



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

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended 31 July 2018

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**For the financial year ended 31 July 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year
	31.7.2018 RM'000	31.7.2017 RM'000	31.7.2018 RM'000	31.7.2017 RM'000
<b>Revenue</b>	<b>733,154</b>	<b>646,065</b>	<b>2,626,767</b>	<b>2,403,151</b>
<b>Operating profit</b>	<b>108,198</b>	<b>85,502</b>	<b>364,360</b>	<b>325,069</b>
Interest expense	(4,010)	(3,151)	(10,751)	(14,030)
Investing results	2,709	1,932	8,049	6,929
<b>Profit before tax</b>	<b>106,897</b>	<b>84,283</b>	<b>361,658</b>	<b>317,968</b>
Taxation	(17,664)	(11,069)	(67,624)	(58,027)
<b>Profit for the quarter / year</b>	<b>89,233</b>	<b>73,214</b>	<b>294,034</b>	<b>259,941</b>
<b>Profit attributable to:</b>				
Owners of the Company	88,287	72,127	289,806	255,873
Non-controlling interests	946	1,087	4,228	4,068
<b>Profit for the quarter / year</b>	<b>89,233</b>	<b>73,214</b>	<b>294,034</b>	<b>259,941</b>
Earnings per share attributable to owners of the Company (sen per share)	18.06	15.02	59.59	54.83

*(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2017)*



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**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial year ended 31 July 2018

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the financial year ended 31 July 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.7.2018 RM'000	Preceding year corresponding quarter 31.7.2017 RM'000	Current year to date 31.7.2018 RM'000	Preceding year 31.7.2017 RM'000
<b>Profit for the quarter / year</b>	<b>89,233</b>	<b>73,214</b>	<b>294,034</b>	<b>259,941</b>
<b>Other comprehensive income/(loss), net of income tax:</b> Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation of foreign operations	6,813	(1,518)	(6,908)	3,272
Other comprehensive income/(loss) for the quarter / year, net of income tax	6,813	(1,518)	(6,908)	3,272
<b>Total comprehensive income for the quarter / year, net of income tax</b>	<b>96,046</b>	<b>71,696</b>	<b>287,126</b>	<b>263,213</b>
<b>Total comprehensive income for the quarter / year attributable to:</b>				
Owners of the Company	94,447	70,667	283,569	258,332
Non-controlling interests	1,599	1,029	3,557	4,881
	<b>96,046</b>	<b>71,696</b>	<b>287,126</b>	<b>263,213</b>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2017)*

**SCIENTEX BERHAD**  
(Company No: 7867-P)  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 July 2018

	<b>AS AT CURRENT FINANCIAL YEAR ENDED 31.7.2018 RM'000</b>	<b>AS AT PRECEDING FINANCIAL YEAR ENDED 31.7.2017 RM'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,150,608	1,012,570
Investment properties	17,000	17,000
Land held for property development	843,946	500,233
Investment in jointly controlled entity	27,173	24,115
Investment in associate	34,463	31,180
Other investments	7,508	8,552
Deferred tax assets	28,920	18,925
Intangible assets	59,030	12,134
	<b>2,168,648</b>	<b>1,624,709</b>
<b>Current assets</b>		
Property development costs	232,957	165,068
Inventories	263,561	168,778
Trade and other receivables	526,599	427,336
Cash and bank balances	172,316	191,898
	<b>1,195,433</b>	<b>953,080</b>
<b>TOTAL ASSETS</b>	<b>3,364,081</b>	<b>2,577,789</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	453,850	411,843
Reserves	1,309,743	1,123,621
Equity attributable to owners of the Company	1,763,593	1,535,464
Non-controlling interests	69,973	68,416
<b>Total equity</b>	<b>1,833,566</b>	<b>1,603,880</b>
<b>Non-current liabilities</b>		
Borrowings	323,941	166,500
Retirement benefits obligations	31,116	27,803
Deferred tax liabilities	50,638	35,943
	<b>405,695</b>	<b>230,246</b>
<b>Current liabilities</b>		
Borrowings	610,370	301,190
Trade and other payables	490,673	419,449
Tax liabilities	23,777	23,024
	<b>1,124,820</b>	<b>743,663</b>
<b>Total liabilities</b>	<b>1,530,515</b>	<b>973,909</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,364,081</b>	<b>2,577,789</b>
Net assets per share attributable to owners of the Company (RM)	3.61	3.18

