



healthy, friendly & happy ...

INTEGRATED  
ANNUAL REPORT

2022

**SCIENTEX BERHAD**

196801000264 (7867-P)

# CONTENTS

## 1

### OVERVIEW

- 04 About Scientex Berhad
- 07 Corporate Information
- 08 A Snapshot of FY2022
- 09 Doubling Up Every Five Years

## 2

### OUR BUSINESS

#### Packaging Division

- 10 Overview
- 12 Business Process
- 13 Market Presence

#### Property Division

- 14 Overview
- 16 Business Process
- 17 Market Presence

## 3

### OUR LEADERSHIP

- 18 Chairman's Statement
- 27 Board of Directors
- 30 Key Management

## 4

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Value Creation

- 33 Our Value Creation Story
- 36 Our Value Creation Business Model
- 38 Our Drivers of Growth
- 39 Key Stakeholder Engagement

#### Strategic Review

- 42 Market Review, Outlook and Trends
- 46 Our Material Matters
- 51 Key Risks and Mitigation
- 56 Our Roadmap Towards FY2023

#### Financial Review

- 58 Financial Performance Review
- 60 Financial Highlights and Performance

#### Operational Review

- 63 Packaging Division
- 69 Property Division

## 5

### OUR SUSTAINABILITY JOURNEY

- 78 Overview
- 79 Sustainability Framework
- 80 Our Approach to Sustainability
- 81 Our Sustainability Governance
- 83 Our Sustainability Performance

## 6

### OUR CORPORATE GOVERNANCE

- 89 Our Integrated Governance Structure
- 92 Corporate Governance Overview Statement
- 100 Statement on Risk Management and Internal Control
- 103 Audit Committee Report
- 106 Additional Compliance Information

## 7

### FINANCIAL STATEMENTS

- 109 Financial Statements

## 8

### OTHER INFORMATION

- 192 List of Properties Held by the Group
- 193 Analysis of Shareholdings
- 196 Analysis of Warrantholdings
- 198 Notice of Annual General Meeting
- 201 Statement Accompanying Notice of Annual General Meeting Form of Proxy

# ABOUT THIS REPORT

This is our third Integrated Annual Report. It details how we generate value in the short, medium and long term through established processes, towards delivering positive impact for our business and our stakeholders.

This report is part of a suite that includes our Sustainability Report 2022, with the guidelines used to produce both reports further elaborated below.

## OUR REPORTING SUITE



Our **Integrated Annual Report** outlines how we leverage our inputs to create value over the short, medium and long term, resulting in meaningful outcomes that contribute to our vision **'To Double Up Every Five Years'** and **'To Grow The Scientex Community For A Better Tomorrow'**.

It is prepared in compliance with the International <IR> Framework, January 2021 (<IR> Framework) by Value Reporting Foundation, with disclosures guided by Bursa Malaysia Main Market Listing Requirements, Malaysian Financial Reporting Standards, Malaysian Code on Corporate Governance 2016, and the Companies Act 2016 in Malaysia.



Our **Sustainability Report** details our sustainability initiatives, actions and performance in relation to Environmental, Social and Governance (ESG) issues material to the Group and our stakeholders.

It is prepared in compliance with the Bursa Malaysia Main Market Listing Requirements, the second edition of the Bursa Malaysia Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards for sustainability reporting, with disclosures aligned to the United Nations Sustainable Development Goals (UN SDGs).

## SCOPE AND BOUNDARY

This report discloses our financial and non-financial performance, our risks and opportunities, the outcomes we seek to drive for our key stakeholders and any other factors that may have a significant influence on our ability to create value, across our dual core businesses of Packaging and Property. It covers the period from 1 August 2021 to 31 July 2022 ("FY2022") and builds on our previous publications, unless otherwise stated.

## FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements, relating to information on future directions, strategies, potential risks or opportunities, and performance.

These statements and forecasts involve uncertainty as they describe future events and are not conclusive. Actual implementation and results may differ depending on various risk factors and market uncertainties.

The inclusion of forward-looking statements in this report should not be regarded as a representation or warranty that Scientex's plans and objectives will be achieved. Readers should not place undue reliance on such forward-looking statements, and we do not undertake any obligation to publicly update or revise any forward-looking statements.

## STAKEHOLDER RELATIONSHIPS AND MATERIALITY

In line with the <IR> Framework, we apply the principle of Stakeholder Relationships and the concept of Materiality in defining and measuring our performance across key issues impacting value creation. This year, we have identified seven material matters (refer to 'Our Material Matters' on p. 46), and six key stakeholders (refer to 'Key Stakeholder Engagement' on p. 39).

## VALUE CREATION

Our Value Creation Story and Value Creation Business Model, on p. 33 and p. 36 respectively, detail the rigorous value creation process adhered to by the Group, which serves to synergistically drive progress towards our corporate vision and enable meaningful outcomes for our stakeholders.

In enabling a more holistic discussion of what value means at Scientex, this report uses the 'Six Capitals' based on the <IR> Framework.



### FINANCIAL CAPITAL

Our financial assets including cash generated from our operations and investments, and other sources of funding



### MANUFACTURED CAPITAL

Our physical assets, including our plants, machineries and its embedded technology, and our land banks



### INTELLECTUAL CAPITAL

Our established and systematic procedures and processes, collective know-how and expertise, brand values and reputation in our markets and industries of operation



### HUMAN CAPITAL

Our dynamic leadership, skilled workforce, their combined experience and competencies, and their contributions to innovation and growth



### SOCIAL & RELATIONSHIP CAPITAL

Our long-standing, trust-based relationships with our stakeholders



### NATURAL CAPITAL

The natural resources we utilise in our processes and the energy we consume

## RISK CATEGORIES

Our businesses navigate various risks in the course of doing business, which are considered throughout this report and segmented into four categories, based on their area of potential impact.



### STRATEGIC

Changes in economic conditions and evolving business trends that have the potential to impact the execution of business strategies



### OPERATIONAL

Events that have the potential to disrupt day-to-day operations and business processes



### FINANCIAL

Risks that have the potential to impact the Group's financial performance



### COMPLIANCE

The potential legal, reputational and financial implications of any instances of non-compliance with laws and regulations

## INTEGRATED REPORTING ACKNOWLEDGEMENT STATEMENT

The Board acknowledges its responsibility of ensuring the integrity of this Integrated Annual Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the financial and non-financial performance of the Group. The Board has applied its collective efforts towards the formulation and presentation of this report, which has been prepared with reference to the <IR> Framework.

This report was approved by the Board on 12 October 2022.

# ABOUT SCIENTEX BERHAD

## OUR BUSINESSES

### PACKAGING

A publicly listed company on the Main Market of Bursa Malaysia Securities Berhad since 1990, we are a leading manufacturer of flexible plastic packaging and a prominent developer of affordable homes in Malaysia.

### PROPERTY

In the 54 years since our founding in 1968, we have become one of the world's top manufacturers of stretch film and a fully integrated end-to-end flexible plastic packaging producer with a presence across the packaging value chain, from stretch films, base films and printed films to bags and multi-layered flexible plastic packaging solutions used in industrial and consumer packaging. Our Property Division, meanwhile, works to meet the demand for affordable housing, with our developments and townships spanning seven states across Peninsular Malaysia.

## VISION



TO GROW THE SCIENTEX COMMUNITY  
**FOR A BETTER TOMORROW**

The Scientex Community includes all our stakeholders and the families that dwell in our communities



**TO DOUBLE UP**  
EVERY FIVE YEARS

## PURPOSE

OUR PACKAGING DIVISION STRIVES TO PROVIDE FLEXIBLE PLASTIC PACKAGING SOLUTIONS FOR



Protection



Convenience



Hygiene and  
Safety



Food Waste  
Reduction



OUR PROPERTY DIVISION ENDEAVOURS TO SUPPORT THE MALAYSIAN COMMUNITY THROUGH THE PROVISION OF **AFFORDABLE YET QUALITY HOMES**

# OUR CORPORATE PHILOSOPHY

Behind our successes is our corporate philosophy of 'Management Like Water'. The strategies we employ may change over time, but our philosophy remains the constant behind everything we do. Our corporate philosophy is based on six separate and inter-related facets as described below.



## BELIEF

We instil belief that what we produce for the world is as vital and valuable as water, and our output contributes to the betterment of society



## NATURE & SCIENCE

We respect the laws of nature and science as we seek solutions and attempt to tackle different challenges



## ENERGY

Flowing water gathers momentum and builds up energy that we harness to break barriers, leap forward and surge ahead



## MODESTY

We remain humble, like a drop of water in the ocean, yet like the mighty waves, we think big and aim high



## FLEXIBILITY

Like the flexibility of water, we always adopt a fluid and adaptable stance in responding to challenges



## PURITY

In the face of success or failure, the purity and cleansing properties of water remind us to always stay true to ourselves and move forward with positivity



# OUR CORPORATE TAGLINE

**SCIENTEX**<sup>®</sup>

healthy, friendly &amp; happy ...



## healthy ...

We strongly believe that a healthy culture is important, as this ensures our employees can reap the benefits of a balanced living, and are focused and committed to their work. The positive flow of energy results in a healthy company with strong ethics to guide compliance and encourage transparency in all business dealings.

## friendly ...

Being friendly speaks of the way we develop user-friendly products and solutions, and at the same time, extend courtesy, attentiveness and care to suppliers, customers, authorities and society as well as to the global environment.



