jan 2000) for property purchased before the date;

- (b) the reduction of price threshold for foreign purchasers from RM1 million to RM600,000 for unsold completed high-rise properties in urban areas; and
- (c) the reduction of overnight policy rate (“OPR”) by 25 basis points to 2.75% on 22 Jan 2020, will lead to lower borrowing cost for home loans, to remain accommodative and supportive of property market.

Further, on 7 July 2020, Bank Negara Malaysia decided to reduce the OPR by an additional 25 basis points to 1.75%, providing additional policy stimulus to accelerate the pace of economic recovery.

Despite the economic headwinds, Malaysian property market is expected to remain resilient in the coming year. Affordable housing and finding the right solutions to the property overhang will continue to be the main agenda of the Government. The close monitoring on the implementation of programmes under the National Housing Policy 2.0 (2018 – 2025) and various incentives introduced to promote home ownership among Malaysians, are expected to contain the overhang situation in the coming year. On the development front, the revival of Bandar Malaysia mega project is expected to have positive impact on the property market landscape in the medium and long term. Meanwhile, high-impact major infrastructure projects such as West Coast Expressway and East Coast Rail Link will open up new development areas to attract foreign direct investment, which will entail business and employment opportunities as well as catalyst for development growth.

(Sources: Monetary Policy Statement dated 7 July 2020 (Ref No: 07/20/03), Bank Negara Malaysia and Annual Property Market 2019, Jabatan Penilaian dan Perkhidmatan Harta Malaysia)

4.4 Prospects of Scientex Group

(i) Manufacturing division

On the back of the recovery of the Malaysian economy following the lifting of MCO restrictions, the management of Scientex expects its manufacturing division to remain resilient as it continues to capitalise on its strong presence in the flexible plastic packaging market. The recovery in global growth and continued policy support by the Government through fiscal stimulus packages, continued financial measures and low interest environment are expected to further strengthen consumer demand which in turn will drive growth in the food and beverage, personal care, household care, and pharmaceutical industries as well as consumer demand for packaged food and single serve containers.

In 2019, Scientex completed its acquisition of Daibochi Berhad and Mega Printing & Packaging Sdn Bhd, which are principally involved in the manufacturing and marketing of flexible packaging materials, and downstream flexible plastic packaging with product offering comprising roll form and pre-made pouches with laminated structures which are mainly used for the packaging of food and beverage. These acquisitions had resulted in Scientex becoming one of the largest flexible plastic packaging player in Malaysia and are in line with Scientex Group’s strategy to expand through mergers and acquisitions whilst expanding its capabilities, production facilities, capacities and its access to new markets.

Scientex intends to leverage on its expertise across the flexible plastic packaging value chain to ensure its sustainability and resilience for potential shifts in global trends and demand. As part of Scientex Group's overall longer-term strategy, Scientex Group is taking steps to enhance its production facilities through process automation to boost production efficiency and lower production costs without compromising on quality, whilst remaining focused on developments of sustainable products. In achieving this objective, Scientex Group continues to collaborate with multi-national corporations, local and international brand owners to innovate and develop high quality sustainable and recyclable flexible plastic packaging solutions which would better serve the need of the changing market yet addressing rising environmental concerns.

(Source: The management of the Group)

(ii) Property development division

Scientex Group remains focused on the affordable housing segment as it is expected to grow and remain resilient on the back of various incentives implemented by the Government and the low interest environment.

Upon the easing of restrictions during the conditional MCO, Scientex Group's property development activities have fully resumed with full compliance to the relevant standard operating procedures. Scientex Group has continued to closely monitor the progress of its ongoing projects to ensure timely completion and handover to the home buyers.

Scientex will remain focused on its core competency of building and delivering affordable homes through acquisition of affordably priced land bank, efficient utilisation of land spaces via township planning as well as better construction costs control. Scientex has been continuously expanding its land bank across Peninsular Malaysia, which helps establish a better foothold for Scientex Group in the property sector in Malaysia and will augur well for its property development division, particularly in the affordable landed properties segment across Peninsular Malaysia.

Continuous efforts are being made to ensure that scheduled launches in the second half of 2020 can be achieved as Scientex Group spreads its affordable housing brand name to both Klang Valley and Penang. Scientex will strive to put more innovative products in the market which are able to address the specific needs of buyers who wish to own homes that are attractive and rich in features whilst being truly affordable without compromising on quality.

