



**SCIENTEX BERHAD**  
Company No. 196801000264 (7867-P)  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE 52<sup>ND</sup> ANNUAL GENERAL MEETING HELD FULLY VIRTUAL THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT AUDITORIUM, BANGUNAN SCIENTEX, NO. 9, PERSIARAN SELANGOR, SEKSYEN 15, 40200 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 17 DECEMBER 2020 AT 11.30 A.M.**

YBhg. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim ("the Chairman") chaired the 52<sup>nd</sup> Annual General Meeting ("AGM") of Scientex Berhad ("the Company"). The Chairman called the AGM to order at 11.30 a.m. after the Secretary confirmed the requisite quorum had logged-in at the start of the AGM. The Notice of AGM was taken as read. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions put to vote at the EGM shall be decided by poll voting.

The Company has appointed the independent service provider, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") as the Poll Administrator to facilitate the poll voting via the remote participation and voting ("RPV") facilities and Asia Securities Sdn Bhd as the independent Scrutineer to verify the poll results. The poll was conducted electronically via the RPV facilities provided by Tricor. The voting session had commenced from 11.30 a.m. until the Chairman announced the end of voting session. The Poll Administrator briefed the shareholders on the online voting procedures through the RPV facilities.

The Chairman briefed the shareholders on the agenda of the AGM. The Company's reply to the pre-submitted questions received from the Minority Shareholders Watch Group ("MSWG") and shareholders as follows: -

**Pre-Submitted Questions by MSWG**

**Operational & Financial Matters**

1. Scientex is the first mover in Malaysia for the successful commercial use of fully recyclable mono-material laminates in October 2019.

- a) How is the market reception towards the new mono-material packaging since product commercialisation?

Answer : Since commercialisation, the response has been very positive as our customer looks to expand the mono-material solutions to other product categories. Our multinational customers have also commercialised several such products. There are also ongoing product developments at various stages of testing and we hope to commercialise more new products upon completion of the keeping quality tests for taste and shelf-life performance.

- b) How different is mono-material laminates from multi-material packaging in terms of product performance, protection, cost and technology of production?

Answer : Multi-material laminates achieve high barrier properties using substrates such as aluminium foil, while higher heat resistant films like polyester are used to ensure high speed packing. When different base materials are combined, these make the multi-material laminates non-recyclable. The mono-material laminates which we have successfully developed consists of multiple layers using the same type of plastic base, hence making it fully recyclable after use. We continue to work closely with our customers to develop mono-material laminate solutions that are able to meet customers' requirements for laminate properties that meet its required functional performance.

Costs are generally dependent on the laminate structure employed. The Group will continue to develop more cost-effective laminate structures while striving to meet customers' stringent requirements in terms of the functional performance of the products.

- c) Scientex expects to see greater commercialisation of mono-material laminate solutions in FY2021. How fast are brand owners expected to adopt the mono-material packaging? How will such transition benefit Scientex?

Answer : Brand owners are expected to put our products to stringent testing in addition to commercial considerations before commercialising the products. The timing would be dependent on the rate of adoption of the sustainability pledges made by various brand owners which have been generally targetted to be achieved by 2025. Scientex is in a position to support the transition with its available capacity and capabilities.

- d) Major packaging companies like Amcor Plc and Berry Global Group have made commitments such as all packaging to be recyclable or reusable by 2025, and all the fast-moving consumer goods packaging to be reusable, recyclable, or compostable by the year 2025 respectively.

Will Scientex make a similar commitment? Is there a plan for Scientex to intensify the sustainability effort i.e., phasing out the production of virgin plastics, non-recyclable and hard to recycle packaging products?

Answer : Scientex is well equipped to support our global customers in achieving their sustainability targets. Scientex will continue to focus our resources on developing recyclable packaging products in line with the global trend towards greater adoption of sustainable packaging products.

2. Scientex targets to grow the volume sold of plastic packaging to 400,000 metric tonnes by FY2023. To achieve the target, Scientex is required to grow at a compound annual growth rate of 10.68%, as compared to the year-on-year growth of 2.43% in FY2020 to 295,000 MT (FY2019: 288,000 MT)

How does the Group plan to achieve the significantly higher growth target? Which segment of products will spearhead the growth?