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2017)*

**SCIENTEX BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

	Reserves							Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non-distributable				Distributable						
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Property revaluation surplus RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Other reserves RM'000				
At 1 August 2017	411,843	-	-	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880
Profit for the year	-	-	-	-	-	-	-	289,806	289,806	4,228	294,034
Other comprehensive loss for the year	-	-	-	-	(6,237)	-	-	-	(6,237)	(671)	(6,908)
Total comprehensive income for the year	-	-	-	-	(6,237)	-	-	289,806	283,569	3,557	287,126
Issuance of ordinary shares pursuant to Share Grant Plan	1,240	-	-	-	-	-	-	-	1,240	-	1,240
Dividend Reinvestment Plan ("DRP")	40,767	-	-	-	-	-	-	(184)	40,583	-	40,583
Dividends	-	-	-	-	-	-	-	(97,263)	(97,263)	(2,000)	(99,263)
At 31 July 2018	453,850	-	-	55,799	4,905	(1)	461	1,248,579	1,763,593	69,973	1,833,566
At 1 August 2016	115,000	104,324	4,382	55,799	8,683	-	461	886,518	1,175,167	66,495	1,241,662
Profit for the year	-	-	-	-	-	-	-	255,873	255,873	4,068	259,941
Other comprehensive profit for the year	-	-	-	-	2,459	-	-	-	2,459	813	3,272
Total comprehensive income for the year	-	-	-	-	2,459	-	-	255,873	258,332	4,881	263,213
Bonus issue	115,000	(104,324)	-	-	-	-	-	(10,802)	(126)	-	(126)
Private placement	154,263	-	-	-	-	-	-	-	154,263	-	154,263
Acquisition of treasury shares	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Issuance of ordinary shares pursuant to Share Grant Plan	1,779	21,419	-	-	-	-	-	-	23,198	-	23,198
Dividends	-	-	-	-	-	-	-	(75,369)	(75,369)	(2,960)	(78,329)
Transfer arising from "no par value" regime	25,801	(21,419)	(4,382)	-	-	-	-	-	-	-	-
At 31 July 2017	411,843	-	-	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880

*(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2017)*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the financial year ended 31 July 2018**

	<b>12 MONTHS ENDED 31.7.2018 RM'000</b>	<b>12 MONTHS ENDED 31.7.2017 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	361,658	317,968
Adjustments	79,974	79,463
Operating profits before working capital changes	<u>441,632</u>	<u>397,431</u>
Movement in working capital:		
Increase in inventories	(41,002)	(31,474)
Decrease in development properties	102,118	78,988
Increase in receivables	(25,175)	(68,937)
(Decrease)/increase in payables	(4,548)	16,471
<b>Cash generated from operations</b>	<u>473,025</u>	<u>392,479</u>
Taxation paid	(80,076)	(69,608)
Gratuity and retirement benefits paid	(525)	(30)
<b>Net cash from operating activities</b>	<u>392,424</u>	<u>322,841</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Acquisition of subsidiary, net of cash and cash equivalents acquired	(147,377)	-
Purchase of other investments	-	(585)
Purchase of property, plant and equipment	(64,567)	(127,159)
Deposit paid for purchase of property, plant and equipment	(3,297)	(649)
Purchase of land held for development	(495,038)	(115,126)
Deposit paid for purchase of land held for development	(1,379)	(14,072)
Proceeds from disposal of property, plant and equipment	425	-
Proceeds from disposal of other investments	1,050	-
Net dividend received	2,039	636
Interest received	5,308	3,587
<b>Net cash used in investing activities</b>	<u>(702,836)</u>	<u>(253,368)</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Dividends paid to:		
Shareholders of the Company	(56,496)	(102,969)
Non-controlling shareholders of subsidiaries	(2,000)	(2,960)
Acquisition of treasury shares	-	(1)
Net proceeds from private placement	-	154,263
Dividend Reinvestment Plan expenses	(184)	-
Bonus issue expenses	-	(126)
Net drawdown/(repayment) of term loans	163,518	(92,488)
Net drawdown of short term borrowings	201,353	84,688
Interest paid	(15,361)	(18,583)
<b>Net cash from financing activities</b>	<u>290,830</u>	<u>21,824</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(19,582)	91,297
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>191,898</u>	<u>100,601</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>172,316</u>	<u>191,898</u>
Cash and cash equivalents in the cash flow statement comprise :		
Cash and bank balances	136,254	99,788
Short term deposits	36,062	92,110
	<u>172,316</u>	<u>191,898</u>

