

SCIENTEX BERHAD (“SCIENTEX” OR THE “COMPANY”)

PROPOSED ACQUISITIONS BY SCIENTEX QUATARI SDN BHD AND SCIENTEX (SKUDAI) SDN BHD OF 3 PIECES OF FREEHOLD AGRICULTURAL LAND, ALL SITUATED IN MUKIM 12, DISTRICT OF SEBERANG PERAI UTARA, STATE OF PULAU PINANG FOR A TOTAL PURCHASE CONSIDERATION OF RM246,671,568.00 (“PROPOSED ACQUISITIONS”)

1. **INTRODUCTION**

The Board of Directors of Scientex wishes to announce that Scientex Quatari Sdn Bhd [Company No. 197601002045 (28008-M)] (“SQSB”) and Scientex (Skudai) Sdn Bhd [Company No. 199101005691 (216001-X)] (“SSSB”), both the wholly-owned subsidiaries of the Company, had on 5 April 2021 entered into 2 sale and purchase agreements in relation to the Proposed Acquisitions with the following vendors: -

- i) A sale and purchase agreement entered into between SQSB as the purchaser and Sunrich Conquest Sdn Bhd [Company No. 201701038660 (1252831-T)] (“Sunrich”) as the vendor, for the acquisition of all that piece of freehold agricultural land held under Geran 57798 Lot 4358, Mukim 12, District of Seberang Perai Utara, State of Pulau Pinang, measuring in area of approximately 82.84 hectares (“Sunrich Land”) for a purchase consideration of RM147,126,078.00 only (“SPA 1”); and
- ii) A sale and purchase agreement entered into between SSSB as the purchaser and Titanium Greenview Sdn Bhd [Company No. 201701042085 (1256258-P)] (“Titanium”) as the vendor, for the acquisition of 2 pieces of freehold agricultural land held under Geran 19398 Lot 249 (“Lot 249”) and Geran Mukim 288 Lot 248 (“Lot 248”), both situated in Mukim 12, District of Seberang Perai Utara, State of Pulau Pinang, having aggregate area of approximately 560,492.0823 square meters (“Titanium Lands”) for a total purchase consideration of RM99,545,490.00 only (“SPA 2”),

collectively referred to as the “Subject Lands”. The SPA 1 and SPA 2 shall be collectively referred to as the “SPAs” hereinafter and the total purchase considerations of the Subject Lands is RM246,671,568.00 only.

Further details of the Proposed Acquisitions are set out in the ensuing sections.

2. **DETAILS OF THE PROPOSED ACQUISITIONS**

2.1 **INFORMATION ON THE VENDORS**

2.1.1 **SPA 1**

Sunrich is a private limited company incorporated in Malaysia on 25 October 2017 and its principal activity is property development. The issued share capital of Sunrich is RM1,000,000.00 divided into 1,000,000 ordinary shares. Sunrich is a wholly-owned subsidiary of GSD Land (M) Sdn Bhd [Company No. 201001043603 (927531-A)] (“GSD”). Sunrich is the registered and beneficial owner of the Sunrich Land.

The Directors of Sunrich and their direct and indirect shareholding in Sunrich are set out below: -

	<u>Direct Shareholding</u>	<u>Indirect Shareholding</u>
i) Dato’ Khor Chong Hai	-	100%
ii) Khoek Su Kiang	-	100%

2.1.2 SPA 2

Titanium is a private limited company incorporated in Malaysia on 17 November 2017 and its principal activity is property development. The issued share capital of Titanium is RM100,000.00 divided into 100,000 ordinary shares. Titanium is a wholly-owned subsidiary of GSD. Titanium is the registered and beneficial owner of the Titanium Lands.

The Directors of Titanium and their direct and indirect shareholding in Titanium are set out below: -

	<u>Direct Shareholding</u>	<u>Indirect Shareholding</u>
i) Dato' Khor Chong Hai	-	100%
ii) Khoek Su Kiang	-	100%

2.2 **INFORMATION ON THE SUBJECT LANDS**

The Subject Lands will be acquired on an “as-is-where-is” basis with vacant possession and free from encumbrances upon the terms and conditions contained in the SPAs and subject to all conditions and category of land use expressly or impliedly imposed upon relating to or affecting the Subject Lands or any part thereof, upon the terms and conditions of the SPAs. The Titanium Lands will be acquired on en bloc basis and not singly or individually.

The Subject Lands is located approximately at the central of the Northern Region of State of Pulau Pinang and approximately 3km from the existing development of Scientex Tasek Gelugor and 35km from Scientex Sungai Petani, Kedah. The Subject Lands is accessible from the north via Jalan Pongsu Seribu – Jalan Gelugor, from the west via Jalan Pokok Sena – Jalan Permatang Indah and from the east via Jalan Kubang Menderung – Jalan Gelugor. The Subject Lands is highly visible and can access to North-South expressway via Sungai Dua easily which is approximately 7 km in distance.

