

SCIENTEX BERHAD (“SCIENTEX” OR THE “COMPANY”)

PROPOSED ACQUISITION BY SCIENTEX QUATARI SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SCIENTEX, OF EIGHT (8) PARCELS OF FREEHOLD LAND, ALL SITUATED IN THE MUKIM OF PULAI, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR MEASURING IN AGGREGATE AN APPROXIMATE AREA OF 81.8455 HECTARES FOR A TOTAL PURCHASE CONSIDERATION OF RM185,005,275.00

1. **INTRODUCTION**

The Board of Directors of Scientex wishes to announce that Scientex Quatari Sdn Bhd (“SQSB”), a wholly-owned subsidiary of the Company, had on 21 September 2020 entered into a Sale and Purchase Agreement (“SPA”) with Lee Pineapple Company (Pte) Limited (“Vendor”) for the proposed acquisition of eight (8) parcels of freehold land, all situated in the Mukim of Pulai, District of Johor Bahru, State of Johor, measuring in aggregate an approximate area of 81.8455 hectares (collectively referred to as “Lands”) for a total purchase consideration of RM185,005,275.00 only (“Proposed Acquisition”).

2. **DETAILS OF THE PROPOSED ACQUISITION**

2.1 **INFORMATION ON THE VENDOR**

The Vendor is a private limited company incorporated in Singapore on 9 December 1931 and registered as a foreign company in Malaysia on 24 February 1949. The issued and paid-up share capital of the Vendor is SGD300,000,000 divided into 300,000 ordinary shares and 300,000,000 non-voting shares. The principal activities of the Vendor are investment holding, pineapple canning and oil palm plantation. The Vendor is the registered and beneficial owner of the Lands.

The Directors of the Vendor and their direct and indirect shareholding in the Vendor are set out below: -

	<u>Direct Shareholding</u>	<u>Indirect Shareholding</u>
i) Lee Seng Tee	4.32%	0.68%
ii) Lee Shih Hua (Alternate Director to Lee Seng Tee)	4.20%	0.41%
iii) Huang Thiay Sherng	-	-
iv) Fong Soon Yong	-	-
v) Chong Kwok Kian	-	-
vi) Pang Ngiap Chiew	-	-

The substantial shareholders of the Vendor and their direct and indirect shareholding in the Vendor is set out below: -

	<u>Direct Shareholding</u>	<u>Indirect Shareholding</u>
i) Lee Yuen Shih	6.12%	0.50%
ii) Lee Chien Shih	6.96%	1.23%
iii) Lee Tih Shih	6.96%	1.23%
iv) Lee Foundation, Singapore	21.33%	-
v) Lee Foundation, States of Malaya	20.00%	-
vi) Singapore Investments (Pte) Limited	6.12%	0.03%

2.2 **INFORMATION ON THE LANDS**

The Lands will be acquired on an “as is where is” basis free from encumbrances and with vacant possession and subject to all conditions and category of land use expressly or impliedly imposed upon or relating to or affecting the documents of title of the Lands or to which the Lands are subject, upon the terms and conditions of the SPA.

The Lands are surrounded by the existing Sri Pulai Perdana 2 and Bandar Pulai Jaya (due north), Bandar Baru Kangkar Pulai (due north-west) and next to our current development, Taman Pulai Mutiara and Taman Pulai Mutiara 2. The Lands are also located within the local authority area of Majlis Bandaraya Iskandar Puteri (MBIP), and are situated approximately 33 km from Johor Bahru city centre. The Lands are accessible from Johor Bahru city centre via Johor Baru-Senai Expressway (Jalan Skudai) for approximately 18 km and subsequently through Skudai-Pontian Highway and Jalan Kangkar Pulai. The Lands are freehold agricultural lands with mainly oil palm plantation and generally flat in terrains.

The Lands are proposed to be developed into a mixed-property development. However, it is currently too preliminary to ascertain the exact total gross development value, development cost, the expected commencement and completion dates of the development and the expected profits to be derived from the development of the Lands as at the date of this announcement.

For further information on the Lands and the salient terms of the SPA, please refer to Appendices I and II respectively in this announcement.