*(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2017)*

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL QUARTER ENDED 31 JULY 2018**

**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1 Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2017.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2017, except for the adoption of the new and revised Standards and Amendments effective on or after 1 August 2017.

**(i) Adoption of Amendments to FRSs**

The Group adopted the following amendments to FRSs and IC Interpretations, mandatory for annual financial periods beginning on or after 1 August 2017.

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvement to FRSs 2014 - 2016 Cycle

The directors anticipate that the relevant Standards and Amendments adopted will have no material impact on the financial statements of the Group.

**(ii) Malaysian Financial Reporting Standards ("MFRS Framework")**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") has issued a new MASB approved accounting framework, the MFRS Framework, a fully-IFRS compliant framework. Entities other than Private Entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and ventures were given a transitional period of two years, which allow these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2014, the transitional period for TEs has been extended for an additional year.

On 8 September 2015, the MASB announced that Entities other than Private Entities (non-private entities) and Private Entities that have in the alternative chosen to apply the FRS Framework shall comply with the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group being a TE has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to prepare its first set of MFRS financial statements on 31 July 2019.

**A2 Audit report**

The Group's preceding annual financial statements for the financial year ended 31 July 2017 was not qualified.

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**A3 Seasonal or cyclical factors**

The business operations of the Group for the current financial year under review were not materially affected by any seasonal or cyclical factors.

**A4 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current financial year under review.

**A5 Material changes in estimates**

There were no changes in estimates of amounts reported in prior interim periods that have a material effect in the current financial year under review.

**A6 Changes in debts and equity securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year under review, except for the followings:

(i) Share grant plan

On 20 November 2017, the Company issued and allotted 142,000 new ordinary shares to the eligible employees of Scientex Berhad's group of companies, pursuant to the Scientex Berhad Share Grant Plan.

(ii) Dividend reinvestment plan

On 26 January 2018, the Company issued and allotted 5,226,500 new ordinary shares to entitled shareholders of the Company who had elected to reinvest their electable portions of cash dividend arising from the single tier final dividend of 10 sen per ordinary share for the financial year ended 31 July 2017 ("FY2017 Final Dividend") into new ordinary shares of the Company pursuant to the Dividend Reinvestment Plan ("DRP").

As at 31 July 2018, the total number of issued shares of the Company was 488,926,500 ordinary shares, out of which 100 ordinary shares was held as treasury shares.

(iii) Sukuk Murabahah Programme

On 10 July 2018, Scientex Quatari Sdn Bhd ("SQSB"), a wholly-owned subsidiary of the Company made its second issuance of RM200.0 million in nominal value of unrated Sukuk Murabahah based on the Shariah principle of Murabahah (via Tawarruq arrangement) under the Sukuk Murabahah Programme to part finance the acquisition of lands. As at 31 July 2018, the total unrated Sukuk Murabahah in issued stood at RM300.0 million in nominal value, after taking into account of the early redemption of RM50.0 million in nominal value of Sukuk Murabahah made in 2016. The redeemable Sukuk Murabahah are due on 8 January 2020, 8 January 2021, 11 July 2022 and 10 July 2023 for each RM50.0 million and 10 July 2024 for the balance RM100.0 million, and bear profit based on cost of fund plus margin, payable quarterly.

