



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

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING HELD AT SCIENTEX PACKAGING FILM SDN BHD, LOT 4, JALAN SUNGAI PINANG 4/3, SEKSYEN 4, TAMAN PERINDUSTRIAN PULAU INDAH, 42920 PELABUHAN KLANG, SELANGOR DARUL EHSAN ON MONDAY, 11 FEBRUARY 2019 AT 11.00 A.M.

YBhg. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim ("the Chairman") chaired the Extraordinary General Meeting of Scientex Berhad ("the Company") ("EGM"). The Chairman called the Meeting to order at 11.00 a.m. after confirmation of the requisite quorum being present at the EGM. With the consent of the shareholders and proxies present at the EGM, the Notice convening the EGM having been circulated earlier, was taken as read. The Chairman and Poll Administrator then briefed the conduct and process for the EGM, voting and e-polling before the Meeting proceeded with the formal agenda of the EGM. The independent Scrutineer also confirmed the e-polling procedures and system have been tested and proven reliable.

The representative of the principal adviser, RHB Investment Bank Berhad was invited to present the details of the Proposals to the shareholders.

The Company received letter from the Minority Shareholders Watch Group ("MSWG") and the Company's written reply to the questions were presented and read out to the shareholders at the EGM, as follows:-

1. As stated on page 18 of the Circular to shareholder in relation to the EGM, the proposed acquisition of stake in Daibochi Bhd is set to enhance Scientex's operating capabilities and economies of scale through synergistic and complementary products portfolios with increased product differentiation to better serve its customers. What is the differentiation in terms of products and how will it better serve your customers?

Answer: Due to the rising urgent demand for more eco-friendly products, most international brand owners have set targets to use fully recyclable packaging materials by 2025. Scientex, with its technical expertise in PE, CPP and BOPP based films, is able to leverage on the respective expertise of the various global resin producers, established machine producers and Daibochi's converting experience with select brand owners towards enhancing its overall capabilities to innovate and produce fully recyclable mono-polymer based laminated products. These innovative products are expected to differentiate Scientex from the other packaging producers as international brand owners are expected to enjoy greater acceptance of these products and thus, global demand for such products is expected to accelerate in the future. Through this product differentiation, Scientex hopes to be able to better serve its customers and have access to more international brand owners as the global packaging industry begins to adopt more eco-friendly packaging solutions.

2. How will the acquisition contribute to Scientex's topline and bottomline?

Answer : Subject to the completion of the Proposals(as defined in the Circular), Scientex's topline will increase if the percentage of equity interest of Scientex in Daibochi is above 50% of Daibochi's total share capital.

The contribution to Scientex's bottomline will also depend on the percentage of equity interest to be held by Scientex in Daibochi pursuant to the Proposals. Please refer to Section 9.4 of the Circular for further illustrations on the effects of the Proposals on Scientex's bottomline.

3. As stated on page 9 of the Circular, the offer price of RM1.60 per Daibochi share represents a price-to-earnings ratio (PER) of 20 times and price to book value (P/BV) of 2.62 times.

The PE and P/BV of the acquisition are higher than most of the selected comparable companies (page 11 of the Circular), and are higher than most of the acquisitions done by Scientex in the past such as Klang Hock Plastic Industries Sdn Bhd (PER of 17.14 times and P/BV of 1.69 times), Mondi Ipoh Sdn Bhd (PER of 20.7 times and P/BV of 1.55 times), and Great Wall Plastic Industries Bhd and GW Packaging Sdn Bhd (PER of 14.38 times and P/BV of 1.46 times).

What is the rationale for offering a comparatively richer valuation on the shares of Daibochi?

Answer: Although the implied PER and PB multiples are above the average multiples of the selected comparable companies, the implied PER and PB multiples are within the range of their respective valuation multiples. As illustrated in Section 2.1.6 of the Circular, the Offer Price of RM1.60 represents a discount of 22.33% to the 6 months VWAMP of Daibochi shares up to and including 13 November 2018, being the last transacted price of Daibochi shares prior to the signing of the HOA.

Amongst others, factors taken into consideration for the valuation include the potential prospects of growth for Daibochi and Scientex in new and expanding markets such as Myanmar and the surrounding countries in the region as well as having greater access to international brand owners currently served by Daibochi. For more details, please refer to Section 6 of the Circular.

On behalf of the Board, the Chairman thanked MSWG for its attendance and for raising the questions in the interest of all parties.

Thereafter shareholders raised questions on key matters, in which the Managing Director of the Company provided the explanation and answers, amongst others:-

- i) Scientex group was poised to benefit from the increasing opportunities in the food and beverages industry as well as fast moving consumer goods in Myanmar through the proposed acquisition of Daibochi as Myanmar was transitioning from a closed to open economy. The Group also hopes to scale up its operation to tap onto the fast growing market in Myanmar.
- ii) The market demand for sustainable packaging products had been increased due to the rising concern on environmental issues. The merger of Scientex and Daibochi will see benefits in terms of knowledge sharing on research and development in the field of flexible packaging which would enable the Group to develop a wider range of sustainable packaging products in collaboration with brands owners and multinational corporation.
- iii) Prior to the conclusion of the proposed mandatory take-over offer, Scientex was not able to comment on the possible changes in the accounting policies, financial year end, composition of the board of directors of Daibochi etc. It will depend on the outcome of the take-over offer and whether Daibochi will eventually become a subsidiary of Scientex Group. Shareholders were also advised to refer to Daibochi's website for the growth strategy and expansion plan of Daibochi.
- iv) Scientex do not have any plan to dismiss or make redundant any of the employees of Daibochi Group as a direct consequence of the proposed mandatory-over offer of Daibochi. The combination of expertise of both companies from the upstream and the downstream of the supply chain would accelerate the growth trajectory.
- v) The Group's optimal gearing ratio is less than 0.5 times based on the prevailing business environment and market conditions. It will strive to maintain its gearing ratio at healthy levels while seeking new business opportunities.

The resolution tabled at the EGM and voted upon by way of e-polling and were duly passed by the shareholders present.

The Chairman declared the EGM concluded at 11.50 a.m.