2.3 **BASIS AND JUSTIFICATION OF ARRIVING AT THE PURCHASE PRICE**

The total purchase price of RM185,005,275.00 for the Lands was arrived at on a willing-buyer willing-seller basis, after taking into consideration the strategic location of the Lands and its development prospects which would allow Scientex Group of Companies (“Scientex Group”) the opportunity to create greater economic value and increase the earnings potential of Scientex Group, as well as to obtain better foothold in the property market.

There was no valuation carried out by the Company or SQSB on the Lands and the Board of Directors of the Company is unable to disclose the Vendor’s net book value of the Lands as this information is not privy to SQSB.

2.4 **SOURCE OF FUNDING**

The Proposed Acquisition will be funded by internally generated funds and bank borrowings.

2.5 **LIABILITIES TO BE ASSUMED**

SQSB and Scientex Group will not assume any liabilities arising from the Proposed Acquisition.

3. **RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition would be a strategic investment opportunity to increase and boost the existing landbank of Scientex Group. The close proximity between Scientex Group’s existing developments and the proposed development will enable Scientex Group to tap on operational efficiencies and generate better margins through economies of scale to be achieved during project implementation.

The landbank expansion is also in line with the goal of Scientex Group to build more affordable homes with an objective of completing 50,000 affordable homes throughout the nation by 2028. The Lands are expected to provide a steady and sustainable property development model as Scientex Group continues to focus on landed affordably priced properties which demand has remained firm and resilient.

4. **PROSPECTS OF THE PROPOSED ACQUISITION**

The Lands would provide Scientex Group the opportunity to create greater economic value and increase the earnings potential of Scientex Group over the medium to long term as the Lands have promising development potential.

The Proposed Acquisition will enable Scientex Group to leverage on its existing and successful business model of providing affordable and quality landed properties to such category of affordable property mass market in the medium to long term.

5. **RISK FACTORS OF THE PROPOSED ACQUISITION**

The Board of Directors of Scientex does not foresee any risk factors arising from the Proposed Acquisition, other than the normal economic risk and inherent risk factors associated with the property development industry, for which Scientex Group is already involved in.

6. **EFFECTS OF THE PROPOSED ACQUISITION**

6.1 The Proposed Acquisition will not have any effect on the issued and paid-up share capital of the Company and the direct and/or indirect shareholdings of the substantial shareholders of the Company as the Proposed Acquisition will be satisfied wholly in cash.

6.2 The Proposed Acquisition is not expected to have any material impact on the earnings and net assets of Scientex Group for the financial year ending 31 July 2021. The Proposed Acquisition is expected to enhance the future earnings of Scientex Group when the proposed development of the Lands come onstream subsequently.

6.3 The Proposed Acquisition will not have any material impact on the gearing of Scientex Group for the financial year ending 31 July 2021.

7. **APPROVAL/CONSENT REQUIRED**

The Proposed Acquisition is conditional upon the ELB Approval as defined in Appendix II of this announcement.

The Proposed Acquisition is not subject to the approval of the shareholders of the Company.

8. **INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

None of the Directors, major shareholders or persons connected with the Directors or major shareholders of the Company have any interest, whether direct or indirect, in the Proposed Acquisition.

9. **DIRECTORS' STATEMENT/RECOMMENDATION**

The Board of Directors of Scientex, after careful deliberation on the Proposed Acquisition, is of the opinion that the terms of the Proposed Acquisition are fair and reasonable and that the Proposed Acquisition is in the best interest of Scientex Group.

10. **ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to fulfilment of the condition precedent as set out in the SPA, the Proposed Acquisition is expected to be completed in the first half of year 2021.

11. **HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements is 8.31%.

12. **DOCUMENT FOR INSPECTION**

The SPA 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 from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 21 September 2020.