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**A7 Dividends paid**

The amount of dividends paid by the Company since 31 July 2017 were as follows:

RM'000

In respect of the financial year ended 31 July 2017:

Single tier final dividend of 10 sen per ordinary share declared on 6 December 2017 and paid on 26 January 2018*	48,370
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In respect of the financial year ended 31 July 2018:

Single tier interim dividend of 10 sen per ordinary share declared on 20 June 2018 and paid on 13 July 2018	48,893
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	97,263
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\* Out of the total dividend distribution of RM48,369,990, a total of RM40,766,700 was converted into 5,226,500 new ordinary shares of the Company as disclosed in Note A6(ii). The balance portion of RM7,603,290 was paid in cash on 26 January 2018.

**A8 Segment information**

Segment information is presented in respect of the Group's business segments.

**12 months ended 31 July 2018**

	Manufacturing RM'000	Property Development RM'000	Total RM'000
<b>Revenue</b>	1,904,616	722,151	2,626,767
<b>Results</b>			
Profit from operations	126,872	237,488	364,360
Investing results			8,049
Finance cost			(10,751)
Profit before taxation			361,658

**12 months ended 31 July 2017**

	Manufacturing RM'000	Property Development RM'000	Total RM'000
<b>Revenue</b>	1,669,623	733,528	2,403,151
<b>Results</b>			
Profit from operations	97,975	227,094	325,069
Investing results			6,929
Finance cost			(14,030)
Profit before taxation			317,968



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**A9 Disclosure items**

The following items have been included in arriving at profit before tax:

	3 months ended		12 months ended	
	31.7.2018 RM'000	31.7.2017 RM'000	31.7.2018 RM'000	31.7.2017 RM'000
(a) Interest income	(1,985)	(1,737)	(5,308)	(3,587)
(b) Other income	(3,629)	(1,697)	(5,329)	(3,032)
(c) Interest expense	4,010	3,151	10,751	14,030
(d) Depreciation	20,254	16,856	71,711	63,224
(e) Net provision/(write back) of receivables	88	(42)	63	(650)
(f) Net provision/(write back) of inventories	2,214	(261)	2,623	(294)
(g) Gain on disposal of property, plant and equipment	(165)	-	(318)	-
(h) Net foreign exchange loss/(gain)	12,096	(3,126)	(2,316)	11,049

In the current financial quarter and current financial year ended 31 July 2018, there were no:

- Impairment of assets;
- Gain or loss on disposal of quoted or unquoted investments or properties;
- Gain or loss on derivatives; and
- Any other exceptional items.

**A10 Valuation of property, plant and equipment and investment properties**

The valuation of property, plant and equipment and investment properties were brought forward without any amendments from the preceding annual financial statements.

**A11 Events subsequent to the end of the reporting period**

There were no material events subsequent to the end of the current financial year that have not been reflected in the financial statements for the said period as at the date of this report, except the following:

Proposed acquisition of two (2) pieces of freehold lands in Mukim Durian Tunggal, Daerah Alor Gajah, Melaka

On 15 August 2018, the Company announced that Scientex Heights Sdn Bhd, a wholly-owned subsidiary of SQSB, which is a wholly-owned subsidiary of the Company had entered into a sale and purchase agreement (“SPA”) with Real Golden Development Sdn Bhd for the proposed acquisition of two contiguous pieces of freehold lands held under GRN 41764 Lot No. 2883 and GRN 22740 Lot No. 3267 respectively, all in Mukim of Durian Tunggal, District of Alor Gajah, State of Melaka, measuring an aggregate net area of 208.9 acres for a total purchase consideration of RM68.2 million. The proposed acquisition is pending fulfilment of the conditions precedent as set out in the SPA. It is expected to be completed in the first half of year 2019.

