

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

### **PROPOSED ACQUISITION BY SCIENTEX QUATARI SDN BHD OF 8 PIECES OF FREEHOLD LAND, ALL SITUATED IN MUKIM TEBRAU, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR, MEASURING IN AGGREGATE AN APPROXIMATE AREA OF 959.721 ACRES FOR A TOTAL PURCHASE CONSIDERATION OF RM518,146,000.00**

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#### **1. INTRODUCTION**

The Board of Directors of Scientex wishes to announce that Scientex Quatari Sdn Bhd [Company No. 197601002045 (28008-M)] (“SQSB”), a wholly-owned subsidiary of the Company, had on 7 May 2021 entered into a conditional Sale and Purchase Agreement (“SPA”) with Pelangi Sdn Bhd [Company No. 197201001814 (13509-H)] (“Vendor”) for the proposed acquisition of 8 pieces of freehold land, all situated in Mukim Tebrau, District of Johor Bahru, State of Johor, measuring in aggregate an approximate area of 959.721 acres (collectively referred to as “Lands”) for a total purchase consideration of RM518,146,000.00 only (“Proposed Acquisition”).

#### **2. DETAILS OF THE PROPOSED ACQUISITION**

##### **2.1 INFORMATION ON THE VENDOR**

The Vendor is a private limited company incorporated in Malaysia on 30 December 1972 and its principal activities are property development and investment holding. The issued share capital of the Vendor is RM365,794,663 divided into 726,300,000 ordinary shares. The Vendor is a wholly-owned subsidiary of I & P Group Sdn Berhad [Company No. 200501011523 (688571-X)], a company incorporated in Malaysia and I & P Group Sdn Berhad is a wholly owned subsidiary of S P Setia Berhad [Company No. 197401002663 (19698-X), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The Vendor is the registered and beneficial owner of the Lands.

The Directors of the Vendor are Datuk Wong Tuck Wai, Datuk Saw Kim Suan, Encik Zulfakar Bin Abdullah and Encik Saniman Bin Amat Yusof. None of the Directors of the Vendor hold any direct and indirect shareholding in the Vendor.

##### **2.2 INFORMATION ON THE LANDS**

The Lands more particularly described in Appendix I hereto is located at the north-east of Mukim Tebrau which is approximately 25km away from Johor Bahru city centre, 25km from the existing development of Taman Scientex Utama, Senai. The Lands is highly visible and can access easily to Senai Desaru Expressway via Exit 2204 Ulu Tiram which is approximately 8km in distance.

The 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 Lands as at the date of this announcement.

The Lands will be acquired on an “as-is-where-is” basis; free from encumbrances and clear of all workers and/or occupants under the harvesting contract; with vacant possession (subject to the existing structures) to be delivered in accordance with the terms of the SPA; subject to all conditions of the titles and restriction of interests in the titles of the Lands; and upon the terms and conditions set out in the SPA. The Proposed Acquisition will be completed in 3 phases in entirety in which each phase shall comprise the specified lands more particularly identified and stated in Appendix I.

For further information on the Lands and the salient terms of the SPA, 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 consideration of RM518,146,000.00 for the Lands was arrived at on a willing-buyer willing-seller basis, after taking into consideration the strategic location of the Lands and its immediate development prospects as well as the favourable deferred payment terms. This would allow Scientex

Group of Companies (“Scientex Group”) the opportunity to create greater economic value and increase its earnings potential as it gains a better and stronger foothold in a more established Johor property market.

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

#### 2.4 **SOURCE OF FUNDING**

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

#### 2.5 **LIABILITIES TO BE ASSUMED**

SQSB and Scientex Group will not assume any liabilities arising from the Proposed Acquisition.

### 3. **RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition represents a strategic investment opportunity to increase and boost the existing landbank of Scientex Group. The close proximity between Scientex Group’s existing developments and the proposed development will 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. The Lands is 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 ACQUISITION**

The 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 Lands has promising development potential.

The Proposed Acquisition 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 ACQUISITION**

The Board of Directors of Scientex does not foresee any risk factors arising from the Proposed Acquisition, 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 ACQUISITION**

6.1 The Proposed Acquisition 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 Acquisition will be satisfied wholly in cash.

6.2 The Proposed Acquisition 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 as the development of the Lands will protract beyond the current financial year. Nevertheless the Proposed Acquisition is expected to enhance the future earnings of Scientex Group when the proposed development of the Lands come onstream subsequently.

6.3 The Proposed Acquisition will not have any material impact on the gearing of Scientex Group for the financial year ending 31 July 2021 up to the completion of the Proposed Acquisition as the total purchase consideration will be paid in stages upon completion of each phase of the Proposed Acquisition.