INFORMATION ON THE LANDS

The Lands are freehold lands situated in the Mukim of Pulai, District of Johor Bahru, State of Johor as particularly described hereinbelow:

<u>Lands</u>	<u>Land Ares (hectares)</u>	<u>Purchase Consideration (RM)</u>
(i) Geran 86246 Lot 3002	4.0418	9,136,165.50
(ii) Geran 86248 Lot 3003	4.0519	9,159,034.50
(iii) Geran 86256 Lot 3010	4.0292	9,107,579.25
(iv) Geran 86257 Lot 3011	4.0216	9,090,473.24
(v) Geran 553849 Lot 166152	10.4600	23,643,989.37
(vi) Geran 555512 Lot 166154	52.2500	118,107,041.98
(vii) Geran 553845 Lot 166156	1.1100	2,509,095.20
(viii) Geran 553847 Lot 166158	1.8810	4,251,895.96
Total	<u>81.8455</u>	<u>185,005,275.00</u>

There are no category of land use, express conditions or restriction in interest endorsed on the documents of title to the Lands. The Lands are presently free from encumbrances.

SALIENT TERMS OF THE SPA

1. PURCHASE PRICE AND PAYMENT TERMS

The total purchase price of RM185,005,275.00 for the Proposed Acquisition shall be paid in the following manner: -

	Payment Term	Timing	Consideration (RM)
(a)	Earnest Deposit	Prior to the date of SPA	3,700,105.50 (2%)
(b)	Real Property Gains Tax ("RPGT") Retention Sum	Upon execution of the SPA	12,950,369.25 (7%)
(c)	Balance Deposit	Upon execution of the SPA	1,850,052.75 (1%)
(d)	Balance Purchase Price	By or before the Completion Period or the Extended Completion Period (both as defined in section 2(g) of Appendix II)	166,504,747.50 (90%)
		Total	<u>185,005,275.00 (100%)</u>

2. CONDITION PRECEDENT

- (a) The sale and purchase of the Lands is subject to the procurement of the prior written approval of the Estate Land Board ("ELB") for the transfer of the Lands to SQSB ("ELB Approval") pursuant to Section 214A of the National Land Code 1965 ("CP") within the period of six (6) months from the date of the SPA or such extended period as the Vendor and SQSB may mutually agree upon ("CP Period").
- (b) If the ELB imposes terms and conditions that are not acceptable to the Vendor or SQSB ("Affected Party"), the Affected Party shall be entitled to decline the approval whereupon the SPA shall be treated as terminated and that section 2(d) of Appendix II shall apply provided always the Affected Party may within the CP Period appeal to the ELB for variation of terms ("Appeal"). Upon the outcome of the Appeal, the rights of the Vendor or SQSB in accepting or rejecting such approval shall apply mutatis mutandis.
- (c) the Vendor's solicitors is authorised to release the Balance Deposit and Earnest Deposit to the Vendor directly.
- (d) If:
- (i) the ELB Approval is not obtained by the expiry of the CP Period;
 - (ii) the grant of the ELB Approval has been refused by the relevant authority and no appeal has been lodged by any party;
 - (iii) the outcome of the Appeal is not obtained by the expiry of the CP Period; or
 - (iv) the ELB Approval though granted but not accepted by the Vendor or SQSB because the terms imposed or any thereof is not acceptable to such party,

either the Vendor or SQSB shall be entitled to terminate the SPA by giving notice in writing to that effect to the other party's solicitors, in which event the following shall take place: -

- (aa) SQSB shall perform its termination obligations forthwith in accordance with the SPA after the Vendor has, inter alia, informed the Director General of Inland Revenue ("DGIR") of the

termination of the sale and purchase transaction and authorising the DGIR to forthwith proceed to effect a refund of the RPGT Retention Sum in full to SQSB in accordance with the provisions of the SPA;

- (bb) against the full and complete performance of the Vendor's obligations as set out therein, the Vendor shall, within fourteen (14) days from the date the Vendor or the Vendor's solicitors receipt of the notice of termination refund to SQSB the Balance Deposit and Earnest Deposit with the interest accrued from the date of the SPA till the date of termination based on the Vendor's bank's fixed deposit rate.
- (e) If the ELB Approval (whether after the initial application or the Appeal) is granted, the CP shall be deemed satisfied on the day upon which SQSB's solicitors is in receipt of a certified true copy of the ELB Approval.
- (f) The SPA shall become unconditional on the day upon which the CP is satisfied ("CP Fulfilment Date").
- (g) The completion of the SPA shall take place within three (3) months from the CP Fulfilment Date ("Completion Period") with an automatic extension of one (1) month ("Extended Completion Period") subject to payment of interest calculated on daily rest at the rate of six per cent (6%) per annum.