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**A12 Changes in the composition of the Group**

There were no material changes in the composition of the Group during the current financial year under review, except for the followings:

(i) Members' Voluntary Winding-Up of Scientex (Senai) Sdn Bhd ("SSSB")

On 6 January 2017, the Company announced that SSSB, a dormant wholly-owned subsidiary of SQSB, which in turn is a wholly-owned subsidiary of the Company had commenced Members' Voluntary Winding-Up pursuant to Section 254(1)(b) of the Companies Act, 1965. Subsequently, a Final Meeting was held on 16 August 2017 to conclude the Members' Voluntary Winding-Up and a Return by Liquidator relating to Final Meeting ("Return") was lodged with the Companies Commission of Malaysia and the Official Receiver on 17 August 2017. Accordingly, SSSB was dissolved on the expiration of 3 months from the date of lodgement of the Return pursuant to Section 272(5) of the Companies Act, 1965.

(ii) Acquisition of Klang Hock Plastic Industries Sdn Bhd ("KHPI")

On 23 February 2018, the Company announced that its wholly-owned subsidiary, Scientex Packaging Film Sdn Bhd ("SPFSB") had entered into a SPA with Lew Wan Hong @ Law Wan Hong, Ng Boon Eu, Lew Pei See @ Law Pei See and Lew Pei Lin @ Law Pei Lin ("Vendors") to acquire a total of 20,000,000 ordinary shares in the share capital of KHPI, representing the entire issued share capital of KHPI for a total cash purchase consideration of RM190.0 million, upon the terms and conditions contained in the SPA. Subsequently, the Company announced that the Vendors, SPFSB and the Company have agreed to vary certain terms of the SPA via a Supplemental Agreement dated 24 April 2018. Thereafter, all conditions precedent applicable in respect of the SPA have been satisfied or waived in accordance with the terms and conditions of the SPA and the payment of balance purchase price had been received by the Vendors, hence marked the completion of the acquisition on 2 May 2018. Accordingly, KHPI became a wholly-owned subsidiary of SPFSB.

The provisional fair value of the identifiable assets and liabilities of KHPI as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition RM'000
<b>Assets</b>	
Property, plant and equipment	151,722
Other investments	6
Inventories	56,404
Trade and other receivables	81,682
Tax recoverable	310
Cash and bank balance	42,623
	332,747
<b>Liabilities</b>	
Trade and other payables	(70,376)
Borrowings	(101,856)
Deferred tax liabilities	(17,411)
	(189,643)
Net identifiable assets	143,104
Fair value of net identifiable assets	143,104
Goodwill on consolidation	46,896
Cost of business combination	190,000

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**A12 Changes in the composition of the Group (Cont'd)**

(ii) Acquisition of Klang Hock Plastic Industries Sdn Bhd ("KHPI") (Cont'd)

	RM'000
<b>Cash outflow on acquisition was as follows:</b>	
Purchase consideration satisfied by cash	190,000
Cash and cash equivalents of subsidiary acquired	<u>(42,623)</u>
<b>Net cash outflow of the Group</b>	<b><u>147,377</u></b>

Provisional accounting of acquisition

During the current financial year, the fair value of KHPI's identifiable assets and liabilities were determined on provision basis. Any differences arising from this acquisition will be adjusted accordingly on a retrospective basis should there be any changes made to the basis.

From the date of acquisition, KHPI has contributed approximately RM96,622,000 of revenue and net profit of RM5,685,000 to the Group.

**A13 Contingent liabilities**

There were no contingent liabilities or assets for the Group as at the end of the current financial year under review.

