

SCIENTEX BERHAD ("SCIENTEX" OR THE "OFFEROR")

UNCONDITIONAL VOLUNTARY TAKE-OVER OFFER BY SCIENTEX TO ACQUIRE:-

- I. ALL THE REMAINING ORDINARY SHARES IN DAIBOCHI BERHAD ("DAIBOCHI" OR THE "OFFEREE") ("DAIBOCHI SHARE(S)"), NOT ALREADY HELD BY THE OFFEROR, AS WELL AS SUCH NUMBER OF NEW DAIBOCHI SHARES THAT MAY BE ISSUED PRIOR TO THE CLOSING DATE OF THE OFFER ARISING FROM THE EXERCISE OF THE OUTSTANDING DAIBOCHI WARRANTS (AS DEFINED HEREIN) FOR A CASH OFFER PRICE OF RM2.70 PER OFFER SHARE (AS DEFINED HEREIN); AND
 - II. ALL THE REMAINING WARRANTS 2017/ 2022 IN DAIBOCHI ("DAIBOCHI WARRANTS") NOT ALREADY HELD BY THE OFFEROR, FOR A CASH OFFER PRICE OF RM0.32 PER OFFER WARRANT (AS DEFINED HEREIN)
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1. INTRODUCTION

On behalf of Scientex, UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") had on 13 September 2021 served a notice of the Offer on the board of directors of Daibochi ("**Notice**"), informing the Offeror's intention to undertake an unconditional voluntary take-over offer to acquire the following:-

- i. all the remaining 124,784,759 Daibochi Shares, representing 38.12% of the total issued shares of Daibochi (excluding treasury shares) not already held by the Offeror, as well as such number of new Daibochi Shares that may be issued prior to the closing date of the Offer (as defined herein) arising from the exercise of the outstanding Daibochi Warrants (collectively the "**Offer Share(s)**") for a cash offer price of **RM2.70** per Offer Share ("**Share Offer Price**"); and
- ii. all the remaining 26,137,985 Daibochi Warrants, representing 95.75% of the outstanding Daibochi Warrants not already held by the Offeror ("**Offer Warrant(s)**"), for a cash offer price of **RM0.32** per Offer Warrant ("**Warrant Offer Price**").

(Collectively referred to as the "**Offer**").

Any reference to "**Offer Securities**" hereinafter shall mean the Offer Share(s) and/ or Offer Warrant(s), as the case may be. Any reference to "**Offer Price**" hereinafter shall mean the Share Offer Price and/ or Warrant Offer Price, as the case may be.

The Offer, which will be made to each of the holders of Daibochi of the Offer Securities ("**Holder(s)**") equally and in respect of all of his or her Offer Securities, does not constitute a related party transaction.

Please refer to the ensuing sections for further details on the above.

2. DETAILS OF THE OFFER

As at 10 September 2021, being the last trading day prior to the date of this announcement ("**LTD**"), the Offeror holds 202,587,460 Daibochi Shares and 1,158,967 Daibochi Warrants, representing 61.88% of the total issued shares of Daibochi (excluding treasury shares) and 4.25% of the outstanding Daibochi Warrants, respectively.

The Offer provides the Offeror with greater flexibility and autonomy to rationalise its business activities and to streamline the operations of both Daibochi and the enlarged Scientex group of companies ("**Scientex Group**"), to achieve greater operational efficiencies to grow the flexible packaging business. Further, the Offer would accord the Offeror with greater flexibility to plan and implement longer term strategies for Daibochi in realising its long-term growth potential. This may involve the restructuring, reorganisation and/ or rationalisation of Daibochi, should the need arise.

Accordingly, the Offeror, through UOBKH, has made the Offer in accordance with Paragraph 9.10(1) of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**") to acquire all the Offer Securities at a cash consideration of **RM2.70** per Offer Share and **RM0.32** per Offer Warrant respectively. The Offer will be made to each of the Holders of Daibochi equally and in respect of all of his or her Offer Securities.

Holders of Daibochi who wish to accept the Offer should refer to the procedures for acceptance, which will be set out in the document outlining the terms and conditions of the Offer ("**Offer Document**"), together with the accompanying forms of acceptance and transfer ("**Form of Acceptance and Transfer**"), to be dispatched in due course, subject to the notification from Securities Commission Malaysia ("**SC**") that it has no further comments on the contents of the Offer Document being obtained.