## happy ...

Being happy is an emotional state of mind where people find pleasure, real meaning and fulfilment in family, work and life in an environment where they can realise their full potential and embrace a keen sense of belonging in the Group.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim

Chairman & Non-Independent  
Non-Executive Director

### Lim Peng Jin

Managing Director/  
Chief Executive Officer

### Lim Peng Cheong

Non-Independent  
Non-Executive Director

### Wong Chin Mun

Senior Independent Non-Executive  
Director

### Dato' Noorizah Binti Hj Abd Hamid

Independent Non-Executive Director

### Ang Kim Swee

Independent Non-Executive Director

## COMPANY SECRETARIES

### Tung Wei Yen

(MAICSA 7062671)  
(SSM Practising Certificate  
No. 201908003813)

### Ong Ling Hui

(MAICSA 7065599)  
(SSM Practising Certificate  
No. 202008000555)

## AUDIT COMMITTEE

### Wong Chin Mun

Chairperson

### Dato' Noorizah Binti Hj Abd Hamid

Member

### Ang Kim Swee

Member

## NOMINATION AND REMUNERATION COMMITTEE

### Ang Kim Swee

Chairperson

### Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim

Member

### Wong Chin Mun

Member

## RISK MANAGEMENT COMMITTEE

### Dato' Noorizah Binti Hj Abd Hamid

Chairperson

### Lim Peng Jin

Member

### Ang Kim Swee

Member

## AUDITORS

Deloitte PLT  
Level 16, Menara LGB  
1, Jalan Wan Kadir  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur

## SOLICITORS

Koh Kim Leng & Co.  
Shearn Delamore & Co.

## PRINCIPAL BANKERS

Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad  
Standard Chartered Bank Malaysia  
Berhad  
Sumitomo Mitsui Banking  
Corporation Malaysia Berhad  
United Overseas Bank Berhad

## REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

No. 9, Persiaran Selangor  
Seksyen 15, 40200 Shah Alam  
Selangor Darul Ehsan  
Tel : 03-5524 8888/03-5519 1325  
Fax : 03-5519 1884  
Website: www.scientex.com.my

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock code: 4731

## SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd  
199601006647 (378993-D)  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Professor Khoo Kay Kim  
(Jalan Semangat), Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7890 4700  
Fax : 03-7890 4670  
Email : BSR.Helpdesk@  
boardroomlimited.com  
Website: www.boardroomlimited.com



# A SNAPSHOT OF FY2022

While our businesses contended with supply chain disruptions and rising costs in FY2022, we were nevertheless successful in increasing our annual revenue and have continued to focus our reinvestment efforts into high growth market segments. All in all, the Group maintains a strong position to continue expanding and deliver greater value to our stakeholders.

## A ROBUST OVERALL PERFORMANCE

### REVENUE

RM **4.0**  
Billion

+9.0%

### PROFIT BEFORE TAX

RM **548.3**  
Million

-8.8%

### NET PROFIT

RM **409.9**  
Million

-10.4%

### EARNINGS PER SHARE

**26.4**  
Sen

-10.4%

### SHAREHOLDER'S EQUITY

RM **3.1**  
Billion

+7.4%

### NET GEARING RATIO

**0.32**  
Times

## PACKAGING DIVISION

## PROPERTY DIVISION

**277,270**  
metric tonnes of products sold

**17**  
new machines  
commissioned

**27**  
new innovations successfully  
commercialised



**567**  
acres of land bank acquisitions  
completed

**1,403**  
units of affordable homes  
completed

**26,700**  
units of affordable homes  
completed to date

Review of  
our operations

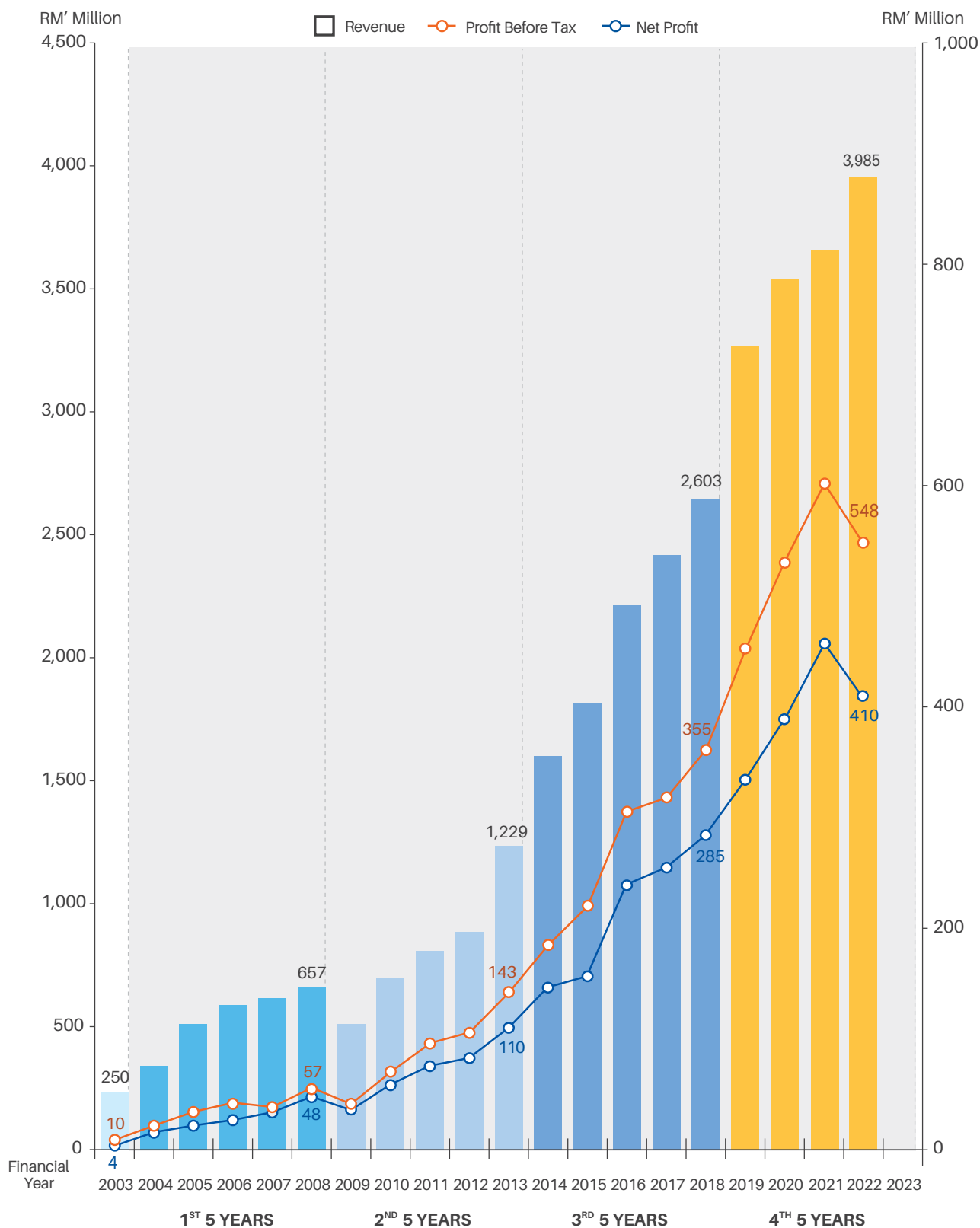


# DOUBLING UP EVERY FIVE YEARS

**8,000 units**  
per annum  
of affordable homes

**400,000 MT**  
per annum  
flexible plastic packaging

**FY2023**



# PACKAGING DIVISION OVERVIEW



Our BOPP film facility at Pulau Indah, Selangor

## A GLOBAL PLAYER IN INDUSTRIAL AND CONSUMER PACKAGING

Since 1997, we have rapidly grown our presence in the regional and global packaging industry, and steadily expanded our presence across the packaging value chain. Renowned for our high-quality and innovative stretch film solutions, we are proud to have established a strong reputation across the globe and built the world's largest stretch film manufacturing facility in a single location at Pulau Indah in Selangor, Malaysia.

At the same time, we have strategically diversified our interests within the packaging sector and expanded our manufacturing capabilities to provide a wide range of packaging solutions for both the industrial and consumer markets. As a fully integrated end-to-end packaging producer, we have enhanced our ability to innovate in tandem with market trends and remain fully equipped to capitalise on the growing global and regional demand for sustainable flexible packaging solutions.

### HARNESSING STRATEGIC AND SUSTAINABLE GROWTH

To achieve our robust growth objectives as enshrined within our vision to 'Double Up Every Five Years', we place emphasis on growth within our current market segments as well as diversification into related segments that will afford us greater production capacity, extend our capabilities, provide cost benefits and enhance our market presence.

Simultaneously, we harness sustainable growth opportunities by proactively innovating new products and solutions that address current and emerging trends within the packaging sector. Our ongoing efforts to develop fully recyclable packaging solutions, downgauge our films, improve our printing and production capabilities and develop cutting-edge products in tandem with our customers' demands continues to provide a robust and sustainable foundation for growth within both the industrial and consumer packaging segments.

### SOLUTIONS THAT EXTEND ACROSS THE FLEXIBLE PACKAGING SUPPLY CHAIN

Our comprehensive array of packaging solutions stretches across key profiles within the industrial and consumer packaging sectors.

Our industrial packaging products include stretch films, polypropylene (PP) strapping bands, shrink films, heavy duty sacks, FIBC bags and agricultural films, amongst others. Meanwhile, our consumer packaging solutions include base films such as polyethylene (PE), biaxially oriented polypropylene (BOPP) and cast polypropylene (CPP) films, metallised films, printed films, barrier films, wicket bags and multi-layered flexible packaging solutions.