Answer : Since 2013, the Group has engaged in numerous successful acquisitions of synergistic companies and that has enabled the Group to expand its range of base films as well as to move up the value chain to provide a wider range of value added flexible packaging products. This has contributed to the Group's significant growth in the past decade and has afforded us greater production capacity, extend our capabilities, provide cost benefits and enhance our market presence. Moving forward, the Group will continue to expand on its capabilities and capacity through organic growth as well as to explore more of such mergers and acquisitions with synergistic and value accretive companies within the packaging industry.

3. The B40 and M40 households – the key targeting segment of Scientex's affordable housing projects, have been badly hit by the COVID-19 pandemic in the form of unemployment, pay cut etc. Meanwhile, potential house buyers may adopt the wait-and-see approach due to uncertainties. Financial institutions also adopt a cautious stance in lending activities.

How will the combination of these factors affect Scientex's property division? Will Scientex revise the FY2021 sales target of property division?

Answer : The current low interest regime and the various governmental initiatives have benefited genuine home buyers who are looking to purchase their own place of residence. Our affordable homes are targeted mainly at the B40 and M40 groups who are mostly first-time home purchasers and the current market conditions and incentives provided by the authorities present an excellent opportunity for these target groups to purchase their own homes instead of renting.

To date, we have seen very encouraging sales with units sold increasing by approximately two-fold compared with the total units sold in the same period last year, indicating that demand from this market segment remains resilient despite the impact of the Covid-19 pandemic. As such, we continue to remain confident of our sales target for FY2021.

4. Amid the COVID-19 pandemic and requirement to maintain physical distancing, property developers have turned to the digital space to promote their projects, e.g. virtual showroom, virtual walkthroughs. What are the efforts taken by Scientex to engage potential house buyers virtually?

Answer : During the COVID-19 pandemic, Scientex has embraced technology and digital tools as part of our continuous efforts to engage with our potential house buyers with the adoption of virtual meetings, virtual showrooms and live virtual walkthroughs of our products. Communications and engagements are carried out through various digital platforms such as WhatsApp, Instagram, Twitter as well as Facebook where constant up-to-date product postings are being communicated to our targeted markets. In addition, Facebook live streaming was widely used in bringing our latest products to our house buyers, and this included the successful balloting of our products under the Rumah Mampu Milik Johor (RMMJ) initiative which was conducted via live streaming by Facebook in cooperation with Pejabat Setiausaha Kerajaan Johor.

5. Scientex made an impairment on goodwill amounting to RM4 million in FY2020 (FY2019: nil)
- What caused the impairment loss on goodwill?
  - To which business division/cash generating unit (“CGU”) does the impairment loss on goodwill relate to?

Answer : The impairment of goodwill relate to goodwill in Daibochi Packaging (Myanmar) Company Limited. Due to the uncertainties caused by the impact of the COVID-19 pandemic and the general slowdown in the Myanmar economy, Management adopted a cautious and prudent approach in determining the recoverable amount of the CGU which is computed based on its value in use. The value in use applies a discounted cash flow model with pre-tax discount rate of 27.4%. Notwithstanding the same, there was no loss of customers during this period and Management continues to have a positive outlook towards Myanmar.

### **Pre-Submitted Questions by Shareholders**

1. Congratulations and thanks for creating value for us. Would like to know what is the latest or today’s sales launches, property sales figures and unbilled sales figure? Besides, what is the target of sales launches, property sales figure and unbilled sales target for next year?

Answer : As at November 2020, we have conducted 6 launches in various developments with a total GDV of RM400 million. Total sales achieved till date was RM500 million and our unbilled sales stands at approximately RM770 million.

For FY2021, we target to launch a total GDV of RM1.6 billion compared to RM885 million worth of launches made in FY2020. We remain positive on the demand for affordable homes.

2. i) How did the management solve the recent container shortage & high shipping cost issue?  
ii) Will it affect the manufacturing segment's export revenue/profit?  
iii) What is the trends of PE & PP resin in Q4’2020 & Q1’2021?  
iv) If the raw material cost gets higher, can it be transferred to the customers?

Answer : Being an export-oriented company with more than 60% export sales, we have built up a strong partnership with a wide base of logistics companies with whom we work closely with to ensure that our supply chain logistics faced minimal disruptions. As this remains a worldwide issue, we will continue to work together with our service providers to prioritise deliveries in order to better manage and minimise the impact caused by container shortage on the supply and deliveries of our goods. We will continue to manage the cost impact and endeavour to pass on the higher freight costs.

Resin prices has always been volatile. We have put in place strategies to manage volatility of raw materials such as continuous monitoring of raw material supply stocks and prices and just-in-time purchasing whereby raw materials are purchased to meet projected demand of customers.