The salient terms of the Offer are set out below:-

2.1 Consideration for the Offer

Holders of Daibochi who accept the Offer ("**Accepting Holder(s)**") shall be paid **RM2.70** in cash for each Offer Share and **RM0.32** in cash for each Offer Warrant, in accordance with the terms to be set out in the Offer Document.

Notwithstanding the above, if Daibochi declares and/ or pays any dividend and/ or other distributions ("**Distributions**") in favour of its shareholders whereby the entitlement date for such Distributions is on or after the date of the Notice but prior to the closing date of the Offer and the Holder is entitled to retain such Distributions, the Offeror will reduce the amount of the Share Offer Price by the quantum of the Distributions per Offer Share that such Holder is entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Share Offer Price in the event that the entitlement date for the Distributions is after the closing date of the Offer.

For the avoidance of doubt, any reduction in the amount of the Share Offer Price arising from the Distributions will not result in a reduction in the amount of the Warrant Offer Price.

2.2 Conditions of the Offer

The Offer is **not conditional** upon any minimum level of acceptances of the Offer Shares as the Offeror already holds more than 50% of the voting shares in Daibochi. The Offeror currently holds 61.88% of the voting shares in Daibochi (excluding treasury shares).

However, the Offer is subject to the notification from the SC that it has no further comments on the contents of the Offer Document.

2.3 Basis and justification of arriving at the Share Offer Price and Warrant Offer Price

Share Offer Price

The Share Offer Price is the price at which the Offeror is willing to acquire the Offer Shares after taking into consideration, amongst others, the historical market prices of Daibochi Shares.

Further, the Share Offer Price is in compliance with Paragraph 6.03(2) of the Rules, which states that the offer price in a voluntary take-over offer must not be less than the highest price (*excluding stamp duty and commission*) paid or agreed to be paid by the offeror or persons acting in concert for any voting shares or voting rights to which the take-over offer relates, during the offer period and within 3 months prior to the beginning of the offer period.

The Share Offer Price of **RM2.70** per Offer Share represents a premium over the following last transacted prices and the volume weighted average market prices ("**VWAP**") of Daibochi Shares:-

	Share price	Premium	
	RM	RM	%
Last transacted price of Daibochi Shares as at the LTD	2.39	0.31	12.97
5-day VWAP of Daibochi Shares up to and including the LTD	2.42	0.28	11.57
1-month VWAP of Daibochi Shares up to and including the LTD	2.32	0.38	16.38
3-month VWAP of Daibochi Shares up to and including the LTD	2.30	0.40	17.39
6-month VWAP of Daibochi Shares up to and including the LTD	2.36	0.34	14.41
1-year VWAP of Daibochi Shares up to and including the LTD	2.54	0.16	6.30

(Source: Bloomberg)

Warrant Offer Price

The Warrant Offer Price is the price at which the Offeror is willing to acquire the Offer Warrants after taking into consideration, amongst others, the historical market prices of Daibochi Warrants.

Further, the Warrant Offer Price is in compliance with Note 2 to Rule 8 of the Rules, which states that the appropriate offer price for such convertible securities is at least the higher of the following:-

- (a) the "see-through" price, which is the excess of the offer price for the underlying securities over the exercise price of the convertible securities; or
- (b) the highest price paid by the Offeror, ultimate offerors and person(s) acting in concert with them during the offer period and within 6 months prior to the commencement of the offer period.

The Warrant Offer Price of **RM0.32** per Offer Warrant represents a premium/ (discount) to the following last transacted prices and the VWAPs of Daibochi Warrants:-

	Warrant price	Premium/ (discount)	
	RM	RM	%
Last transacted price of Daibochi Warrants as at the LTD	0.20	0.12	60.00
5-day VWAP of Daibochi Warrants up to and including the LTD	0.18	0.14	77.78
1-month VWAP of Daibochi Warrants up to and including the LTD	0.16	0.16	100.00
3-month VWAP of Daibochi Warrants up to and including the LTD	0.16	0.16	100.00
6-month VWAP of Daibochi Warrants up to and including the LTD	0.19	0.13	68.42
1-year VWAP of Daibochi Warrants up to and including the LTD	0.35	(0.03)	(8.57)

(Source: Bloomberg)

2.4 Source of funding

The Offer will be funded via a combination of internally generated funds and bank borrowings. Based on internal preliminary discussion at this juncture, the indicative quantum of the funding is estimated to be in the following portion: 50% via internally generated funds and 50% via bank borrowings.