More details on our packaging products may be found on our corporate website.

## Packaging Division Overview

## Capabilities across the packaging value chain



## INTEGRATING INNOVATION TO DRIVE EXPANSION

In the ever evolving industrial and consumer packaging marketplace, customers are continually demanding superior solutions that are not only more cost- and resource-efficient, but which feature a greater application of the principles of sustainability.

In recognising this, we keep abreast with the latest industry developments across the packaging value chain so that we may consistently uncover new technologies or processes that may help us innovate new solutions to meet such requirements. Coupled with our philosophy of nurturing strong collaborative relationships with our customers, we are empowered with a keen awareness of emerging market trends as well as the agility and expertise to establish early market dominance for innovative and sustainable new products.

We support our ethos of constant innovation by equipping ourselves with a strong and experienced technical team, along with cutting-edge technology and state-of-the-art machinery to enable pioneering film extrusion and an unparalleled range of printing and converting capabilities. Our innovation centres are home to a comprehensive array of in-house testing facilities, which has further enhanced our capability to efficiently undertake the research and development of pioneering packaging solutions.



*Our extensive research and development facilities*

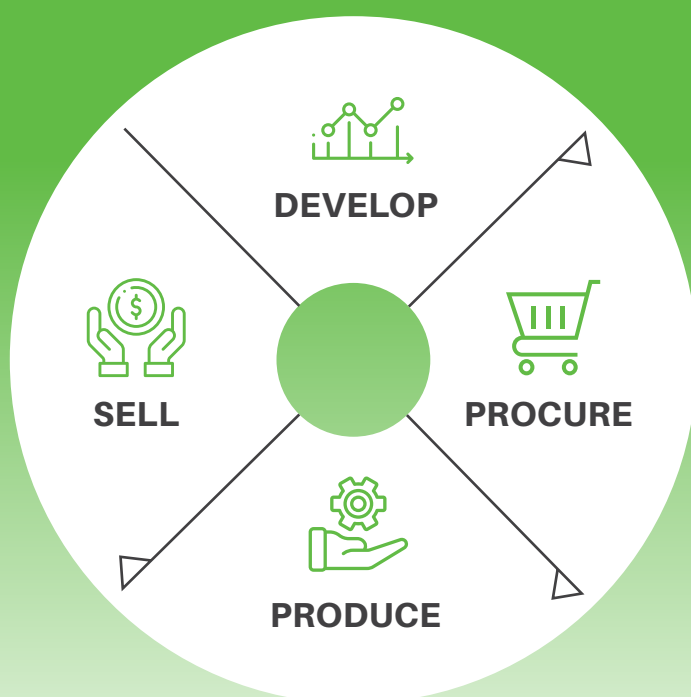
Our emphasis on innovation has successfully enabled us to make our mark within the industry as first movers for a variety of sustainable packaging solutions and has cemented our reputation as a globally recognised producer of downgauged stretch films.

As the demand for sustainable flexible plastic packaging continues to be fueled by rapid population growth, evolving urban lifestyles and a greater concern for hygiene, waste reduction and environmental preservation, our increasing ability to fulfil this demand via our robust capacity for innovation places us in good stead to strategically expand our market share in new and sustainable packaging products.

# PACKAGING DIVISION BUSINESS PROCESS

To enable our Packaging Division to meet its growth targets, we have established effective business processes that empower us to remain focused on quality, innovation and the maximisation of value in the short, medium and long term.

## OUR STEADFAST APPROACH TOWARDS STEADY GROWTH



### DEVELOP

#### Description

The conception of pioneering new products with innovative market-driven technology

#### Principal Activities

- Persistent product innovation
- State-of-the-art machinery investments
- Enhancement of capacity and capabilities across our plants

### PROCURE

#### Description

The efficient and well-planned purchase of raw materials

#### Principal Activities

- Centralised purchasing of main raw materials to enhance cost efficiency
- Develop and nurture a sustainable supplier pool
- Ensure consistent supply of raw materials
- Optimise storage time through inventory monitoring systems

### PRODUCE

#### Description

Enabling production that is efficient, cutting-edge, innovative and scalable

#### Principal Activities

- Enhance production efficiency through automation and factory specialisation
- Effective layout planning of factories to improve productivity
- Scheduled production planning to increase machine efficiency

### SELL

#### Description

Constantly expand our customer base and market reach

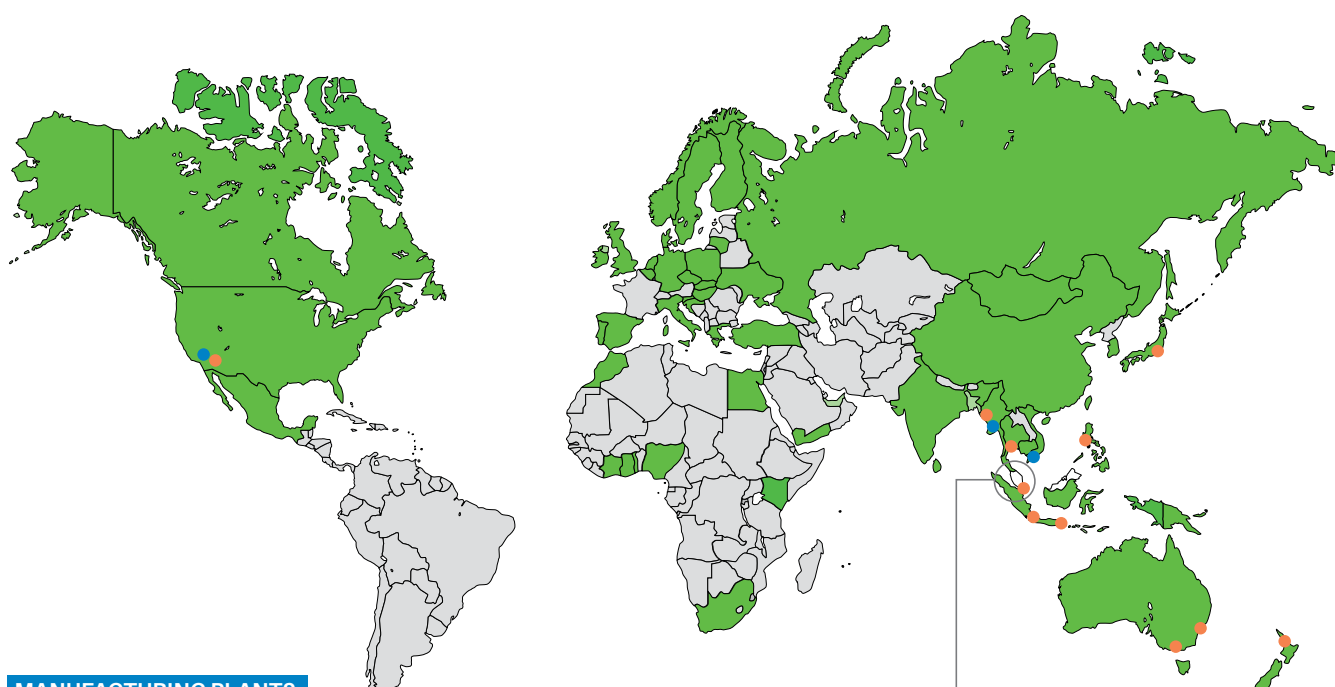
#### Principal Activities

- Identify growth potential in existing sectors
- Expand into growing market sectors
- Continuously meet customer needs through value added products



# PACKAGING DIVISION MARKET PRESENCE

As a fast-growing global player in the flexible packaging industry, we continue to expand our international reach and presence through a growing number of manufacturing plants and offices across Malaysia and around the globe.



## MANUFACTURING PLANTS

- Pulau Indah, Selangor (3 plants)
- Shah Alam, Selangor
- Klang, Selangor
- Rawang, Selangor
- Kajang, Selangor
- Sg Siput, Perak
- Chemor, Perak
- Tanjung Kling, Melaka (2 plants)
- Jasin, Melaka
- Bukit Rambai, Melaka
- Ayer Keroh, Melaka
- Teluk Emas, Melaka
- Ho Chi Minh City, Vietnam
- Phoenix, Arizona, USA
- Yangon, Myanmar

## OVERSEAS SALES OFFICES

- Melbourne, Australia
- Sydney, Australia
- Jakarta, Indonesia (2 offices)
- Surabaya, Indonesia
- Tokyo, Japan
- Auckland, New Zealand
- Manila, Philippines
- Singapore
- Bangkok, Thailand
- Phoenix, Arizona, USA
- Yangon, Myanmar

## EXPORT COUNTRIES

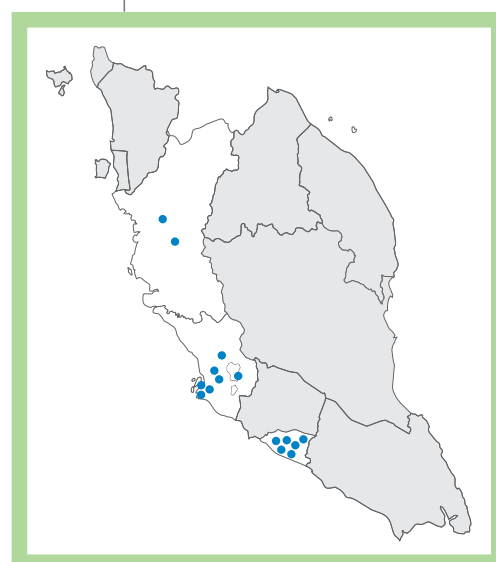
Exporting to  
more than

**60**  
countries

Overseas sales  
offices in

**9**  
countries

**18**  
manufacturing  
plants worldwide





# PROPERTY DIVISION OVERVIEW



*An artist's impression of Scientex Bandar Jasin development*

## CEMENTING OUR REPUTATION AS A DEVELOPER OF QUALITY AFFORDABLE HOMES

Since its inception in 1995, our Property Division has been primarily guided by its core objective of addressing Malaysia's growing need for affordable housing. The continuing mismatch of supply and demand for affordable homes to this day has served to underscore the importance of our mission and has provided the impetus for our successful expansion from the South to the North of Peninsular Malaysia.