**A14 Capital commitments**

As at the end of the current financial year under review, the capital commitments not recognised in the financial statements were as follows:

	As at 31.7.2018 RM'000	As at 31.7.2017 RM'000
Approved and contracted for:		
Purchase of plant and machinery	22,928	39,569
Balance payment for purchase of land held for development	-	111,276
	<u>22,928</u>	<u>150,845</u>

**A15 Related party transactions**

The Group's related party transactions in the current financial quarter and current financial year ended 31 July 2018 were as follows:

	3 months ended		12 months ended	
	31.7.2018 RM'000	31.7.2017 RM'000	31.7.2018 RM'000	31.7.2017 RM'000
Purchase of goods from associated company	24,850	18,765	89,329	73,655
Rental income from jointly controlled entity	<u>(232)</u>	<u>(232)</u>	<u>(926)</u>	<u>(926)</u>

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**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**  
**OF BURSA MALAYSIA SECURITIES BERHAD**  
**INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL QUARTER ENDED 31 JULY 2018**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Review of performance**

	INDIVIDUAL QUARTER		Change %	CUMULATIVE QUARTER		Change %
	Current year quarter	Preceding year corresponding quarter		Current year to date	Preceding financial year	
	31.7.2018 RM'000	31.7.2017 RM'000		31.7.2018 RM'000	31.7.2017 RM'000	
Revenue	733,154	646,065	13.5%	2,626,767	2,403,151	9.3%
Operating profit	108,198	85,502	26.5%	364,360	325,069	12.1%
Profit attributable to owners of the Company	88,287	72,127	22.4%	289,806	255,873	13.3%

(i) Current quarter review

For the current financial quarter ended 31 July 2018, the Group achieved another record revenue of RM733.2 million, an increase of 13.5% compared to RM646.1 million recorded in the preceding year corresponding quarter. The increase in revenue was contributed by better sales from the manufacturing division. The Group operating profit was RM108.2 million, an increase of 26.5% compared to RM85.5 million in the preceding year corresponding quarter.

**Manufacturing** revenue was RM527.0 million, an increase of 21.1% compared to RM435.3 million in the preceding year corresponding quarter. The increase was mainly contributed by the newly acquired subsidiary, KHPI. Profit from operations increased to RM26.3 million compared to RM18.8 million in the preceding year corresponding quarter, as a result of better product mix and margins achieved as well as contribution from KHPI.

**Property** revenue was RM206.2 million, a marginal decrease of 2.2% compared to RM210.8 million in the preceding year corresponding quarter. However, profit from operations increased to RM81.9 million compared to RM66.7 million in the preceding year corresponding quarter. The increase in profit from operations was mainly due to cost saving resulted from improvement in operational efficiency.

(ii) 12-month review

For the 12-month financial year ended 31 July 2018, the Group recorded revenue of RM2,626.8 million, an increase of 9.3% compared to the preceding financial year of RM2,403.2 million. The increase in revenue was contributed by better sales performance from the manufacturing division. Profit from operations increased from RM325.1 million to RM364.4 million, an increase of 12.1%. The increase was attributable to both the manufacturing and property divisions.

**Manufacturing** division recorded revenue of RM1,904.6 million for the current financial year, an increase of 14.1% compared to the preceding financial year of RM1,669.6 million. In line with the higher sales recorded in current financial year under review, the operating profit has also increased from RM98.0 million to RM126.9 million. The increase in revenue and profit from operations were mainly due to the better sales performance achieved as well as the contribution from KHPI.

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**B1 Review of performance (Cont'd)**

(ii) 12-month review (Cont'd)

**Property** division recorded revenue of RM722.2 million for the current financial year, marginally decrease of 1.6% compared to the preceding financial year of RM733.5 million. However, profit from operations increased to RM237.5 million compared to RM227.1 million in the preceding financial year. The increase in profit from operations was mainly due to steady construction progress from all the on-going projects and cost saving resulted from improvement in operational efficiency. Meanwhile, new sales from existing projects in Johor, Melaka and Ipoh continue to contribute positively in term of revenue and profit to the property division.

**B2 Variations of the quarterly results as compared to the results of the preceding quarter**

	Current quarter	Preceding quarter	Change %
	31.7.2018 RM'000	30.4.2018 RM'000	
Revenue	733,154	600,179	22.2%
Profit before tax	106,897	76,818	39.2%
Profit attributable to owners of the Company	88,287	61,136	44.4%

The Group's revenue for the current financial quarter was RM733.2 million compared to the preceding financial quarter of RM600.2 million. Profit before taxation for the current financial quarter was RM106.9 million compared to the preceding financial quarter of RM76.8 million. The increase was contributed by better sales performance from both the manufacturing and property divisions as well as contribution from KHPI.