2.5 Liabilities to be assumed

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by the Offeror arising from the Offer.

2.6 Additional financial commitment required

Upon completion of the Offer, there are no additional financial commitments to be incurred by the Offeror to put the business of Daibochi on-stream, as Daibochi is already an on-going business entity with an established historical profit track record as set out in Section 3 of this announcement. For the shareholders' information, for the past 3 financial years/ period up to the financial year ended ("FYE") 31 July 2020, Daibochi has consistently generated positive cash flow from its operating activities amounting to RM31.22 million, RM61.28 million and RM120.56 million, respectively.

2.7 Listing status of Daibochi

The Offeror **does not intend** to maintain the listing status of Daibochi.

3. INFORMATION ON DAIBOCHI

Daibochi is a public company limited by shares and was incorporated in Malaysia under the laws of Malaysia on 17 October 1972 as a private limited company under the name of Daibochi Plastic and Packaging Industry Sdn Bhd. On 9 July 1990, it was converted to a public company and subsequently listed on the then Second Board of the Kuala Lumpur Stock Exchange ("**Second Board**") on 3 October 1990. Subsequently, on 28 March 2003, it was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**")).

As at the LTD, the share capital of Daibochi is RM163,090,702 comprising 327,372,219 Daibochi Shares (excluding 550,100 treasury shares). In addition, Daibochi has a total of 27,296,952 outstanding Daibochi Warrants as at the LTD. Each Daibochi Warrant is exercisable into 1 new Daibochi Share at an exercise price of RM2.50 per Daibochi Share payable in cash during a tenure of 5-year exercise period of up to 19 June 2022.

Daibochi is principally involved in the manufacturing and marketing of flexible packaging materials whilst its operating subsidiaries are involved in investment holding, manufacturing and marketing of packaging materials.

The directors of Daibochi and their direct shareholdings in Daibochi as at the LTD are as follows:-

Name	Designation	No. of shares	%*
Heng Fu Joe	Chairman and Independent Non-Executive Director	40,000	0.01
Chang Chee Siong	Managing Director	32,000	0.01
Low Geoff Jin Wei	Executive Director	-	-
Caroline Ang Choo Bee	Independent Non-Executive Director	-	-
Faris Salim Cassim	Independent Non-Executive Director	-	-
Heong Mun Foo	Executive Director	-	-

Note:-

* Computed based on 327,372,219 Daibochi Shares (excluding treasury shares)

The substantial shareholders of Daibochi and their shareholdings in Daibochi as at the LTD are as follows:-

Substantial shareholders	<-----Direct----->		<-----Indirect----->	
	No. of shares	%*	No. of shares	%*
Scientex Berhad	202,587,460	61.88	-	-
HSBC Nominees (Asing) Sdn Bhd - TNTC for Apollo Asia Fund Ltd	30,708,576	9.38	-	-
HSBC Nominees (Asing) Sdn Bhd - Quintet PB (Europe) S.A. for Samarang UCITS – Samarang Asian Prosperity	16,558,540	5.06	-	-
Scientex Holdings Sdn Bhd	-	-	202,587,460 ^{*1}	61.88
Lim Peng Jin			202,587,460 ^{*2}	61.88
Lim Peng Cheong			202,587,460 ^{*3}	61.88

Notes:-

* Computed based on 327,372,219 Daibochi Shares (excluding treasury shares)

^{*1} Deemed interest through Scientex pursuant to Section 8 of the Companies Act, 2016 ("Act")

^{*2} Deemed interest through Scientex by virtue of his interests in Scientex Holdings Sdn Bhd, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Progress Innovations Sdn Bhd pursuant to Section 8 of the Act