(Source: The management of the Group)

5. EFFECTS OF THE PROPOSALS

5.1 Issued share capital

For illustration purposes, the pro forma effects of the Proposals on the share capital of Scientex are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Scientex Shares	RM	No. of Scientex Shares	RM
Issued share capital as at the LPD	515,876,872	691,781,279	515,876,872	691,781,279
Less: Treasury shares	(100)	(720)	- ⁽¹⁾	- ⁽¹⁾
	515,876,772	691,780,559	515,876,872	691,781,279
To be issued pursuant to SGP	-	-	988,000 ⁽²⁾	8,941,400 ⁽²⁾
To be issued pursuant to the Proposed Bonus Issue of Shares	1,031,753,544	-	1,033,729,744	-
To be issued pursuant to the full exercise of Warrants	103,175,354	412,701,416	103,372,974	413,491,896 ⁽³⁾
Enlarged issued share capital	1,650,805,670	1,104,481,975	1,653,967,590	1,114,214,575

Notes:

- (1) Assuming that the existing 100 treasury shares are resold by the Company in the open market at the acquisition cost.
- (2) Assuming that 988,000 new Scientex Shares were issued on the LPD at its closing market price of RM9.05 per Scientex Share pursuant to the SGP.
- (3) Assuming that all the Warrant Holders exercised their Warrants at the Exercise Price of RM4.00 per Scientex Share.

5.2 Earnings and earnings per share ("EPS")

The Proposals are not expected to have any material effect on the earnings of the Group for the financial year ending 31 July 2021. However, assuming that the earnings of the Group remain unchanged, the consolidated EPS of the Company will be proportionately diluted as a result of the increase in the number of Scientex Shares in issue pursuant to the Proposed Bonus Issue of Shares and as and when the Warrants are exercised into new Scientex Shares.

The potential effects of the exercise of the Warrants on the future earnings of the Group and consolidated EPS of the Company will depend upon, amongst others, the number of Warrants exercised at any point in time and the returns generated by the Group from the utilisation of proceeds raised from the exercise of the Warrants.

5.3 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Shares will not have any effect on the percentage of shareholdings of the substantial shareholders of Scientex as the Bonus Shares will be allotted on a pro-rata basis to all the shareholders of the Company. However, the number of Scientex Shares held by the substantial shareholders will increase proportionately as a result of the Proposed Bonus Issue of Shares.

The Proposed Issue of Free Warrants will not have any effect on the percentage of shareholdings of the substantial shareholders of Scientex assuming all Entitled Shareholders exercise their respective Warrants during the exercise period of the Warrants.

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5.4 Net Assets (“NA”) per share and gearing

For illustration purposes, based on Scientex’s latest audited consolidated statement of financial position as at 31 July 2019 and assuming that the Proposals have been completed on 31 July 2019, the pro forma effects of the Proposals on the consolidated NA and gearing of Scientex, and NA per Scientex Share are as follows:

Minimum Scenario:

	Audited as at 31 July 2019	Proforma (I) After subsequent events ⁽¹⁾	Proforma (II) After (I) and the Proposals ⁽²⁾	Proforma (III) After (II) and assuming full exercise of the Warrants ⁽³⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	685,776	691,782	691,782	1,104,483
Property revaluation surplus	54,877	54,877	54,877	54,877
Foreign currency translation reserve	7,668	7,668	7,668	7,668
Other reserves	461	461	461	461
Retained earnings	1,476,237	1,299,991	1,299,586	1,299,586
Treasury shares	(1)	(1)	(1)	(1)
Total equity attributable to owners of the Company / NA	2,225,018	2,054,778	2,054,373	2,467,074
Non-controlling interests	173,935	173,935	173,935	173,935
Total equity	2,398,953	2,228,713	2,228,308	2,641,009
Number of Scientex shares in issue ('000) ⁽⁴⁾	515,261	515,877	1,547,630	1,650,806
NA per Scientex Share (RM) ⁽⁵⁾	4.32	3.98	1.33	1.49
Net borrowings (RM '000) ⁽⁶⁾	716,170	886,410	886,815	474,114
Net gearing (times) ⁽⁷⁾	0.32	0.43	0.43	0.19

Notes:

- (1) *After taking into consideration the following subsequent events up to the LPD:
 - (i) *final dividend for the FYE 31 July 2019 amounting to approximately RM51.6 million which was paid on 10 January 2020;*
 - (ii) *interim dividend for the FYE 31 July 2020 amounting to approximately RM51.6 million which was paid on 24 July 2020;*
 - (iii) *final dividend for the FYE 31 July 2020 of RM0.13 per Scientex Share announced by the Board on 18 September 2020 that amount to approximately RM67.1 million computed based on the total number of shares in issue of 515,876,772 Scientex Shares (excluding treasury shares and new Scientex Shares to be issued pursuant to the SGP) which is subject to approval by the shareholders of Scientex at its forthcoming annual general meeting; and*
 - (iv) *issuance of 615,400 ordinary shares of the Company at an issue price of RM9.76 per Scientex Share amounting to RM6.0 million pursuant to the SGP.**
- (2) *After deducting estimated expenses in relation to the Proposals of RM0.4 million.*
- (3) *Assuming that all the Warrants are exercised into Exercised Shares at the Exercise Price of RM4.00.*
- (4) *Excluding 100 treasury shares held by the Company.*
- (5) *NA per Scientex Share is computed as NA divided by the number of Scientex Shares in issue.*
- (6) *Net borrowings is computed as total borrowings less cash and bank balances.*
- (7) *Net gearing is computed as net borrowings divided by NA.*

