



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

SUMMARY OF KEY MATTERS DISCUSSED AT THE 49TH ANNUAL 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 WEDNESDAY, 6 DECEMBER 2017 AT 11.30 A.M.

YBhg. Tan Sri Dato' Mohd Sheriff bin Mohd Kassim ("the Chairman") chaired the 49th Annual General Meeting of Scientex Berhad ("the Company") ("AGM"). The Chairman called the Meeting to order at 11.30 a.m. after confirmation of the requisite quorum being present at the AGM. With the consent of the shareholders and proxies present at the AGM, the Notice convening the AGM having been circulated earlier, was taken as read. The Chairman and Poll Administrator then briefed the conduct and process for the AGM, voting and e-polling before the Meeting proceeded with the formal agenda of the AGM. The independent Scrutineer also confirmed the e-polling procedures and system have been tested and proven reliable.

The Company received 5 written questions from the Minority Shareholder Watchdog Group ("MSWG"). The letter from MSWG and the Company's written reply to the questions were read out to the shareholders at the AGM, as follows:-

Strategy/Financials

1. Manufacturing

- a) What are the current utilisation rates for the Group's plants and 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 utilisation 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 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 project? 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 RM11.0 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

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

MSWG 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 independent 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.

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

In addition to the questions from MSWG, some shareholders raised questions on the following key matters, to which the Chairman and Managing Director of the Company provided the necessary explanation and answers:-

1. As for the benefits of the Proposed Dividend Reinvestment Plan ("Proposed DRP") to shareholders, the reply was that the Proposed DRP will provide flexibility to shareholders of the Company to meet their investment objective as they would have the option to receive the proposed single tier final dividend of RM0.10 for the financial year ended 31 July 2017 in cash or elect to reinvest such dividend into the Company's shares ("First DRP") at a discount of up to 10% of the 5-day volume weighted average market price of the Company's shares immediately prior to the price-fixing date which will be determined by the Board of Directors of the Company ("the Board") in due course. The subscription of such new shares will be free from any brokerage fees and other related transaction costs, subject to the Proposed DRP being approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") to be held immediately preceding the AGM.
2. The impact of the Proposed DRP on the issued share capital, to which it was replied that there was no immediate material effect on the issued share capital of the Company until such time when new shares were issued pursuant to the Proposed DRP. However, the issued share capital of the Company will be increased progressively pursuant to any exercise by the shareholders of the Company of the reinvestment option whenever it was made available by the Board. Upon implementation of the Proposed DRP, the total new shares to be issued pursuant to the First DRP will amount to approximately 1% of the total issued share capital of the Company assuming all shareholders fully reinvest their entitled dividends into new ordinary shares of the Company pursuant to the First DRP.
3. In relation to the implementation of the Proposed DRP on any subsequent dividends to be declared by the Company, it was replied that the Board may, at its absolute discretion, determine whether to pay such dividends in cash or to offer the shareholders the reinvestment option and where applicable, the size of the dividends that the reinvestment option applies, in the event the Proposed DRP was approved by the shareholders at the EGM. Hence, unless the Board determines that the reinvestment option will apply to a particular dividend (whether in whole or in part), all future dividends as may be declared by the Company will be paid wholly in cash to shareholders in the usual manner.
4. The cost of exercising the First DRP, to which it was explained that the shareholders of the Company who had elected to participate in the Proposed DRP would be requested to complete and sign the Dividend Reinvestment Form and affix a Malaysian Revenue Stamp of RM10.00 onto the Form, unless otherwise decided by the Board. Since the First DRP was in relation to a single tier dividend which was not subject to tax, there was no cost to the shareholders other than the Malaysia Revenue Stamp of RM10.00, unless otherwise provided by any statute, laws or regulations.

All the resolutions tabled at the AGM and voted upon by e-polling were duly passed by the shareholders. The shareholders also received the Audited Financial Statements of the Company for the financial year ended 31 July 2017 together with the Reports of the Directors and Auditors thereon.

The Chairman declared the AGM concluded at 12.30 p.m.