Where possible, pricing to customers will be adjusted based on the fluctuations in raw material pricing. However, in the short term, there could be some time lag in terms of pricing adjustment and our ability to pass the costs down to our customers.

3. i) Scientex Group have sold 295,000 MT packaging product and completed 2,988 affordable homes in FY2020. May I know what is the target for FY2021?
- ii) The net profit of FY2016 was RM240 million. Can the profit in FY2021 remain consistent with the vision “To double up every five years”?

Answer : Despite the COVID-19 pandemic and uncertainty in the global economy, we remain focused in working towards positive growth for our Group in FY2021.

We set our target ‘To double up every five years’ with our first five-years commencing in 2003. Our next double up year will be year 2023 (please refer to Scientex Integrated Annual Report 2020, page 5). We remain optimistic to achieve this target, barring unforeseen circumstances.

4. Financial year ended 2020 is the first year Scientex adopted integrated reporting. Why does Scientex choose to adopt Integrated Reporting?

Answer : It has always been our Company’s objective to enhance communication with our stakeholders and hence have taken steps to adopt the integrated reporting format this year. The report is prepared in accordance with the guidelines of the International Integrated Reporting Framework.

In this report, we share our vision ‘To Grow the Scientex Community for a Better Tomorrow’ and ‘To Double Up Every Five Years’. It also communicates our purpose and the value creation model of our twin core businesses.

We aim to provide concise information including overview of our business operations, our drivers of growth, material matters, strategies, our sustainability efforts, business risks as well as mitigating factors for stakeholders’ better understanding on Scientex’s roadmap towards achieving its vision.

Following the pre-submitted questions and answers session, the Managing Director/ Chief Executive Officer, Mr Lim Peng Jin had addressed the queries and comments from the shareholders, which included the following key matters: -

1. The Group will maintain its focus on building more affordable homes with majority priced below RM300,000.00 as the demand on the affordable homes is expected to remain resilient for the foreseeable future, providing a positive outlook for current and upcoming developments of the Group.
2. The production capacity of the Phoenix, Arizona plant was about 30,000MT. It had commissioned its 3<sup>rd</sup> line to capture the US market. The current utilisation rate of the Phoenix, Arizona plant is about 30% in view of the challenges faced during the COVID-19 pandemic. The management is looking forward to increase the capacity utilisation of its Phoenix, Arizona plant.
3. The pages 50 and 51 of the Integrated Annual Report 2020 of the Company expressed the details of the Group’s current business strategies which we have developed in accordance with the fundamental strategies and within our key business processes in order to achieve the short-to-medium-term goals for our packaging and property division under the current market environment.

4. For financial year 2020, the Group successfully launched 3,034 units of affordable homes in various developments with take up rate of more than 80%. For financial year to date, the total launches of the Group saw more than 70% encouraging take up rate.
5. The total launches for financial year 2020 were slightly affected due to the disruption of constructional activities nationwide and the delay in obtaining state consent and advertising permit and developer's license during the MCO period. For financial year 2021, the Group target to launch a total GDV of RM1.6 billion compared to the launches of RM885 million in financial year 2020. Pages 16 and 17 of the Integrated Annual Report 2020 of the Company illustrated the strategic approach and the existing developments of the property division across the Peninsular Malaysia which place the Group on track to achieve the vision to complete 50,000 units of affordable homes by 2028.
6. With reference to pages 56 and 57, the Group had become the first mover for the successful commercial use of fully recyclable mono-material laminated in Malaysia in October 2019 and expected to see greater commercialisation of mono-material laminate solutions in financial year 2021.
7. For financial year 2020, the total wastage rate as set out in page 86 of the Integrated Annual Report 2020 of the Company is 6.1% consists of recyclable waste of 5.0%, non-recyclable waste (converted to alternative fuel) of 0.3% and non-recyclable waste (others) of 0.8%.
8. During the MCO period, the Group had been working on expanding organically through the acquisition of land banks for property division and increase in capacity and capabilities of the packaging division. The Group will continue to look for opportunities on mergers and acquisitions.
9. The Group has achieved its vision, doubling up the business every five year since financial year 2003 and remain committed to chart the next milestone (please refer to Scientex Integrated Annual Report 2020, page 5).

The poll results were duly verified and confirmed by the independent Scrutineer. Based on the poll results, all the resolutions tabled at the AGM were duly passed by the shareholders.

The Chairman declared the AGM concluded at 12.25 p.m.