7. **APPROVAL/CONSENT REQUIRED**

The Proposed Acquisition is conditional upon fulfilment of the conditions precedent as set out in Appendix II of this announcement. The Proposed Acquisition 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 Acquisition.

9. **DIRECTORS' STATEMENT/RECOMMENDATION**

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

10. **ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to fulfilment of the conditions precedent as set out in Appendix II hereto, the Proposed Acquisition is expected to be completed in entirety in the first half of year 2024.

11. **HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 20.23%.

12. **DOCUMENT FOR INSPECTION**

The SPA is 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 3 months from the date of this announcement.

This announcement is dated 7 May 2021.

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**INFORMATION ON THE LANDS**


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The Lands are freehold lands situated in Mukim Tebrau, District of Johor Bahru, State of Johor as particularly described hereinbelow:

<b>Phase</b>	<b>Lands</b>	<b>Category of Land</b>	<b>Approximate Area (Acres)</b>	<b>Individual Purchase Price (RM)</b>
<b>Phase 1 Lands</b>	Geran 23044 Lot 805	Tiada	1.911	998,917.92
	H.S.(D) 354257 PTD 105777	Agricultural	109.431	57,201,772.32
	H.S.(D) 573638 PTD 195575	Agricultural	317.843	166,142,914.08
	H.S.(D) 573636 PTD 195577	Agricultural	22.469	11,744,995.68
	<b>sub-total</b>		<b>451.654</b>	<b>236,088,600.00</b>
<b>Phase 2 Lands</b>	H.S.(D) 573641 PTD 156486	Agricultural	259.455	141,273,300.00
	<b>sub-total</b>		<b>259.455</b>	<b>141,273,300.00</b>
<b>Phase 3 Lands</b>	H.S.(D) 573640 PTD 156485	Agricultural	137.533	77,882,283.88
	H.S.(D) 573639 PTD 195576	Agricultural	83.026	47,015,963.28
	H.S.(D) 573637 PTD 195578	Agricultural	28.053	15,885,852.84
	<b>sub-total</b>		<b>248.612</b>	<b>140,784,100.00</b>
		<b>Total</b>	<b>959.721</b>	<b>518,146,000.00</b>

The Lands are presently free from encumbrances. Save for the express condition disclosed below which is applicable to the aforesaid agricultural lands, there is no restriction in interest endorsed on the titles to the Lands:

- i) “Tanah ini hendaklah ditanam dengan tanaman Kelapa Sawit.”
- ii) “Pemilik tanah hendaklah sepanjang masa mengambil langkah-langkah menurut perintah yang dikehendaki oleh Pentadbir Tanah menjaga tanah ini daripada hakisan.”

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**SALIENT TERMS OF THE SPA**


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**1. PURCHASE CONSIDERATION AND PAYMENT TERM**

The total purchase consideration of RM518,146,000.00 for the Proposed Acquisition shall be paid in the following manner.

<b><u>Payment Term</u></b>	<b><u>Timing</u></b>	<b><u>Phase 1 Lands (RM)</u></b>	<b><u>Phase 2 Lands (RM)</u></b>	<b><u>Phase 3 Lands (RM)</u></b>
Earnest Deposit	Prior to the date of SPA	4,721,772.00	2,825,466.00	2,815,682.00
Balance Deposit	Upon execution of the SPA	18,887,088.00	11,301,864.00	11,262,728.00
Balance Purchase Price* (subject to Section 2.7)	Within 3 months from the Unconditional Date (as defined in Section 2.5 hereinafter) (“First Completion Period”) with an automatic 1 month extension	212,479,740.00	Not applicable	Not applicable
	Within 15 months from the expiry of the First Completion Period (“Second Completion Period”) with an automatic 1 month extension	Not applicable	127,145,970.00	Not applicable
	Within 12 months from the expiry of the Second Completion Period (“Third Completion Period”) with an automatic 1 month extension	Not applicable	Not applicable	126,705,690.00
<b>Total</b>		<b><u>236,088,600.00</u></b>	<b><u>141,273,300.00</u></b>	<b><u>140,784,100.00</u></b>

*Note:*

\* The Balance Purchase Price of respective phases is subject to late interest of 8% per annum on the unpaid Balance Purchase Price or such part thereof calculated on a day to day basis from the expiry of the completion period of the respective phases until the date of receipt by the Vendor of the respective Balance Purchase Price or such part thereof of the respective phases.

**2. CONDITIONS PRECEDENT**

2.1 The Proposed Acquisition is conditional upon the following conditions precedent (collectively the “Conditions Precedent”) being satisfied:

2.1.1 the Vendor having obtained the approval from Estate Land Board (“ELB”) approving the proposed disposal of the Lands by the Vendor to SQSB on terms and conditions acceptable to the parties (“ELB Approval”); and

2.1.2 SQSB having obtained a letter from the Economic Planning Unit of the Prime Minister’s Department of Malaysia (“EPU”): (i) approving the proposed acquisition of the Lands by SQSB from the Vendor on terms and conditions acceptable to the parties; or (ii) confirming that the EPU approval is not required for purposes of the proposed acquisition of the Lands by SQSB from the Vendor (“EPU Approval”).