The Subject Lands is proposed to be developed into a mixed-property development. However, it is currently too preliminary to ascertain the exact total gross development value, development cost, the expected commencement and completion dates of the development and the expected profits to be derived from the development of the Subject Lands as at the date of this announcement.

For further information on the Subject Lands and the salient terms of the SPAs, please refer to Appendices I and II respectively in this announcement.

2.3 **BASIS AND JUSTIFICATION OF ARRIVING AT THE PURCHASE PRICE**

The total purchase price of RM246,671,568.00 for the Subject Lands was arrived at on a willing-buyer willing-seller basis, after taking into consideration the strategic location of the Subject Lands and its development prospects which would allow Scientex Group of Companies (“Scientex Group”) the opportunity to create greater economic value and increase the earnings potential of Scientex Group, as well as to obtain better foothold in the property market.

There was no valuation carried out by the Company or SQSB or SSSB on the Subject Lands and the Board of Directors of the Company is unable to disclose the vendors’ net book value of the Subject Lands as this information is not privy to the Company, SQSB and SSSB.

2.4 **SOURCE OF FUNDING**

The Proposed Acquisitions will be funded by internally generated funds and bank borrowings.

2.5 LIABILITIES TO BE ASSUMED

SQSB, SSSB and Scientex Group will not assume any liabilities arising from the Proposed Acquisitions.

3. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions represent a strategic investment opportunity to increase and boost the existing landbank of Scientex Group. The positive response received by the Scientex Group for its maiden development located at Tasek Gelugor, Penang indicates that there remains strong and robust demand for such affordable homes in the State of Penang and the Scientex Group intends to leverage on such robust demand to further expand its affordable homes brandname to other parts of Penang which are presently underserved and to the Northern region generally. The close proximity between Scientex Group's existing development at Tasek Gelugor and the proposed development which is located approximately 3 km from its Tasek Gelugor development will also enable Scientex Group to generate better operational efficiencies through greater economies of scale to be achieved during project implementation.

The landbank expansion is also in line with the goal of Scientex Group to build more affordable homes with an objective of completing 50,000 affordable homes throughout the nation by 2028, and enables it to meet the growing demand for such affordable homes in the State of Penang as envisioned in the State's vision to provide 220,000 affordable homes by 2030. The Subject Lands is thus expected to provide a steady and sustainable property development model as Scientex Group continues to focus on affordably priced landed properties which demand continues to remain firm and resilient.

4. PROSPECTS OF THE PROPOSED ACQUISITIONS

The Subject Lands will provide Scientex Group the opportunity to create greater economic value and increase the earnings potential of Scientex Group over the medium to long term as the Subject Lands has promising development potential.

The Proposed Acquisitions will enable Scientex Group to leverage on its existing and successful business model of providing affordable and quality landed properties to such category of affordable property mass market in the medium to long term.

5. RISK FACTORS OF THE PROPOSED ACQUISITIONS

The Board of Directors of Scientex does not foresee any risk factors arising from the Proposed Acquisitions, other than the normal economic risk and inherent risk factors associated with the property development industry, for which Scientex Group is already involved in.

6. EFFECTS OF THE PROPOSED ACQUISITIONS

6.1 The Proposed Acquisitions will not have any effect on the issued and paid-up share capital of the Company and the direct and/or indirect shareholdings of the substantial shareholders of the Company as the Proposed Acquisitions will be satisfied wholly in cash.

6.2 The Proposed Acquisitions is not expected to have any material impact on the earnings and net assets of Scientex Group for the financial year ending 31 July 2021 and 31 July 2022. The Proposed Acquisitions is expected to enhance the future earnings of Scientex Group when the proposed development of the Subject Lands come onstream subsequently.

6.3 The Proposed Acquisitions will not have any material impact on the gearing of Scientex Group for the financial year ending 31 July 2021 and 31 July 2022.

7. **APPROVAL/CONSENT REQUIRED**

The Proposed Acquisitions is conditional upon Sunrich and Titanium obtaining the Requisite Approvals as defined in Appendix II of this announcement and subject to the fulfilment of the conditions precedent as set out in the SPAs. The Proposed Acquisitions is not subject to the approval of the shareholders of the Company.

8. **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

None of the Directors, major shareholders or persons connected with the Directors or major shareholders of the Company have any interest, whether direct or indirect, in the Proposed Acquisitions.

9. **DIRECTORS' STATEMENT/RECOMMENDATION**

The Board of Directors of Scientex, after careful deliberation on the Proposed Acquisitions, is of the opinion that the terms of the Proposed Acquisitions are fair and reasonable and that the Proposed Acquisitions is in the best interest of Scientex Group.

10. **ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to fulfilment of the condition precedent as set out in the SPAs, the Proposed Acquisitions is expected to be completed in the first half of year 2022.

