



healthy, friendly & happy...

SCIENTEX BERHAD (7867-F)

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5 December 2017

Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

BY FAX & HAND

Attn : Cik Lya Rahman

Dear Sir,

**RE: FORTY-NINTH ANNUAL GENERAL MEETING ("AGM") OF SCIENTEX BERHAD
("Company" or "the Group")**

We refer to the above and to your letter dated 30 November 2017.

We are pleased to forward hereinbelow the Board's reply in response to the queries raised in your said letter. For ease of reference, the questions raised are reproduced herein as follows:-

Strategy/Financials

1) Manufacturing

- a) What are the current utilization rates for the Group's plants and the targeted capacity to achieve in the next few years in line with the Group's expansion trajectory?

Answer : With the completion of the Group's capacity expansion which has been on-going for the last few years, the Group is presently operating at approximately 60% capacity utilization based on its existing and newly installed capacity. As demand increases, production capacity will gradually be ramped up and the Group hopes to achieve 90% capacity utilisation rate over the next 3 years as it seek to achieve full production capacity.

- b) To-date, how much funds have been spent for capital expenditure? What is the Group's rate of return on the capital investment?

Answer : The Group has been on an expansion mode for the last 3 years with an estimated sum of RM500 million being invested for its manufacturing division in order to achieve sustained growth over the middle and longer term. Overall, the Group's manufacturing division has been able to obtain an estimated 10% returns on its capital investment.

- c) Please update on the Group's effort to explore new suppliers to expand its supplier base to meet its growth?

Answer : The Group is actively engaged with most of the global resin suppliers to ensure that its raw material supply is adequate to meet its growing demands with some of these existing suppliers presently in various stages of increasing their supply capacity. At the same time,

the Group will continue to seek out potential new suppliers who has the production capacity to address the supply requirements of the Group.

- d) Please brief shareholders on the aggressive marketing stance launched by the Group, its budgeted costs as well as the current achievements.

Answer : Global demand for packaging products remains on an uptrend and the Group will continue to tap on global demand and expand its markets in both existing and new markets globally. The Group is also jointly collaborating with its multinational buyers to develop new products and or to improve on its existing products through research and development as it develops customized products and seeks to penetrate new market segments for its diverse range of products. As such, marketing costs will correlate with the pace of its sales growth.

2) Property Development

As reported, the Group remains cautious on its property development business as uncertainties continue to prevail in the domestic and global economies.

- a) What is the Group's view of the latest restriction by the Ministry of Finance on the supplying commercial, industrial and prospects of high end projects? Is there any impact on the Group's future plan?

Answer : For the Group, the current action of the Government has little and or minimal impact on the Group as it remains focused on affordable homes where demand remains resilient and strong. The Group will continue to focus in this category for the foreseeable future.

- b) What are the current take-up rates for Pasir Gudang and Scientex Klebang?

Answer : The Group's take-up rate for projects in Pasir Gudang is approximately 90% till date. As for Scientex Klebang and Scientex Meru located in Ipoh which forms part of its first project outside Johor and Melaka, it has seen an overall take up rate of 80%.

- 3) What were the reasons for sharp increase in other expenses by 161% from RM4.2 million in FY2016 to RM11.00 million in FY2017?

Answer : The increase is attributable to the recording of both realized and unrealized foreign exchange losses incurred due to the strengthening of the United States Dollar from RM4.08 to RM4.28 vis-à-vis Ringgit Malaysia based on the closing rates for FY2016 and FY2017 respectively.

Corporate Governance

1) Long Serving Independent Non Executive Directors

We note that 2 out of 5 Independent Non-Executive Directors (INEDs) have served the Board for more than 9 years.

We hope the Board would look into the Succession Planning taking cognisance of the requirements under Practice 4.2 of the Malaysian Corporate Governance Code 2017 relating to independent directors who have served the Board for more than nine years.

Answer : The Board does not set any limit on the tenure that the independent directors can serve on the Board. The Board recognizes that the skills and wealth of experience that the independent directors can bring to the Board are highly valued and there are significant advantages to be gained from long serving directors who provide invaluable insight and possess in-depth knowledge of the Group's affairs. The Board is of the opinion that the current Board of Directors, with its long serving independent directors and the admission of Dato' Noorizah Binti Hj Abd Hamid in November 2016 and Mr Wong Chin Mun recently in October this year, consists of a good mix of skills, knowledge, competency and experience that is required for the continuous growth of the Group. The Board further assures that the Nomination and Remuneration Committee will continue to play its role to assess the effectiveness of the Board and the independence of all independent directors and review the performance of all directors as and when required and ensuring full compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

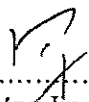
2) Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' website.

However, we noted that the Company did not publish the summary of the key matters discussed at the previous year AGM.

Answer : The Group has fully complied with the requirements of Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements and the key summary of the last AGM has been published after the AGM under the investor relations section of the Group's website which is accessible to the public at all times.

We trust that we have adequately replied to your queries raised therein. On behalf of the Board, we thank MSWG for raising the questions in the interest of all parties.

Yours faithfully
For and on behalf of the Board of Directors
Scientex Berhad


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Lim Pong Jin
Managing Director