^{*3} Deemed interest through Scientex by virtue of his interests in Scientex Holdings Sdn Bhd, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Paradox Corporation Sdn Bhd pursuant to Section 8 of the Act

A summary of the financial information of Daibochi based on its latest audited consolidated financial statements for the past 3 financial years up to the FYE 31 July 2020 as well as the latest unaudited consolidated financial statements for the 9-month financial period ended ("FPE") 30 April 2021, is as follows:-

	<----- Audited ----->			Unaudited
	12-month FYE 31 December 2017 RM'000	19-month FPE 31 July 2019* RM'000	12-month FYE 31 July 2020 RM'000	9-month FPE 30 April 2021 RM'000
Revenue	388,647	699,336	619,277	468,143
Gross profit	56,169	70,355	98,939	67,862
Profit before tax ("PBT")	35,748	24,879	63,302	46,055
Profit after tax attributable to owners of the company ("PAT")	25,932	17,298	47,670	38,142
PAT margin (%)	6.67	2.47	7.70	8.15
Share capital	164,163	164,176	164,176	164,235
Shareholders' funds/ net assets ("NA")	200,848	206,174	252,792	276,044
Deposits, cash and bank balances	18,306	18,562	28,484	19,834
Total borrowings	69,875	62,627	78,239	62,354
No. of shares in issue ('000) (excluding treasury shares)	327,668	327,348	327,348	327,372
Basic earnings per share ("EPS") (sen)	7.92	5.28	14.56	11.65
NA per share (RM)	0.61	0.63	0.77	0.84
Gross gearing ratio (times)	0.35	0.30	0.31	0.23
Net gearing ratio (times)	0.26	0.21	0.20	0.15
Current ratio (times)	1.57	1.55	1.16	1.10
Cash flow from operating activities	31,224	61,279	120,561	67,238

Note:-

- * *The board of directors of Daibochi had on 29 April 2019 announced on the change of Daibochi's FYE from 31 December to 31 July, and that the new financial period commences from 1 January 2018 to 31 July 2019 (covering a period of 19 months). Thereafter, the financial year of Daibochi shall revert to 12 months ending 31 July, for each subsequent year*

Commentary on past performance:-

12-month FYE 31 December 2017

For the FYE 31 December 2017, Daibochi and its subsidiaries (collectively, the "**Daibochi Group**") recorded a revenue of RM388.65 million which represents an increase of 4.7% as compared to RM371.16 million in the preceding financial year, mainly due to new contributions from its new Myanmar plant (operated by its 60%-owned subsidiary company, namely Daibochi Packaging (Myanmar) Company Limited), in addition to the increase in both export and local sales.

Daibochi Group's PBT increased by 19.4% to RM35.75 million for the FYE 31 December 2017 as compared to RM29.95 million in the preceding financial year, mainly due to higher operating profit derived from new contributions from Myanmar plant, better sales mix, improved operating efficiency and better wastage control.

19-month FPE 31 July 2019

The board of directors of Daibochi had on 29 April 2019 announced on the change of Daibochi's FYE from 31 December to 31 July, and that the new financial period commences from 1 January 2018 to 31 July 2019 (covering a period of 19 months). Therefore, the comparative figures for the 19-month FPE 31 July 2019 and the preceding 12-month FYE 31 December 2017 may not be entirely comparable.

For the 19-month FPE 31 July 2019, Daibochi Group recorded a revenue of RM699.34 million which represents an increase of 79.9% as compared to RM388.65 million in the preceding 12-month FYE 31 December 2017. Of the total group revenue, exports continued to make up the largest share at RM379.68 million, representing 54.3% of Daibochi Group's revenue while domestic sales contributed the remaining RM319.66 million, representing 45.7% of Daibochi Group's revenue.

Daibochi Group's PBT decreased by 30.4% to RM24.88 million for the 19-month FPE 31 July 2019 as compared to RM35.75 million in the preceding 12-month FYE 31 December 2017, mainly due to the recognition of a one-off merger and acquisition related transaction cost of RM6.39 million and inventories write-down/off of RM11.38 million.