We are proud to be one of the leading providers of affordable housing solutions in Malaysia with a stellar reputation for delivering affordable yet quality homes for the Malaysian population.

### UPLIFTING THE LIVES OF MALAYSIAN FAMILIES

Since our very first project in Pasir Gudang, Johor, we have grown our repertoire of affordably priced, yet desirable

residential projects from the southern states of Johor and Melaka to the central and northern states of Selangor, Perak, Penang and Kedah. Our most recent expansion has come in Negeri Sembilan, where we are poised to begin contributing meaningfully to the supply of quality affordable housing in the state.

Our steadfast focus on consistent expansion within and across state lines is inspired by both social and economic factors. From a social standpoint, we recognise the immense role a new home can play in uplifting the lives of Malaysian families from middle-to-lower-income groups. By providing quality living spaces at a price point that they can afford, we believe that this can effectively lead to substantial long-term improvements to their quality of life.

At the same time, we remain cognisant of the economic benefits we may derive by focusing our efforts on a segment of the market where demand is expected to remain robust, especially when taking into account the Malaysian government's initiatives to improve access to affordable housing and home financing under the Twelfth Malaysia Plan (see 'Market Review, Outlook and Trends - Property' on p. 44 for more details).

## Property Division Overview

Having established ourselves as a developer of choice within the affordable home segment, we are in a prime position to capitalise on steady future demand and further expand our market share across the peninsula.

To facilitate these expansion plans, our acquisition team continues to carefully monitor opportunities to expand our land banks across Peninsular Malaysia, while our sales teams efficiently launch new projects and expand our customer reach through social media engagement, strategic marketing campaigns and roadshows.

Leveraging upon our vast portfolio of land banks, our expertise in efficient construction and our impeccable track record, we remain fully equipped to grow our footprint across the peninsula and provide better living opportunities for many Malaysians and their families, well into the foreseeable future.

## THE SCIENTEX TRIFECTA OF BENEFITS



### SPEED

We progress quickly from acquisition to development and are reputed for on-time delivery



### COST

We carefully design and construct homes that provide the best value



### QUALITY

We provide high standards of safety and quality within the affordable home segment

## TOWARDS 50,000 UNITS OF AFFORDABLE HOMES BY 2028

As one of the nation's leading developers of affordable homes, we are proud to align ourselves with both the federal and respective state governments' initiatives to make home ownership a reality for more Malaysians, and have set a target to complete 50,000 units of affordable homes by 2028.

This target is also reflective of our robust business growth objectives and vision of doubling up every five years. Our Property Division is well on track to achieve this target, having so far constructed 26,700 units of affordable homes priced below RM500,000 nationwide, of which more than 70% are priced below RM300,000.

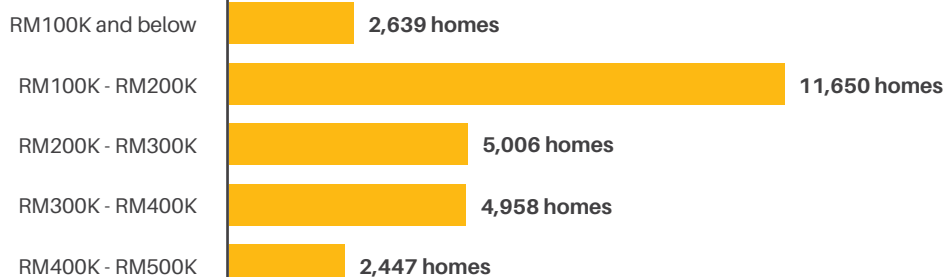


One of our development phases in Pulau, Johor



**Total Affordable  
Homes Completed**  
as at 31 July 2022

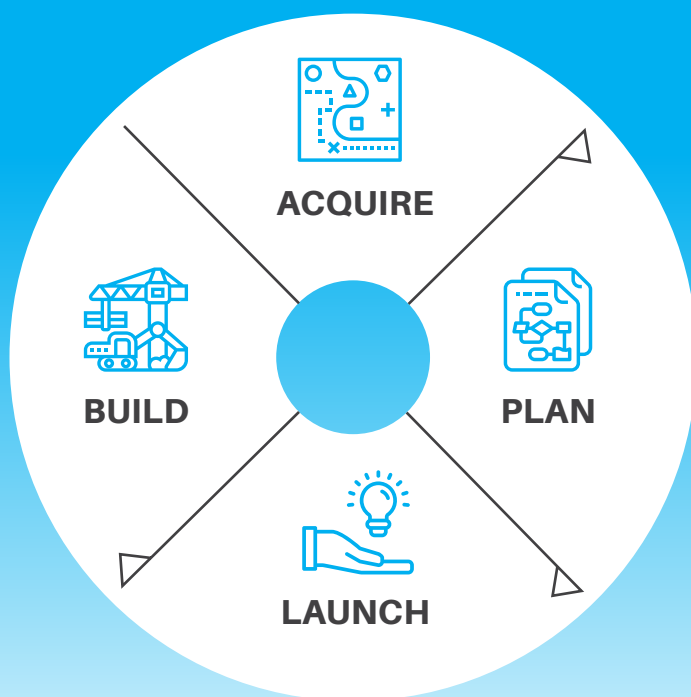
**26,700  
Homes**



# PROPERTY DIVISION BUSINESS PROCESS

In our bid to complete the construction of 50,000 affordable homes by 2028, our Property Division has established business processes that optimise efficiency, value and speed through proactive acquisition, standardised design, effectual launches and timely construction, supported by the Industrialised Building System (IBS) construction technique.

## EFFICIENTLY PROGRESSING FROM ACQUISITION TO CONSTRUCTION



### ACQUIRE

#### Description

The acquisition of land banks in strategic locations

#### Principal Activities

- Identify land banks suitable for affordable residential projects
- Purchase land banks at the right specifications and cost

### PLAN

#### Description

Optimise land planning and layouts of developments

#### Principal Activities

- Enhance land bank usage while providing a desirable living environment
- Standardise designs to maintain quality and increase cost efficiency
- Experienced team that keeps updated on regulatory approval procedures and requirements

### LAUNCH

#### Description

Sell and promote through conventional media and digital marketing channels

#### Principal Activities

- Standardise operating procedures for project launches
- Leverage on digital and social media platforms to engage with a wide audience and perform transactions
- Build a brand that is responsible and desirable

### BUILD

#### Description

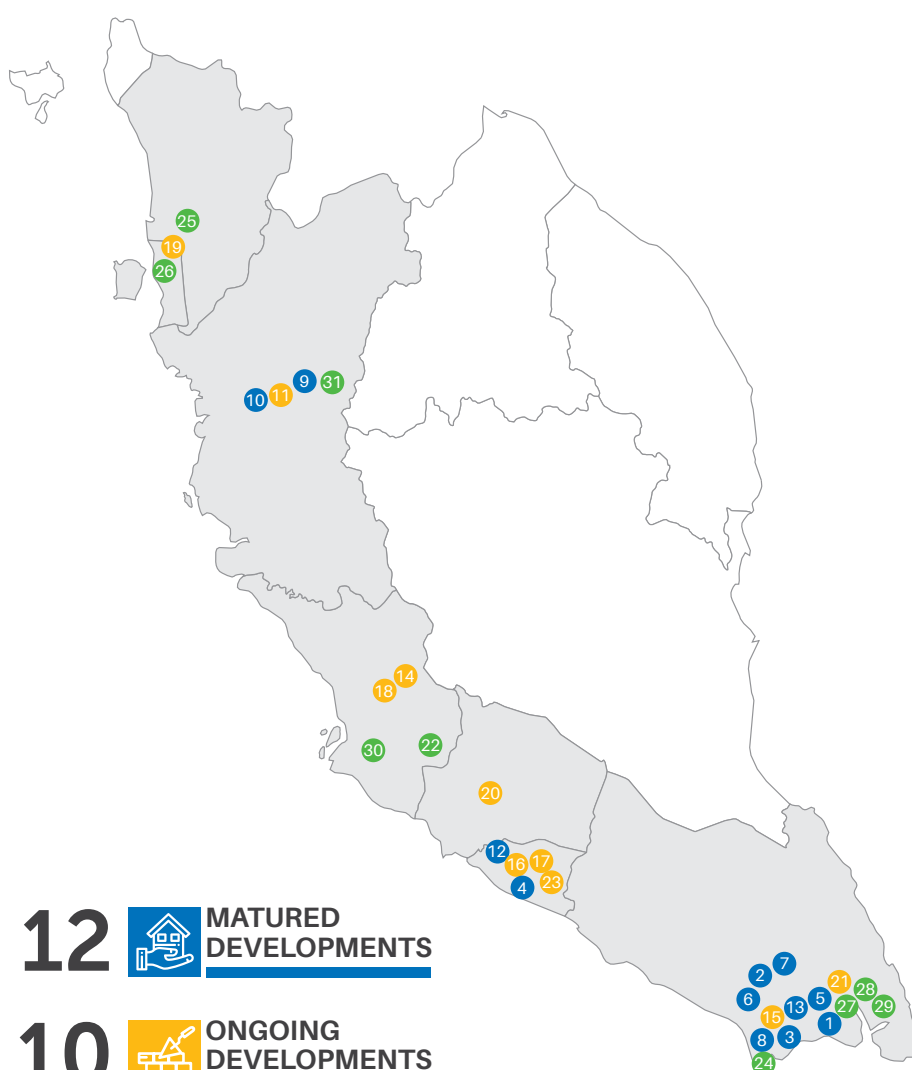
Build with efficient construction methods