**B3 Current financial year prospects**

Manufacturing

The stronger United States ("U.S.") economy holds great promise for the Group's stretch film operations as the new stretch film manufacturing facility in Phoenix, Arizona began operations in January 2018. The Group expects to see this plant making positive contributions in the coming years as it gradually ramps up production capacity to meet the huge demand in the U.S. and the Americas. The Group has plans to expand its market presence in the U.S. and the Phoenix plant is expected to play a pivotal and strategic supporting role in the future with its close proximity to its U.S. customers and its sources of raw materials.

The global consumer and food packaging industry offers huge potential for the Group and the Group hopes to leverage on this growing trend for flexible plastic packaging products which encompasses polyethylene ("PE"), biaxially oriented polypropylene ("BOPP") and cast polypropylene ("CPP") based products. With the latest acquisition and smooth integration of KHPI into the Group, the Group has become a truly regional player with a diverse range of products offering one stop solutions for its global customers as well as for its own niche markets. Improving quality and enhancing capabilities remains top priority for the Group and it remains optimistic that this segment of plastic packaging is expected to contribute positively to the Group's performance in the future. With a focused strategy, the Group will be able to leverage on the respective strengths of its various plants to offer its global customers a one-stop packaging solution.

The Group's specialty products will continue to focus on leveraging on the technical expertise and know-how of the Group's joint venture partners as it seeks to expand its export markets.

Barring unforeseen circumstances, with its overall capacity expansion recently completed boosted by the recent acquisition of KHPI, the Group is well positioned to move aggressively into existing and new markets in the near future and is cautiously optimistic that positive results would be forthcoming in the coming financial year.

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**B3 Current financial year prospects (Cont'd)**

Property

The Group expects to see resilient demand for affordable housing post GE14. The Group aims to be an acknowledged leader in this segment and will continue to build more affordable homes to meet the growing demand by its overwhelming response to its Melaka Durian Tunggal project and its Ipoh Meru projects. Accordingly, the Group is working to ensure that its Rawang project which is slated for a launch by end of this year will be able to address the pent up demand for such affordable homes particularly in the Klang Valley. With the recent completion of the acquisition of the 335.6 acres of Pulau land which is strategically located within the Iskandar Malaysia region, it is also expected to see good response with the scheduled launches in the planning. The Group remains optimistic that these strategically located lands, given its size and proper township planning, will continue to spur demand for such products offered by the Group to the communities. The Group strives to ensure that its products are innovative and modern in design, remains affordably priced with quality finishes and optimal use of land spaces which brings long term value to the township development. The Group is confident that the demand for its affordable housing will remain strong and resilient in the foreseeable future, barring any unforeseen circumstances.

**B4 Variations of actual profit from forecast profit**

This note is not applicable as the Group did not issue and publish any profit forecast for the current financial year under review.

**B5 Taxation**

Details of tax expense for the current financial quarter and current financial year were as follows:

	3 months ended		12 months ended	
	31.7.2018 RM'000	31.7.2017 RM'000	31.7.2018 RM'000	31.7.2017 RM'000
In respect of current quarter:				
- Income tax	32,696	26,153	82,656	73,111
- Deferred taxation	(9,077)	(13,718)	(9,077)	(13,718)
In respect of prior years:				
- Income tax	(2,313)	279	(2,313)	279
- Deferred taxation	(3,642)	(1,645)	(3,642)	(1,645)
	<u>17,664</u>	<u>11,069</u>	<u>67,624</u>	<u>58,027</u>

The Group's effective tax rate for the current financial quarter and current financial year is lower than the statutory income tax rate mainly due to utilisation of tax incentive by some of the subsidiaries.