12-month FYE 31 July 2020

Please note that the change in the preceding financial year end commenced from 1 January 2018 to 31 July 2019 (covering a period of 19 months), and that the financial year of Daibochi has since been reverted to 12 months ending 31 July, for each subsequent year commencing from 31 July 2019 onwards. Therefore, the comparative figures for the 12-month FYE 31 July 2020 and the preceding 19-month FPE 31 July 2019 may not be entirely comparable.

For the 12-month FYE 31 July 2020, Daibochi Group recorded a revenue of RM619.28 million which represents a decrease of 11.45% as compared to RM699.34 million in the preceding 19-month FPE 31 July 2019. However, for illustration purpose, in the event the preceding 19-month FPE 31 July 2019 was annualised to a 12-month basis, Daibochi Group would have recorded a higher revenue of RM619.28 million (or increase of 40.2%) for the FYE 31 July 2020 as compared to the annualised revenue of RM441.69 million in the preceding FYE 31 July 2019. The increase was mainly due to the inclusion of new sales contribution from Mega Printing & Packaging Sdn Bhd ("**Mega**") as well as better sales in both the local and export markets.

For information purpose, Daibochi had in August 2019 completed the acquisition of the entire equity interest in Mega for a total cash consideration of RM125.0 million. Mega, which principally manufactures flexible plastic packaging (FPP) for end users comprising printed and laminated structures in roll-form and pre-made pouches mainly for food and beverage ("**F&B**") applications, mainly serves F&B clientele in the domestic market.

Daibochi Group's PBT increased by 154.4% to RM63.30 million for the 12-month FYE 31 July 2020 as compared to RM24.88 million in the preceding 19-month FPE 31 July 2019, mainly due to improved operational efficiency through the integration of internal processes, best practices and supply chain with Scientex and Mega.

9-month FPE 30 April 2021

For the 9-month FPE 30 April 2021, Daibochi Group recorded a revenue of RM468.14 million which represents a marginal increase of 1.0% as compared to RM463.50 million in the preceding year corresponding period, as sales remained stable with the domestic market contributed RM264.43 million or 56.5% of its revenue, whilst the export market contributed RM203.71 million or 43.5% of its revenue.

Daibochi Group's PBT decreased by 8.2% to RM46.06 million for the 9-month FPE 30 April 2021 as compared to RM50.18 million in the preceding year corresponding period, mainly due to higher cost of raw material which had impacted its sales margin.

4. RATIONALE FOR THE OFFER

A stronger platform for the Offeror to grow the flexible packaging business globally

The Offer provides the Offeror with greater flexibility and autonomy to rationalise its business activities and to streamline the operations of both Daibochi and the enlarged Scientex Group, to achieve greater operational efficiencies to grow the flexible packaging business.

Against the backdrop of the on-going COVID-19 pandemic, there is a growing need for companies to be proactive and agile in order to react fast and cushion the impact of the vagaries of the external environment whilst continuing to strengthen and build business resilience. For long-term business sustainability, the Offeror views that it is crucial for Daibochi to strengthen its production efficiencies and operational resilience through the implementation of risk mitigation and business continuity plans, which serves to further enhance its competitive edge and reinforce the confidence of both its local and multinational customers ("**MNCs**"). These objectives are aimed at providing a strong and sustainable platform for Daibochi to realise its long-term growth potential in the global flexible packaging industry. Accordingly, the Offeror believes that at this juncture, the privatisation of Daibochi will accord greater flexibility to the Offeror to pursue and implement, amongst others, the following:-

- (i) streamline its production, supply chain, business development and administrative functions as an overall means to optimise the enlarged Scientex Group's operational efficiency, that are also aligned to its sustainability roadmap.
- (ii) leverage on the larger scale of the Scientex Group's manufacturing facilities which are located at multiple states across Peninsular Malaysia as well as in other parts of Southeast Asia and United States of America. The Offeror is well positioned to provide the necessary capital resources in terms of manufacturing facilities, capacity, capability and expertise, which are readily available within the Scientex Group to establish an integrated business continuity plan within a shorter time frame at optimum cost. With that, Daibochi can be in a better position to meet the stringent requirements of MNCs and local prominent brands, who are increasingly reliant on suppliers that are equipped with good risk management and business contingency plans with the capacity and capability to provide reliable, dependable and quality products on a consistent basis.