#### Principal Activities

- Bulk purchase materials through centralised purchasing
- Adopt efficient construction processes
- Continuously enhance quality and safety with the IBS construction technique

# PROPERTY DIVISION MARKET PRESENCE

**31**  
townships and developments  
across **Malaysia**



## OUR PROPERTY PRESENCE

- 1 Scientex Pasir Gudang
- 2 Scientex Kulai
- 3 Scientex Skudai
- 4 Scientex Ayer Keroh
- 5 Scientex Senai
- 6 Scientex Kulai 2
- 7 Scientex E'Roca Hills
- 8 Scientex Pulaui
- 9 Scientex Klebang
- 10 Scientex Meru
- 11 Scientex Meru 2 & 3
- 12 Scientex Durian Tunggal
- 13 Scientex Senai 2
- 14 Scientex Rawang
- 15 Scientex Amber Land
- 16 Scientex Durian Tunggal 2
- 17 Scientex Jasin
- 18 Scientex Kundang Jaya
- 19 Scientex Tasek Gelugor
- 20 Scientex Seremban
- 21 Scientex Kota Tinggi
- 22 Scientex Cheras
- 23 Scientex Bandar Jasin
- 24 Scientex Pulaui 3
- 25 Scientex Sungai Petani
- 26 Scientex Sungai Dua
- 27 Scientex Pelangi 1
- 28 Scientex Pelangi 2
- 29 Scientex Pelangi 3
- 30 Scientex Jenjarom
- 31 Scientex Ipoh



# CHAIRMAN'S STATEMENT

While we continued to wrestle with operational challenges during FY2022, our fundamental business strategies centred around innovation, expansion and sustainability have held the Group's financial performance steady and on track to achieve our growth objectives.

**Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim**  
Chairman and Non-Independent Non-Executive Director



**Dear Fellow Shareholders,**

On behalf of the Board of Directors (the "Board"), I am pleased to present the Integrated Annual Report of Scientex Berhad (interchangeably referred to as "Scientex" and/or the "Group") for the financial year ended 31 July 2022 ("FY2022").

## SHOWCASING RESILIENCE AMIDST LINGERING OPERATIONAL CHALLENGES

While the world collectively heaved a sigh of relief in FY2022 as it became clear that the worst impacts of the COVID-19 pandemic were coming to an end, the unevenness of recovery between nations has continued to cause disruption and drive inflation within the global supply chain.

Against this challenging economic backdrop, I am pleased to report that all entities within the Group have effectively rallied behind our business strategies to record resilient financial results in FY2022. The Group's revenue once again reached a new record high of RM4.0 billion in FY2022, representing a 9.0% increase from RM3.7 billion in FY2021. Operational challenges, however, have led to a net profit contraction of 10.4% from RM457.2 million in FY2021 to RM409.9 million in FY2022.

Earnings per share eased by 10.4% from 29.5 sen last year to 26.4 sen this year. We have nevertheless maintained a robust fiscal position with a net gearing ratio of 0.32 times, which will allow us to continue executing expansion strategies in line with our growth objectives.

## Chairman's Statement

**REWARDING OUR SHAREHOLDERS**

In gratitude of our shareholders' unwavering support, the Group is pleased to have declared a single tier interim dividend of 4 sen per ordinary share on 13 June 2022, which was paid on 22 July 2022.

The Board would like to further reward shareholders with a proposed single tier final dividend of 5 sen per ordinary share, subject to approval at the forthcoming Annual General Meeting.

The total sum of approximately RM139.6 million to be paid out as dividends for FY2022 reflects and underscores our commitment to distribute at least 30% of our annual net profit as dividends each financial year.

Our shareholders will be pleased to learn that Scientex was recognised as a top performer in The Edge's Billion Ringgit Club Corporate Awards 2021, as we received the award under the Industrial Products and Services sector for the Highest Growth in Profit After Tax Over Three Years.



*Gain deeper insights into our financial performance in our Financial Performance Review section on p. 58 of this report.*

**A HEALTHY OUTLOOK DESPITE ONGOING UNCERTAINTIES**

The key challenges that the Group faced this year were mostly related to disruptions in the international supply chain that were beyond our control.

The shortage of materials, unavailability of labour and logistical inefficiencies caused by global imbalances in supply and demand collectively placed inflationary pressure on operational costs in both our packaging and property divisions.

Despite these uncertainties, the growth prospects for both divisions remain optimistic when taking into account the encouraging forecasts for the global and regional packaging markets, as well as the local real estate industry.

Backed by increasing demand from the Asia-Pacific region due to changing lifestyles, greater urbanisation and a growing emphasis on hygiene, safety and sustainability, the

global packaging industry has continued to forecast long-term growth into the next decade.

At the same time, the global FMCG packaging market sector is also anticipated to experience sustained expansion in the coming years as emerging economies increase their demand for goods within the F&B, pharmaceutical, personal care and electronic sectors.

Leveraging on our globally established reputation as an end-to-end integrated flexible plastic packaging manufacturer, our Packaging Division is well equipped to capture a greater share of both the industrial and consumer packaging sectors through robust strategies that prioritise the development of sustainable, innovative and value-added products that meet evolving customer needs.

Turning to the Property Division, despite grappling with delays in obtaining Certificate of Completion and Compliance (CCC) approval for some of our developments in FY2022 due to a shortage in materials required for power supply infrastructure and changes in regulatory application procedures, our Property Division nonetheless remains on track to achieve our target of constructing 50,000 affordable homes by 2028.

Our confidence is bolstered by ongoing national government initiatives that continue to promote home ownership amongst middle-to-lower-income communities, which will play an important role in ensuring demand within the affordable housing sector remains strong.

We are also pleased to have taken important strides forward in enhancing our reputation and desirability as an environmentally responsible developer via the launch of Mori Residences, our newest high-rise development.

The Rawang-based project will incorporate a host of green features that highlight our growing expertise in sustainable construction techniques, and will provide us with our maiden GreenRE Bronze certification from the Real Estate and Housing Development Association of Malaysia (REHDA) upon its completion.

Our efforts to boost sustainability practices across both divisions are vital stepping stones towards a future orientation of the Scientex brand that will provide greater benefits not only to our stakeholders, but also to the nation as well as our planet.

*Get a more in-depth review of the industry landscape in our Market Review, Outlook and Trends section on p. 42 of this report.*



## Chairman's Statement

### STRATEGIC EXPANSION OF OUR CAPABILITIES

In the face of operating challenges and evolving markets, we have maintained our focus on the Group's vision, which is 'To Grow The Scientex Community For A Better Tomorrow' and 'To Double Up Every Five Years', and have persisted in committing resources towards our growth and expansion strategies.

Within our Packaging Division, we recognise the position of strength we possess via our presence across the packaging value chain, and, in FY2022, we continued to leverage our end-to-end manufacturing capabilities to develop innovative and sustainable solutions that address our customers' needs and open up new market subsectors for future growth.

We have also made progress in our bid to expand our industry presence with the strategic acquisition of Taisei Lamick Malaysia Sdn Bhd in September 2022, a move that will magnify our capacity and capabilities within the F&B and FMCG packaging sectors.

At the same time, we are bolstering our adoption of automation and other Industry 4.0 technologies within our factories as we seek to boost our manufacturing capacity and fulfil customer orders with greater speed. Our new robotic facility in Shah Alam, which will significantly increase our stretch film output, is expected to commence operations in the second quarter of FY2023.

In our Property Division, we are pleased to report that an additional 1,403 affordable homes were constructed during the year under review, bringing our running total to 26,700.

Simultaneously, we expanded our portfolio of land banks with the completed purchases of three new parcels of land totalling 567 acres for RM448.8 million and acquisition deals for a further 1,430 acres of land pending completion.

Our delivery of a high volume of homes, as well as our emphasis on sustainable construction practices, received acclaim in August when we made BCI Asia's list of Top Ten Developers 2022, one of the most coveted honours in the regional building industry.

As we constantly hone our ability to rapidly launch and efficiently construct new developments, supported by our robust land bank acquisition activities, the Group remains in a sturdy position to further strengthen our footprint across Peninsular Malaysia, enhance the reputation of the Scientex brand and achieve our growth targets.

*Read more about our advancement strategies in our Operational Review section on p. 63 of this report.*

### EMPOWERING OUR PEOPLE

In FY2022, we underscored our commitment to nurturing our human capital by continuously cultivating an engaging and safe working environment. To this end, we engaged with employees via various channels and kept them abreast of the latest developments involving the Group, while upholding high standards in ethical and sustainable work practices.