2.2 The Conditions Precedent are to be fulfilled within 6 months from the date of the SPA (“CP Period”), with an automatic extension for a further 6 months or such extended period as the parties may mutually agree in writing, if any (“Extended CP Period”). The Vendor shall take all steps necessary to apply for a renewal/extension of the ELB Approval or to apply for a fresh approval in respect of the non-completed phases where necessary.

- 2.3 In the event of the followings:
- 2.3.1 Where the ELB Approval or EPU Approval is rejected (“Rejection”), an appeal against the Rejection shall be made by any party. Where the ELB Approval or EPU Approval contains one or more conditions (“Approval Conditions”) and the party affected by such condition(s) (“Affected Party”) finds the Approval Conditions unacceptable, the Affected Party may by written notice to the other party elect to appeal against the Approval Conditions or to accept such Approval Conditions within 30 days from the date of its receipt of a copy of the letter containing the Approval Conditions (“Notice Period”). In default of any election made within the aforesaid time frame, the Affected Party shall be deemed to have accepted the Approval Conditions and the approval containing such Approval Conditions shall be deemed to have been obtained and fulfilled for the purpose of satisfying the relevant Condition Precedent.
- 2.3.2 If an appeal is made against the Rejection or where the Affected Party elects to appeal against the decision of the relevant authorities in respect of the Approval Conditions (“Appeal”), the Affected Party or the party who made the original application shall submit the Appeal to the relevant authorities within the Notice Period.
- 2.3.3 If all avenues of Appeal have been exhausted and the Appeal against the Rejection is only partially allowed (“Partially Allowed Appeal”) or the Appeal against the Approval Conditions is not allowed or is only partially allowed, by the relevant authorities to an extent deemed inadequate by the Affected Party in relation to the Rejection or the Approval Conditions, as the case may be, the Affected Party may by written notice to the other party elect to terminate the SPA or to accept the conditions imposed under the Partially Allowed Appeal or such Approval Conditions of the Appeal within 30 days from the date of its receipt of a copy of the letter containing the decision of the Appeal (“Appeal Notice Period”). In default of any election made within the Appeal Notice Period, the Affected Party shall be deemed to have accepted the conditions imposed under the Partially Allowed Appeal or the Approval Conditions of the Appeal and the approval containing such Approval Conditions shall be deemed to have been obtained and fulfilled for the purpose of satisfying the relevant Condition Precedent.
- 2.4 In the event that by the Extended CP Period, any of the Conditions Precedent in Section 2.1 shall not have been fulfilled, the EPU Approval or the ELB Approval is rejected, the Appeal is not allowed and/or the outcome of the Appeal has not been obtained, then either party shall, subject to the provisions of the SPA, be entitled, by notice in writing to the other party, within 30 days from the expiry of the Extended CP Period, to terminate the SPA whereupon the Vendor shall within 7 days from the date of such termination notice refund to SQSB the total deposit together with interest of the monthly fixed deposit rate accrued on the total deposit from the date of the SPA until the date of the termination notice. Thereafter, the SPA shall lapse and be of no further effect and the parties shall be released from all further obligations under the SPA save and except for any antecedent breaches.
- 2.5 The sale and purchase of the Lands shall become unconditional on the date the last of the Conditions Precedent in Section 2.1 is fulfilled (“Unconditional Date”) whereupon the Vendor’s Solicitors shall, deliver the original ELB Approval and where applicable, the original of the renewal/extension of the ELB Approval or the fresh ELB Approval, to SQSB’s Solicitors.
- 2.6 Pursuant to the SPA and the payment of the total purchase consideration at the times and manner set out in Section 1 hereto, the “Relevant Completion Date” shall refer to the date the Vendor receives the Balance Purchase Price and all late interest (if any) for the relevant phase.
- 2.7 The parties agree that if there are any structures or fixtures which are not reflected in the existing structures plan (“Unreflected Structures”), the Vendor shall remove the Unreflected Structures at the Vendor’s own cost and expense on or before the expiry of relevant completion period. In the event the Vendor is unable to remove the Unreflected Structures on or before the expiry of the relevant completion period or the date SQSB pays the Balance Purchase Price for the relevant phase, the Vendor’s Solicitors are authorised to retain a sum of RM5,000,000.00 from the Balance Purchase Price for the relevant phase (“Retention Sum”). The Retention Sum shall be released to the Vendor within 3 business days from SQSB or SQSB’s Solicitors’ issuance of the written confirmation that the Unreflected Structures have been removed.