- (iii) provide immediate access for Daibochi to tap into a broader asset and capital base of the Offeror, leverage on its strength and financial resources to enhance its converting capabilities and improve operational efficiencies to compete in the global converting segment. This will enable Daibochi to capture more market opportunities to capitalise on the fast-growing flexible plastic packaging industry under the enlarged Scientex Group.

Pursuant to the Offer, the Offeror does not intend to maintain the listing status of Daibochi. The de-listing of Daibochi through the Offer, if materialised, is also expected to eliminate the administrative efforts and costs in maintaining the listing of Daibochi and re-divert resources towards its core business.

Premised on the above, the Offer facilitates the Offeror's intention to de-list and/ or privatise Daibochi, and in turn provides the Offeror with greater liberty in deciding on the strategic direction of Daibochi and the flexibility for Daibochi's group structure and business to be restructured, reorganised and rationalised should the need arise.

Opportunity for the Holders to realise their investments in Daibochi Shares and/ or Daibochi Warrants

The Offer provides an avenue for the Holders of Daibochi who wish to realise their investments in Daibochi Shares and/ or Daibochi Warrants on a wholesale basis immediately at the Share Offer Price and/ or Warrant Offer Price, respectively.

The Share Offer Price represents a premium ranging from 6.30% to 17.39% over the last closing price of Daibochi Shares as at the LTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Daibochi Shares up to and including the LTD. In addition, the Share Offer Price represents a premium of 221.43% over the latest unaudited consolidated NA per Daibochi Share of RM0.84 as at 30 April 2021. Meanwhile, the Warrant Offer Price represents a premium ranging from 60.00% to 100.00% over the last closing price of Daibochi Warrants as at the LTD, and the 5-day, 1-month, 3-month and 6-month VWAPs of Daibochi Warrants up to and including the LTD.

5. FUTURE PROSPECTS OF DAIBOCHI GROUP

The overall market environment remains challenging on the back of the on-going COVID-19 pandemic. Whilst Daibochi has been permitted to operate its Malaysian based plants as its flexible plastic packaging ("**FPP**") products and solutions are deemed part of the essential supply chain to support the essential F&B and fast moving consumer goods ("**FMCG**") segments, it continues to face operational challenges arising from the implementation of various Government mandated containment measures including, restrictions in movement and workforce capacity and stringent compliance with standard operating procedures ("**SOPs**"). Notwithstanding the challenging environment that it currently operates under, Daibochi nevertheless is required to assure both domestic brandowners and MNCs that it remains in a position to provide uninterrupted and reliable production delivery of its FPP products and solutions which are crucial inputs to support the essential F&B and FMCG segments. Against such backdrop of operational restrictions and increased SOP compliance costs, Daibochi is committed and will continue to serve both the domestic and export markets subject to strict adherence with the necessary SOPs as well as ensuring the utmost safety and wellbeing of its stakeholders including its employees.

In its Myanmar operations, Daibochi continues to monitor the uncertainties in Myanmar's socioeconomic and political climate. Meanwhile, higher freight costs and volatility in raw material prices in the global markets may continue to weigh on prospects. Notably, Daibochi has a stable and reliable supply of raw materials from Scientex, a major purchaser of plastic resins, which would help manage supply chain issues more efficiently.

As set out in Section 4 of this announcement, the Offer provides the Offeror an opportunity to *inter alia* leverage on the strengths and resources of the Offeror which will see the Offeror having more flexibility to reorganise, rationalise and streamline the combined business and operational structures of the flexible plastic packaging manufacturing arm of the enlarged Scientex Group.

The established Scientex brand name, together with its strong balance sheet and financial resources offers an opportunity for Daibochi to fully leverage on the Offeror's organisational strengths, operational capabilities and stable financial resources to accelerate and capture the fast-growing global flexible plastic packaging business. Daibochi which currently has limited resources relative to the Scientex Group, where upon completion of the Offer and being a wholly-owned subsidiary of Scientex in the enlarged Scientex Group, would have immediate access to the readily available resources and support of the enlarged Scientex Group to facilitate Daibochi's growth plans and strengthen its business continuity plans which is expected to be better received with greater confidence by both domestic brandowners and MNCs. In addition, with better operational and technical synergies with the Scientex Group, it will be in a better position to develop more sustainable packaging products which includes fully recyclable mono material laminate solution.