We also amplified our investment into the training and safety of our employees in FY2022, recording a 50% increase in training hours per employee compared to FY2021 and implementing various automation initiatives at our plants to reduce the risk of on-the-job injuries.

Our efforts to enhance safety in the workplace have yielded the desired results, as we successfully reduced our injury rate and recorded zero fatalities during the year.

*Discover more about our human capital initiatives in the Empowering Our People section on p. 74 of our Sustainability Report 2022.*

### EMBEDDING SUSTAINABILITY IN OUR DNA

The Scientex Group does not view sustainability as a separate agenda but rather acknowledges it as an overarching initiative that should be embedded in our strategies and processes across the Group.

To this end, we have ramped up the strength of our governance and oversight by establishing a new Group Sustainability Team to provide us with the necessary insights, competencies and agility to adapt quickly with the fast-changing sustainability landscape.

We have also expanded our support for the UNSDGs, increasing our scope from 12 to 13 SDGs in FY2022 with the addition of SDG 14 "Life Below Water".

It is heartening to note that our continuous efforts and commitment to sustainability has been recognised via our admission as a constituent company of the FTSE4GOOD Bursa Malaysia (F4GBM) Index.

*Read our Sustainability Report 2022 for a more comprehensive understanding of our sustainability initiatives.*

## Chairman's Statement

**UPHOLDING GOOD LEADERSHIP AND CORPORATE GOVERNANCE**

Several enhancements were made to our corporate governance framework in FY2022 to better our oversight and safeguards at the very top level of our leadership.

To improve the accountability and responsibilities of our Board members, we implemented a new Directors' Fit and Proper Policy that provides guidelines to assess all existing and new Board members' fitness for directorship.

We have also enhanced the communication of our codes and policies so that all employees remain well versed with their responsibilities. In FY2022, we conducted e-learning modules for three of our policies, namely our Environmental Policy, Code of Ethics and Safety and Health Policy.

*Take a deeper dive into our governance framework in the Responsible Business Conduct and Governance section on p. 30 of our Sustainability Report 2022.*

**ACKNOWLEDGEMENT**

On behalf of the Board, I would like to extend our deepest gratitude to the Management, helmed by Mr Lim Peng Jin as Managing Director/Chief Executive Officer, members of the Executive Committee, and our diverse and dedicated workforce.

I am continually humbled by their resilience in facing any and all challenges head on, and to the best of their abilities, in order to keep the Group on track towards its objectives. The Board remains confident that our people's tireless dedication will hold the Group steady on its trajectory of sustainable growth.

The Board and the Management also recognise and appreciate the unending loyalty of our shareholders, business partners and customers.

Inspired by your collective support and faith in us, we will continue adapting and advancing our efforts to achieve the aspirations set forth within our vision, growth and sustainability objectives, while ensuring that the interests of our stakeholders are always prioritised.

**Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim**

Chairman and Non-Independent Non-Executive Director

# PERNYATAAN PENGURUSI

**Walaupun terus bergelut dengan cabaran operasi sepanjang TK2022, namun strategi perniagaan asas kami yang tertumpu kepada inovasi, pengembangan dan kemampanan telah memastikan prestasi kewangan Kumpulan stabil dan berada di landasan yang betul untuk mencapai objektif pertumbuhan kami.**

## Para Pemegang Saham yang Dihormati,

Bagi pihak Lembaga Pengarah ("Lembaga"), saya dengan sukacitanya membentangkan Laporan Tahunan Bersepadu Scientex Berhad (dirujuk secara bertukar ganti sebagai "Scientex" dan/atau "Kumpulan") bagi tahun kewangan berakhir 31 Julai 2022 ("TK2022").

### MEMPAMERKAN DAYA TAHAN WALAUPUN MENGHADAPI CABARAN OPERASI YANG BERPANJANGAN

Meskipun dunia secara kolektif menarik nafas lega pada TK2022 apabila jelas kelihatan kesan paling teruk pandemik COVID-19 akan berakhir, pemulihan yang tidak sekata antara negara terus menyebabkan gangguan dan mendorong inflasi dalam rantaian bekalan global.

Dalam persekitaran ekonomi yang mencabar ini, saya dengan sukacitanya melaporkan bahawa semua entiti dalam Kumpulan telah pulih dengan berkesan di sebalik strategi perniagaan kami untuk mencatatkan keputusan kewangan yang berdaya tahan pada TK2022. Hasil pendapatan Kumpulan sekali lagi mencapai rekod tertinggi baharu sebanyak RM4.0 bilion pada TK2022, mewakili peningkatan sebanyak 9.0% daripada RM3.7 bilion pada TK2021. Walau bagaimanapun, cabaran operasi telah menyebabkan penurunan dalam keuntungan bersih sebanyak 10.4% daripada RM457.2 juta pada TK2021 kepada RM409.9 juta pada TK2022.

Pendapatan sesaham susut sebanyak 10.4% daripada 29.5 sen tahun lepas kepada 26.4 sen pada tahun ini. Namun begitu, kami telah mengekalkan kedudukan fiskal yang teguh dengan nisbah penggearing bersih sebanyak 0.32 kali, yang akan membolehkan kami terus melaksanakan strategi pengembangan selaras dengan objektif pertumbuhan kami.

### MEMBERIKAN GANJARAN KEPADA PEMEGANG SAHAM KAMI

Sebagai tanda menghargai sokongan para pemegang saham kami yang tidak berbelah bahagi, Kumpulan dengan sukacitanya mengisytiharkan dividen interim setingkat sebanyak 4 sen sesaham biasa pada 13 Jun 2022, yang dibayar pada 22 Julai 2022.

Lembaga ingin memberikan ganjaran tambahan kepada para pemegang saham dengan cadangan dividen akhir setingkat sebanyak 5 sen sesaham biasa, tertakluk kepada kelulusan dalam Mesyuarat Agung Tahunan yang akan datang.

Jumlah keseluruhan kira-kira RM139.6 juta yang akan dibayar sebagai dividen bagi TK2022 mencerminkan dan menekankan komitmen kami untuk mengagihkan sekurang-kurangnya 30% daripada keuntungan bersih tahunan kami sebagai dividen bagi setiap tahun kewangan.

Pemegang saham kami berbesar hati untuk mengambil maklum bahawa Scientex telah diiktiraf sebagai syarikat berprestasi tinggi dalam Anugerah Korporat The Edge Billion Ringgit Club 2021, selepas menerima anugerah Pertumbuhan Tertinggi dalam Keuntungan Selepas Cukai Sepanjang Tempoh Tiga Tahun bagi sektor Produk dan Perkhidmatan Perindustrian.

*Dapatkan pemahaman yang lebih mendalam tentang prestasi kewangan kami dalam bahagian Tinjauan Prestasi Kewangan di halaman 58 laporan ini.*

### PROSPEK YANG TEGUH WALAUPUN WUJUD KETIDAKPASTIAN YANG BERTERUSAN

Cabaran utama yang dihadapi oleh Kumpulan pada tahun ini sebahagian besarnya mempunyai kaitan dengan gangguan dalam rantaian bekalan antarabangsa yang berada di luar kawalan kami.

Kekurangan bahan, ketiadaan buruh dan ketidakcekapan logistik akibat permintaan dan penawaran yang tidak seimbang di peringkat global, secara kolektif telah menyebabkan tekanan inflasi ke atas kos operasi dalam bahagian pembungkusan dan hartanah kami.

Walaupun wujud ketidakpastian, prospek pertumbuhan bagi kedua-dua bahagian ini kekal optimis dengan mengambil kira ramalan yang menggalakkan terhadap pasaran pembungkusan global dan serantau, serta industri hartanah tempatan.

Bersandarkan permintaan yang meningkat dari rantau Asia-Pasifik berikutan perubahan gaya hidup, pembandaran secara besar-besaran dan penekanan yang semakin meningkat terhadap kebersihan, keselamatan dan kemampanan, industri pembungkusan global terus meramalkan pertumbuhan jangka panjang hingga ke dekad yang seterusnya.

## Pernyataan Pengerusi

Pada masa yang sama, sektor pasaran pembungkusan barangan pengguna bergerak pantas (FMCG) di peringkat global turut dijangka mengalami perkembangan yang berterusan pada tahun mendatang apabila pembangunan ekonomi yang pesat meningkatkan permintaan terhadap barangan dalam sektor makanan dan minuman (F&B), farmaseutikal, penjagaan diri dan elektronik.

Dengan memanfaatkan reputasi kami yang teguh di peringkat global, sebagai pengeluar pembungkusan plastik fleksibel bersepadu secara menyeluruh, Bahagian Pembungkusan kami mempunyai kelengkapan yang lengkap untuk mendapatkan bahagian yang lebih besar daripada sektor pembungkusan industri dan pengguna melalui strategi rapi yang mengutamakan pembangunan mampan, inovatif dan produk nilai tambah bagi memenuhi keperluan pelanggan yang semakin berkembang.

Beralih kepada Bahagian Hartanah, walaupun berhadapan dengan penangguhan dalam mendapatkan kelulusan Sijil Penyiapan dan Pematuhan (CCC) bagi sebahagian daripada pembangunan kami pada TK2022 disebabkan kekurangan bahan keperluan untuk infrastruktur bekalan kuasa dan perubahan dalam prosedur permohonan kawal selia, sasaran kami tetap kekal di landasannya iaitu untuk mencapai pembinaan 50,000 rumah mampu milik menjelang tahun 2028.