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**B6 Realised and unrealised profits**

	As at 31.7.2018 RM'000	As at 31.7.2017 RM'000
Total retained profit of the Company and its subsidiaries:		
- Realised	1,463,048	1,158,554
- Unrealised	91	4,653
	1,463,139	1,163,207
Total share of retained profits from associated company / jointly controlled entity:		
- Realised	36,305	30,798
- Unrealised	(169)	(1,003)
	1,499,275	1,193,002
Less: Consolidation adjustments	(250,696)	(136,782)
Total Group retained earnings	1,248,579	1,056,220

**B7 Status of corporate proposals**

The following announced corporate proposal has been completed as at the end of the current financial year under review:

Acquisition of land in Mukim of Pulai, District of Johor Bahru, State of Johor

On 15 December 2017, the Company announced that its dormant wholly-owned subsidiary, Amber Land Berhad (formerly known as Great Wall Plastic Industries Berhad) had entered into a SPA with DKTMG Land Sdn Bhd for an acquisition of all that piece of freehold land held in Mukim of Pulai, District of Johor Bahru, State of Johor, measuring approximately 335.6 acres for a total cash purchase consideration of RM284.2 million. The conditions precedent set out in the SPA have been satisfied in accordance with the terms and conditions of the SPA and the payment of balance purchase price has been made to the vendor, hence marked the completion of the acquisition on 10 July 2018.

There were no other material corporate proposals announced and not completed as at the date of this report.

**B8 Borrowings and debt securities**

As at 31 July 2018	Long term RM'000	Short term RM'000	Total borrowings RM'000
<b><u>Secured</u></b>			
<b>Denominated in RM</b>			
- Sukuk Murabahah	300,000	-	300,000
- Trade financing	-	9,712	9,712
<b>Denominated in USD</b>			
- Trade financing	-	19,155	19,155
<b><u>Unsecured</u></b>			
<b>Denominated in USD</b>			
- Term loan	23,941	9,577	33,518
- Trade financing	-	380,111	380,111
<b>Denominated in JPY</b>			
- Trade financing	-	155,815	155,815
<b>Denominated in RM</b>			
- Trade financing	-	36,000	36,000
<b>Total</b>	323,941	610,370	934,311

**SCIENTEX BERHAD**  
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**B8 Borrowings and debt securities (Cont'd)**

As at 31 July 2017	Long term RM'000	Short term RM'000	Total borrowings RM'000
<b>Secured</b>			
<b>Denominated in RM</b>			
- Sukuk Murabahah	100,000	-	100,000
- Term loan	66,500	3,500	70,000
<b>Unsecured</b>			
<b>Denominated in USD</b>			
- Trade financing	-	239,870	239,870
<b>Denominated in JPY</b>			
- Trade financing	-	38,220	38,220
<b>Denominated in RM</b>			
- Trade financing	-	19,600	19,600
<b>Total</b>	166,500	301,190	467,690

**B9 Material litigation**

There was no material litigation involving any member of the Group as at the date of this report.

**B10 Dividend**

In respect of the financial year ended 31 July 2018, the Board of Directors recommended a single tier final dividend of 10 sen per ordinary share (single tier final dividend for financial year 2017 of 10 sen per ordinary share). The dividend will be payable on 18 January 2019, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

**B11 Earnings per share**

		3 months ended		12 months ended	
		31.7.2018	31.7.2017	31.7.2018	31.7.2017
<b>(i) Basic earnings per share</b>					
Profit attributable to equity holders of the Company	(RM'000)	88,287	72,127	289,806	255,873
Weighted average number of ordinary shares in issue	('000)	488,926	480,297	486,336	466,666
Basic earnings per share	(sen)	18.06	15.02	59.59	54.83

**(ii) Fully diluted earnings per share**

There was no dilution in earnings per share as there were no dilutive potential ordinary shares as at 31 July 2018.

By Order of the Board

Ng Boon Ngee (MAICSA 7053979)  
Tung Wei Yen (MAICSA 7062671)  
Company Secretaries

20 September 2018