Barring any unforeseen circumstances, the Offer provides the opportunity for Daibochi to further scale up its revenue growth potential, strengthen its market reputation and build a larger customer footprint within the domestic and global market. The management of Scientex believes that the Offer, which entails the acquisition by Scientex of the remaining interests in Daibochi not already held by it, may potentially augur well for the future growth prospects of enlarged Scientex Group.

(Source: Management of Scientex)

6. RISK FACTORS

Daibochi is currently a 61.88%-owned subsidiary of the Offeror. Daibochi is subject to risks inherent in the plastic packaging industry, of which Scientex Group is also subject to the similar known business and industry risks. Therefore, such risk factors associated with the further investment in Daibochi are already known and mitigating measures would have already been implemented and will continuously be implemented given Scientex Group's experience in the plastic packaging industry.

Nevertheless, the other potential risk factors that may arise from the Offer, which may not be exhaustive, are set out below:-

6.1 Acquisition risk

There is no assurance that the anticipated benefits will be realised through the Offer which entails the acquisition by Scientex of the remaining interests in Daibochi not already held by it. Accordingly, there can be no assurance that such anticipated benefits will be realised, and/ or that Scientex Group will be able to generate sufficient returns to offset the associated costs arising from Offer to acquire such remaining interests in Daibochi not already held by it.

Notwithstanding that, the Board of Directors of Scientex ("**Board**") will seek to mitigate such risks by conducting periodic assessments and reviews, and to monitor the financial performance of Daibochi in order to make the necessary investment decision on Daibochi. Scientex Group is also operating in the same business and industry in which Daibochi operates in, and is therefore familiar with the risk involved and the business environment within the plastic packaging sector.

6.2 Financing risk

Scientex intends to finance the Offer consideration through a combination of internally generated funds and bank borrowings. Incurring any additional bank borrowings to finance the Offer consideration may expose Scientex Group to additional interest expense and debt servicing risks going forward. Notwithstanding that, the management of Scientex shall continuously monitor and review its debt portfolio, taking into consideration the gearing level, interest costs as well as cash flows in achieving an optimal structure.

7. FINANCIAL EFFECTS

7.1 Share capital and substantial shareholding structure

The Offer will not have any effect on the issued share capital and the substantial shareholding structure of Scientex, as the consideration for the Offer will be satisfied entirely in cash.

7.2 NA and gearing

Based on the latest audited consolidated statements of financial position of Scientex Group as at 31 July 2020, the pro forma effects of the Offer (assuming full and valid acceptances of the Offer) on the NA per share and gearing of the Group are as follows:-

	Audited as at 31 July 2020 RM'000	I After adjusting for subsequent events ^{*1} RM'000	II After I and the completion of the Offer RM'000
Share capital	691,782	703,250	703,250
Other reserves	106,644	106,644	106,644
Retained earnings	1,762,966	1,622,543	1,621,843 ^{*3}
Shareholders' funds/ NA	2,561,392	2,432,437	2,431,737
No. of shares (excluding treasury shares) ('000)	515,877	1,550,656	1,550,656
NA per share (RM)	4.97	1.57	1.57
Total borrowings	1,041,060	1,041,060	1,213,702 ^{*4}
Deposit, cash and bank balances	413,244	284,290 ^{*2}	110,949 ^{*3,*4}
Net borrowings	627,816	756,770	1,102,753
Gross gearing ratio (times)	0.41	0.43	0.50
Net gearing ratio (times)	0.25	0.31	0.45

Notes:-

^{*1} After adjusting for the following events from 1 August 2020 up to the LTD:-