11. **HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 9.63%.

12. **DOCUMENT FOR INSPECTION**

The SPAs are available for inspection at the registered office of Scientex at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 5 April 2021.

INFORMATION ON THE SUBJECT LANDS

The Subject Lands is freehold agricultural lands, all situated in Mukim 12, District of Seberang Perai Utara, State of Pulau Pinang as particularly described hereinbelow:

	Sunrich Land	Titanium Lands
Measurement	82.84 hectares	Lot 249 – 558,466.1280 square meters Lot 248 – 2,025.9543 square meters
Purchase Consideration	RM147,126,078.00	Lot 249 – RM99,186,120.00 Lot 248 – RM359,370.00
Encumbrances	Charged to Malayan Banking Berhad [Company No. 196001000142 (3813-K)]	Charged to CIMB Bank Berhad [Company No. 197201001799 (13491-P)]
Category of Land Use	Nil	Nil
Restriction in Interest	Nil	Nil
Express Condition	<p>(FIRST GRADE) The land comprised in this title:</p> <p>(a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and</p> <p>(b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years, shall revert to the State only if the proprietor for the time being dies without heirs;</p> <p>and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).</p>	<p>(FIRST GRADE) The land comprised in this title:</p> <p>(a) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's/Collector's right of way; and</p> <p>(b) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than 3 years, shall revert to the State only if the proprietor for the time being dies without heirs;</p> <p>and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).</p>

SALIENT TERMS OF THE SPAs

1. PURCHASE CONSIDERATION AND PAYMENT TERM

The total purchase consideration of RM246,671,568.00 for the Proposed Acquisitions shall be paid in the following manner: -

<u>Payment Term</u>	<u>Timing</u>	<u>Consideration (RM)</u>	
		<u>SPA 1</u>	<u>SPA 2</u>
Earnest Deposit	Prior to the date of SPA	2,942,521.56	1,990,909.80
Balance Deposit	Upon execution of the SPA	11,770,086.24	7,963,639.20
Balance Purchase Price	Payable within 3 months from the Unconditional Date (as defined in section 2.5 of Appendix II) (“Completion Date”) with an automatic extension of 1 month from the Completion Date subject to the payment of interest of 6% per annum based on the number of days delayed beyond the Completion Date calculated on daily basis on all outstanding balance sum	132,413,470.20	89,590,941.00
	Total	<u>147,126,078.00</u>	<u>99,545,490.00</u>

2. CONDITIONS PRECEDENT

2.1 The SPAs of the Subject Lands are subject to and conditional upon Sunrich and Titanium obtaining all the approvals below described (“the Requisite Approvals”): -

- i) approval of the Estate Land Board (“ELB”) to transfer of the Sunrich Land by Sunrich to SQSB; and
- ii) approval of the ELB to transfer of the Titanium Lands by Titanium to SSSB.

2.2 Sunrich and Titanium shall do all acts and things and shall cause each other to similarly do all acts and things as may be necessary to apply for and obtain all the Requisite Approvals at the sole cost and expense of Sunrich and/or Titanium as appropriate.

2.3 SQSB and SSSB shall do all acts and things and shall cause each other to similarly do all acts and things and furnish all requisite documents and information as may be required to enable the requisite applications for the Requisite Approvals to be submitted to ELB and/or any other authorities or regulatory bodies as appropriate.

2.4 If: -

- i) any application for any of the Requisite Approvals is rejected; or
- ii) the outcome of any application for any of the Requisite Approvals is not known after the expiry of 6 months from the date of the SPAs (“the Cut-Off Date”) with an automatic extension of another 3 months from the Cut-Off Date or such further date as the parties may mutually agree upon,

the SPAs shall lapse (notwithstanding that either one of the Requisite Approvals for the sale and transfer of the Subject Lands may have been granted) and in such event:

- a) the solicitors of Sunrich and Titanium shall refund to SQSB and SSSB respectively the deposit paid together with interest calculated at the rate of 2% per annum on the deposit or any part thereof paid to and received by the vendors subject to the conditions precedent that the Subject Lands shall be free from encumbrances of whatsoever attributable by SQSB or SSSB or their financiers; and
- b) the solicitors of SQSB and SSSB shall return the duly signed Memoranda of Transfer to the solicitors of Sunrich and Titanium for cancellation,

and thereafter the SPAs shall cease to be of any further effect and Sunrich and Titanium shall respectively be at liberty to deal with the Subject Lands in such manner as Sunrich and Titanium may in their discretion deem fit.

- 2.5 The SPAs shall become unconditional when all the Requisite Approvals have been obtained without any conditions attached thereto and certified true copies of the Requisite Approvals have been duly delivered to the solicitors of SQSB and SSSB and the date of receipt of the last of the Requisite Approvals of the solicitors of SQSB and SSSB shall be referred to as the Unconditional Date.