Maximum Scenario:

	Audited as at 31 July 2019 (RM'000)	Proforma (I) After subsequent events ⁽¹⁾ (RM'000)	Proforma (II) After (I), treasury shares are resold and issuance of new Scientex Shares under the SGP ⁽²⁾ (RM'000)	Proforma (III) After (II) and the Proposals ⁽³⁾ (RM'000)	Proforma (IV) After (III) and assuming full exercise of the Warrants ⁽⁴⁾ (RM'000)
Share capital	685,776	691,782	700,723	700,723	1,114,215
Property revaluation surplus	54,877	54,877	54,877	54,877	54,877
Foreign currency translation reserve	7,668	7,668	7,668	7,668	7,668
Other reserves	461	461	461	461	461
Retained earnings	1,476,237	1,299,863	1,290,922	1,290,517	1,290,517
Treasury shares	(1)	(1)	-	-	-
Total equity attributable to owners of the Company / NA	2,225,018	2,054,650	2,054,651	2,054,246	2,467,738
Non-controlling interests	173,935	173,935	173,935	173,935	173,935
Total equity	2,398,953	2,228,585	2,228,586	2,228,181	2,641,673
Number of Scientex Shares in issue ('000)	515,261 ⁽⁵⁾	515,877 ⁽⁵⁾	516,865	1,550,595	1,653,968
NA per Scientex Share (RM) ⁽⁶⁾	4.32	3.98	3.98	1.32	1.49
Net borrowings (RM '000) ⁽⁷⁾	716,170	886,538	886,537	886,942	473,450
Net gearing (times) ⁽⁸⁾	0.32	0.43	0.43	0.43	0.19

Notes:

- (1) *After taking into consideration the following subsequent events up to the LPD:*
 - (i) *final dividend for the FYE 31 July 2019 amounting to approximately RM51.6 million which was paid on 10 January 2020;*
 - (ii) *interim dividend for the FYE 31 July 2020 amounting to approximately RM51.6 million which was paid on 24 July 2020;*
 - (iii) *final dividend for the FYE 31 July 2020 of RM0.13 per Scientex Share announced by the Board on 18 September 2020 that amount to approximately RM67.2 million computed based on the total number of shares in issue of 516,864,872 Scientex Shares (including treasury shares which have been resold in the open market and new Scientex Shares to be issued pursuant to the SGP) which is subject to approval by the shareholders of Scientex at its forthcoming annual general meeting; and*
 - (iv) *issuance of 615,400 ordinary shares of the Company at an issue price of RM9.76 per Scientex Share amounting to RM6.0 million pursuant to the SGP.*
- (2) *Assuming that all the existing 100 treasury shares are resold in the open market at the acquisition cost and 988,000 new Scientex Shares amounting to RM8.9 million were issued on the LPD at its closing market price of RM9.05 per Scientex Share pursuant to the SGP.*
- (3) *After deducting estimated expenses in relation to the Proposals of RM0.4 million.*
- (4) *Assuming that all the Warrants are exercised into Exercised Shares at the Exercise Price of RM4.00.*
- (5) *Excluding 100 treasury shares held by the Company.*
- (6) *NA per Scientex Share is computed as NA divided by the number of Scientex Shares in issue.*
- (7) *Net borrowings is computed as total borrowings less cash and bank balances.*
- (8) *Net gearing is computed as net borrowings divided by NA.*

5.5 Convertible securities

As at the LPD, the Company does not have any existing convertible securities.

6. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) admission of the Warrants to the Official List of the Main Market of Bursa Securities;
 - (b) listing and quotation of the Warrants on the Main Market of Bursa Securities; and
 - (c) listing and quotation of the Bonus Shares and Exercised Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of Scientex at an extraordinary general meeting of the Company to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposals are not inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by Scientex.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of the Company and/or persons connected with them has any interest, either direct or indirect, in the Proposals, apart from their respective entitlements as shareholders of the Company under the Proposals, which are also available to all other existing shareholders of the Company on the Entitlement Date.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals and the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

9. ADVISER

RHB Investment Bank has been appointed as the Principal Adviser to the Company for the Proposals.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed by first quarter of 2021.

This announcement is dated 18 September 2020.