- a. issuance of 988,000 new ordinary shares in Scientex ("**Scientex Share(s)**") at the issue price of RM11.34 per Scientex Share amounting to approximately RM11.2 million pursuant to the share grant plan of Scientex, on 5 October 2020;
- b. issuance of 1,033,729,544 new Scientex Shares on the basis of 2 bonus shares for every 1 existing Scientex Share on 14 January 2021, and the issuance of 103,372,778 free warrants 2021/2026 in Scientex ("**Scientex Warrant(s)**") on 15 January 2021;
- c. issuance of a total of 61,713 new Scientex Shares arising from the exercise of outstanding Scientex Warrants at the exercise price of RM4.30 each from 1 August 2020 up to the LTD;
- d. a single tier final dividend of 13 sen per share declared on 17 December 2020 and paid on 13 January 2021, amounting to RM67.19 million; and
- e. a single tier interim dividend of 4 sen per share declared on 23 June 2021 and paid on 23 July 2021, amounting to RM62.03 million

² After the payment of dividend amounting to RM129.22 million as set out in notes (1)(d) and (1)(e) above, and receipt of RM0.27 million in cash proceeds arising from the exercise of 61,713 Scientex Warrants as set out in note (1)(c) above

³ After deducting the estimated expenses of approximately RM700,000 in relation to the Offer

⁴ Assuming the Offer is fully funded via a combination of internal generated funds of RM172.64 million and bank borrowings of RM172.64 million

7.3 Earnings and EPS

For illustration purposes only, assuming that the Offer had been effected at the beginning of the FYE 31 July 2020, the pro forma effects of the Offer (assuming full and valid acceptances of the Offer) on the earnings and EPS of the Group are as follows:-

	FYE 31 July 2020 RM'000	After completion of the Offer RM'000
PAT attributable to:-		
- Owners of Scientex	390,114	407,584 ^{*1}
- Non-controlling interests	27,912	9,742 ^{*1}
	418,026	417,326
Weighted average no. of shares ('000)	515,641	515,641
Basic EPS^{*2} (sen)	75.66	79.04

Notes:-

^{*1} After accounting for the latest audited PAT of Daibochi of RM47.67 million for the FYE 31 July 2020 represented by 100% equity interest in Daibochi pursuant to the completion of the Offer, and after deducting the estimated expenses of approximately RM700,000 in relation to the Offer

^{*2} Computed based on PAT attributable to owners of Scientex divided by weighted average no. of shares

Notwithstanding the above, the impact of the Offer on the earnings and EPS of Scientex Group moving forward will depend on the future earnings generated from Daibochi.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 13.48%, computed based on the Offer consideration (assuming full and valid acceptances of the Offer) over the audited consolidated NA attributable to the owners of Scientex as at 31 July 2020.

9. APPROVALS REQUIRED

The Offer is not subject to the approval of the shareholders of Scientex. However, the Offer is subject to the clearance of the SC for the issuance of the Offer Document, the draft of which will be submitted to the SC within 4 days from the date of the Notice.

Further, the Offer is not conditional upon any other corporate proposals of Scientex.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors and/ or major shareholders of Scientex and/ or persons connected to them have any interest, either direct or indirect, in the Offer.

For information purpose, Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim ("**TSDM**"), by virtue of him being the Chairman and Non-Independent Non-Executive Director of Scientex and also a shareholder of Daibochi (holding 17,500 Daibochi Shares directly, representing 0.005% equity interest in Daibochi), is deemed as a person acting in concert with the Offeror ("**PAC**") pursuant to Section 216 of the Capital Markets and Services Act, 2007 ("**CMSA**"). Notwithstanding that the Offer shall extend to the Holders equally (including the PAC), TSDM is however, not a director or major shareholder of Daibochi. Accordingly, the Offer does not constitute a related party transaction. However, premised on good corporate governance, and in view that the Offer shall also extend to the Offer Securities held by him, TSDM has voluntarily abstained and will continue to abstain from deliberating and voting at all relevant board meeting(s) of Scientex in relation to the Offer.

11. DIRECTORS' STATEMENT

The Board (save for TSDM who has voluntarily abstained from the deliberations and voting at all relevant board meeting(s) of Scientex in respect of the Offer), having considered all aspects of the Offer, including the rationale and financial effects for the Offer, is of the opinion that the Offer is in the best interest of Scientex.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Offer is expected to be completed by the fourth quarter of 2021.

13. ADVISER

UOBKH has been appointed as the Principal Adviser in relation to the Offer.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The Notice 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 (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 13 September 2021.