Keyakinan kami semakin kukuh dengan adanya inisiatif kerajaan yang sedang dilaksanakan bagi terus menggalakkan pemilikan rumah dalam kalangan golongan berpendapatan sederhana hingga rendah, yang akan memainkan peranan penting dalam memastikan permintaan dalam sektor perumahan mampu milik terus teguh.

Kami juga berpuas hati kerana telah mengambil langkah penting ke hadapan dalam meningkatkan reputasi dan keinginan kami sebagai pemaju yang bertanggungjawab terhadap alam sekitar melalui pelancaran Mori Residences, iaitu pembangunan bangunan tinggi terbaharu kami.

Projek yang bertempat di Rawang akan menggabungkan pelbagai ciri hijau yang menyerlahkan kepakaran kami yang semakin berkembang dalam teknik pembinaan yang mampan, dan bakal mendapatkan pensijilan Gangsa GreenRE kami yang pertama daripada Persatuan Pemaju Hartanah dan Perumahan Malaysia (REHDA) apabila projek tersebut siap.

Usaha kami untuk meningkatkan amalan kemampan merentasi kedua-dua bahagian merupakan batu loncatan penting ke arah hala tuju masa depan jenama Scientex yang akan memberikan lebih banyak manfaat bukan sahaja kepada pihak berkepentingan kami, tetapi juga kepada negara serta bumi kita.

*Dapatkan ulasan yang lebih mendalam tentang lanskap industri dalam bahagian Tinjauan Pasaran, Prospek dan Trend di halaman 42 laporan ini.*

**PENGEMBANGAN STRATEGIK KEUPAYAAN KAMI**

Dalam menghadapi cabaran operasi dan pasaran yang semakin berkembang, kami telah mengekalkan tumpuan kami dalam visi Kumpulan, iaitu 'Mengembangkan Komuniti Scientex untuk Masa Depan yang Lebih Baik' dan 'Penggandaan Dua Kali Setiap Lima Tahun', dan berterusan dalam memperuntukkan sumber ke arah strategi pertumbuhan dan pengembangan kami.

Dalam Bahagian Pembungkusan, kami mengiktiraf kedudukan kekuatan yang dimiliki melalui kewujudan kami dalam rantai nilai pembungkusan, dan pada TK2022, kami terus memanfaatkan keupayaan pembuatan secara menyeluruh untuk membangunkan penyelesaian inovatif dan mampan dalam menangani keperluan pelanggan dan membuka subsektor pasaran baharu untuk pertumbuhan masa depan.

Kami juga telah mencapai kemajuan dalam usaha untuk mengembangkan kedudukan industri kami melalui pemerolehan strategik Taisei Lamick Malaysia Sdn Bhd pada September 2022. Usaha ini adalah satu langkah yang akan meningkatkan kapasiti dan keupayaan kami dalam sektor pembungkusan F&B dan FMCG.

Pada masa yang sama, kami memperkukuh penggunaan automasi dan teknologi Industri 4.0 lain di kilang kami dalam usaha untuk meningkatkan kapasiti pembuatan dan memenuhi pesanan pelanggan dengan lebih cepat. Kemudahan robotik baharu kami di Shah Alam, yang akan meningkatkan pengeluaran saput regang dengan ketara, dijangka mula beroperasi pada suku kedua TK2023.

Di Bahagian Hartanah, kami dengan sukacitanya melaporkan bahawa tambahan 1,403 rumah mampu milik telah dibina pada tahun yang ditinjau, menjadikan jumlah keseluruhan rumah mampu milik kami adalah sebanyak 26,700.

Pada masa yang sama, kami mengembangkan portfolio bank tanah kami dengan pembelian lengkap tiga bidang tanah baharu berjumlah 567 ekar dengan harga RM448.8 juta dan perjanjian pemerolehan untuk 1,430 ekar lagi tanah yang masih belum selesai.

Penyerahan jumlah rumah kami yang tinggi, serta penekanan kami terhadap amalan pembinaan mampan, mendapat sanjungan pada bulan Ogos apabila kami tersenarai dalam Sepuluh Pemaju Terbaik BCI Asia 2022, salah satu penghormatan yang sentiasa menjadi rebutan dalam industri binaan serantau.

Sambil sentiasa meningkatkan keupayaan kami untuk melancarkan dengan pantas dan merangka pembangunan baharu dengan cekap, disokong oleh aktiviti pemerolehan bank tanah kami yang kukuh, Kumpulan terus berada pada kedudukan teguh untuk mengukuhkan lagi kewujudan kami di seluruh Semenanjung Malaysia, meningkatkan reputasi jenama Scientex dan mencapai sasaran pertumbuhan kami.

## Pernyataan Pengerusi

*Ketahui lebih lanjut tentang strategi kemajuan kami dalam bahagian Tinjauan Operasi di halaman 63 laporan ini.*

### MEMPERKASAKAN WARGA KAMI

Pada TK2022, kami menekankan komitmen kami untuk memupuk modal insan dengan menerapkan pelibatan secara berterusan dan persekitaran kerja yang selamat. Oleh itu, kami menganjurkan sesi libat urus dengan pekerja kami melalui pelbagai saluran dan memastikan pekerja kami mengikuti perkembangan terkini di dalam Kumpulan, di samping mengekalkan piawaian etika yang tinggi dan amalan kerja yang mampan.

Kami juga meningkatkan pelaburan dalam latihan dan keselamatan pekerja pada TK2022, dengan mencatatkan peningkatan sebanyak 50% dalam jam latihan bagi setiap pekerja berbanding TK2021 dan melaksanakan pelbagai inisiatif automasi di kilang kami untuk mengurangkan risiko kecederaan semasa bekerja.

Usaha kami untuk meningkatkan keselamatan di tempat kerja telah membuahkan hasil yang diinginkan, apabila kami berjaya mengurangkan kadar kecederaan dan mencatatkan kematian sifar pada tahun tersebut.

*Ketahui lebih lanjut tentang inisiatif modal insan kami dalam bahagian Memperkasakan Warga Kami di halaman 74 Laporan Kemampanan 2022.*

### MENERAPKAN KEMAMPAKAN DALAM DNA KAMI

Kumpulan Scientex tidak memandang kemampanan sebagai agenda yang berasingan namun menganggapnya sebagai inisiatif menyeluruh yang harus diterapkan dalam strategi dan proses di seluruh Kumpulan.

Untuk tujuan ini, kami telah meningkatkan kekuatan tadbir urus dan pemerhatian kami dengan menubuhkan Pasukan Kemampanan Kumpulan yang baharu untuk memberikan kami pemahaman, kecekapan dan ketangkasan yang diperlukan untuk segera menyesuaikan diri dengan landskap kemampanan yang sedang berubah dengan pantas.

Kami juga telah memperluas sokongan dalam Matlamat Pembangunan Mampan Pertubuhan Bangsa-Bangsa Bersatu (UN SDG), dengan meningkatkan skop kami daripada 12 kepada 13 SDG pada TK2022 dengan penambahan SDG 14 iaitu "Hidupan Di Bawah Air".

Kami berasa teruja apabila mengetahui bahawa usaha berterusan dan komitmen kami terhadap kemampanan telah diiktiraf melalui kemasukan kami sebagai syarikat konstituen Indeks FTSE4GOOD Bursa Malaysia (F4GBM).

*Baca Laporan Kemampanan 2022 untuk pemahaman yang lebih menyeluruh tentang inisiatif kemampanan kami.*

### MENDUKUNG KEPIMPINAN DAN TADBIR URUS KORPORAT YANG BAIK

Beberapa penambahbaikan telah dibuat pada rangka kerja tadbir urus korporat kami pada TK2022 untuk meningkatkan pemerhatian dan perlindungan kami di peringkat tertinggi kepimpinan.

Bagi meningkatkan akauntabiliti dan tanggungjawab ahli Lembaga, kami melaksanakan Dasar Kesesuaian dan Kewajaran Pengarah yang baharu yang menyediakan garis panduan untuk menilai semua kelayakan ahli Lembaga Pengarah sedia ada dan baharu bagi jawatan pengarah.

Kami juga telah meningkatkan penyampaian kod dan dasar kami supaya semua pekerja sentiasa tahu sepenuhnya tanggungjawab mereka. Pada TK2022, kami menjalankan modul e-pembelajaran untuk tiga dasar kami, iaitu Dasar Alam Sekitar, Kod Etika serta Dasar Keselamatan dan Kesihatan.

*Kaji lebih terperinci tentang rangka kerja tadbir urus kami dalam bahagian Tatakelakuan dan Tadbir Urus Perniagaan yang Bertanggungjawab di halaman 30 Laporan Kemampanan 2022.*

### PENGHARGAAN

Bagi pihak Lembaga, saya ingin menyampaikan ucapan terima kasih yang tidak terhingga kepada Pengurusan yang diterajui oleh Encik Lim Peng Jin selaku Pengarah Urusan/Ketua Pegawai Eksekutif, semua ahli Jawatankuasa Eksekutif, serta tenaga kerja kami yang pelbagai dan berdedikasi.

Saya sentiasa kagum dengan daya tahan mereka dalam menghadapi sebarang dan semua cabaran yang dilalui, dan dilakukan dengan sebaik mungkin, untuk memastikan Kumpulan berada di landasan yang betul ke arah mencapai objektifnya. Lembaga sentiasa yakin bahawa dedikasi warga kami yang tidak mengenal erti penat lelah akan meletakkan Kumpulan stabil pada laluan pertumbuhan yang mampan.

Lembaga dan Pengurusan juga mengiktiraf dan menghargai kesetiaan yang berterusan para pemegang saham, rakan niaga dan pelanggan kami.

Diinspirasi oleh sokongan dan kepercayaan bersama anda kepada kami, kami akan terus menyesuaikan dan memajukan usaha untuk mencapai aspirasi yang ditetapkan dalam visi, objektif pertumbuhan dan kemampanan kami, di samping memastikan kepentingan pihak berkepentingan kami sentiasa diutamakan.

**Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim**  
Pengerusi dan Pengarah Bukan Bebas Bukan Eksekutif



# 主席报告书

尽管我们在2022财政年继续面对运营挑战，但我们以创新、扩张和永续发展为中心的基本业务策略，协助集团的业绩保持稳定，并有望实现我们的增长目标。

各位股东，

我谨此非常荣幸的代表董事部，为大家汇报森德公司（简称森德或集团）截至2022年7月31日财政年的综合年度报告。

## 在众多运营挑战萦绕中展现韧性

虽然2019新冠肺炎疫情所造成的最严重影响明显即将结束，让全球在2022财政年都松了一口气，然而，各国之间不平衡的复苏状态，继续在全球供应链中，造成中断并促使通货膨胀。

尽管经济充满挑战，我欣慰地向各位报告，集团旗下所有业务个体都齐心协力，有效地支持整体业务策略，让森德于2022财政年，取得具弹性的业绩表现。集团的营业额在2022财政年再次创下历史新高，达到40亿令吉，较2021财政年的37亿令吉，增长了9.0%。然而，在面临运营挑战之下，净盈利从2021财政年的4亿5720万令吉，减少10.4%，至2022财政年的4亿990万令吉。

每股盈利从上个财政年的29.5仙，减少10.4%至26.4仙。尽管如此，森德的财务状况依然强稳，净负债比率为0.32倍。这也使集团能够根据预设的增长目标，继续执行扩张策略。

## 回馈股东

为了感谢股东们的坚定支持，集团欣然宣布于2022年6月13日派发每股4仙的中期单层股息，并于2022年7月22日，派发给股东。

另外，董事部也建议再派发每股5仙的终期单层股息，回馈股东。有关终期股息的派发，有待即将来临的常年股东大会的通过。

总的来说，森德于2022财政年的股息派发总额，达到约1亿3960万令吉，再次凸显森德致力兑现派发最低30%年度净盈利给忠诚股东的承诺。

我们的股东将兴喜的得知，森德在2021年The Edge的十亿令吉俱乐部企业奖中，在工业产品和服务领域下被表彰为表现最佳的公司之一，荣获三年来税后盈利增长最高的奖项。

请翻阅本报告书第58页的《财务审核评估》，以了解更多财务表现详情。

## 尽管面对持续的不确定性，但增长前景，依然乐观

集团今年面临的主要挑战，大部分与超出我们掌控范围的国际供应链中断有关。

全球供应与需求失衡所导致的原料短缺、劳动力不足和物流效率低下，都对我们的包装业和产业业务的运营成本，造成通胀压力。

尽管面对这些不确定性，然而从全球和区域性的包装市场，以及国内房地产行业市场鼓舞的预测，我们的包装业和产业业务的增长前景依然乐观。

此外，有鉴于亚太地区生活方式的改变、城市化进程的加快，以及人们对卫生、安全和可持续性的日益重视，促使该区域的包装需求不断增长。全球包装行业预计未来十年，依然取得长期增长。

随着新兴经济体对餐饮、制药、个人护理和电子业商品的需求增加，全球快速消费品包装（FMCG）市场预计在未来几年，也将持续扩张。

凭借我们作为享誉全球的端对端综合弹性塑料包装制造商，我们的包装业务已有能力优先通过生产发展可持续、创新和附加价值的产品，满足不断变化的客户需求，来扩大工业包装和消费品包装市场份额。

产业业务方面，尽管电供基础设施所需的材料短缺，以及监管应用程序的变化，导致我们在2022财政年的一些开发项目，延误获得竣工和合规证书（CCC），但森德依然有望实现于2028年建造5万间可负担房屋的目标。

我们坚信，政府正在进行的多项举措，能够继续促进中低收入群成为居者有其屋计划的受益者，进而协助确保可负担房屋的需求保持强稳。

我们也通过推出最新的高楼房产开发项目，既森景公寓（Mori Residences），在提升森德作为对环境负责的开发商的声誉与可取性的利好条件上，取得了重要进展。

位于万挠的项目将结合一系列绿色特征，突显我们在永续建筑技术方面，不断增长的专业知识。竣工后，森德将首获马来西亚房地产发展商会（REHDA）颁发的GreenRE绿色房地产铜奖认证。

我们在两大业务推动永续发展的努力，是迈向塑造森德品牌未来方向的重要垫脚石，不仅是为我们的股东，更为国家和我们的地球，带来更大的利益。

更多有关行业格局的详情，请翻阅本报告书第42页的《市场评估、前景和趋势》

## 业务扩展策略

面对经营挑战和不断变化的市场，我们始终专注于实现集团的宏愿，既“建设更美好的森德社区”，“每五年翻倍”，



## 主席报告书

并坚持将资源投入到我们的成长和扩张策略中。

在包装业务方面，我们通过观察集团在整个包装价值链中的存在地位，了解到我们所拥有的优势。2022财政年，我们继续善用端到端生产能力，开发创新和永续的方案，以满足客户的需求，并为未来的增长，开辟新分区市场。

集团成功在2022年9月策略性收购 Taisei Lamick Malaysia Sdn Bhd以扩大我们的包装业务。此举将大幅扩大我们在餐饮和快速消费品包装领域的产量和能力。

与此同时，我们正在加强厂内对自动化和其他工业4.0技术的采用，以提高我们的产量，并以更快的速度，完成客户订单。我们在莎阿南新厂房的自动化设施，将能显著的推高拉伸膜产量。该厂房预计将于2023财政年第二季度，投入运作。

产业方面，我们也很欣喜地向各位股东报告，我们在2022财政年建造了额外1,403间可负担房屋，累积建竣房屋总数为26,700间。

不仅如此，我们也扩大了地库储备组合。森德以4亿4870万令吉，完成了三块总面积达567英亩的地皮收购。另外，一块面积达1,430英亩的地皮收购交易有待完成。

凭借我们交付大量房屋的能力以及对永续建筑的重视，森德在8月获得了2022年BCI亚洲十大房地产开发商的奖项，这是区域建筑行业最梦寐以求的荣誉之一。

森德不断加速推介与高效建设新开发项目的的能力，以及大事收购土地，以进一步扩大集团在马来西亚半岛的产业覆盖率、提升森德品牌的声誉和实现我们的增长目标。

请参阅本报告第63页的《运营评估》部分，以了解更多相关发展策略。

### 赋予员工权力

我们在2022财政年坚守承诺，通过不断营造安全的工作环境来培育人力资源。为此，我们通过各种渠道与员工互动，让他们了解集团的最新发展，同时坚守道德规范和永续工作，实践高标准作业方式。

我们也在2022财政年增加了对员工培训与安全的投资，与2021财政年相比，每位员工的培训时间增加了50%。同时，我们也在厂房实施了各种自动化举措，以降低工伤风险。

集团在提高工作场所安全所付出的努力，已经取得了预期的成效。这一年，我们成功地降低了受伤率，并达到零死亡率。

请参阅《2022年永续发展报告》74页的「赋予员工权力」的详情。

### 将永续发展融入集团核心

森德集团并不将永续发展视为一个单独的议程，而是一项整体举措，应纳入整个集团的策略与流程中。

为此，森德通过建立一个新的「集团永续发展团队」来加强我们的治理和监督能力，为我们提供必要的洞察力、能力和敏捷性的适应力，以便快速适应快速变化的永续发展环境。

我们还扩大了对联合国永续发展目标（SDG）的支持度。森德在2022财政年将覆盖范围，从12项增加到13项，也既是增加了第14项目，名为「水下生物」（Life Below Water）的永续发展目标。

令人振奋的是，森德在永续发展中的不间断努力与承诺，得到了认可，成为富时大马交易所社会责任指数（FTSE4Good Bursa Malaysia, F4GBM）成分股。

各位股东可以通过我们的《2022年永续发展报告》，了解更多有关森德的永续发展举措。

### 维护良好的领导与企业监管

我们在2022财政年对公司的企业监管架构，进行了多项改革，这有利于最高管理层更有效地进行监督和确保监管素质。

为了提高我们董事会成员问责承担力与责任感，我们实施了一项新的「适当董事人选」准则。该准则提供了评估所有现有和新董事会成员，是否适合担任董事的指南。

我们还加强了我们在执行准则和政策上的传达，以便所有员工都深谙自己的职责。我们在2022财政年，为三项政策，既环境政策、道德规范，以及安全与健康政策，举办了网上学习培训。

请参阅《2022年永续发展报告》第30页的《负责任的商业行为和监管》，深入了解我们的监管框架。

### 感谢篇

我谨代表董事部，向由董事总经理/首席执行官，林炳仁先生领导的管理层、执行委员会成员以及我们多元与敬业的员工团队，表达我们最深切的谢意。

我为他们在面对任何与一切挑战时所展现的韧性，感到荣幸。他们竭尽所能，确保集团朝着设定目标前进。董事部仍坚信，我们员工孜孜不倦的奉献精神，将带领集团稳健地走在可持续增长的轨道上。

董事部和管理层亦认可并至诚感谢我们的股东、生意伙伴与客户，感谢他们无尽的支持与信任。

承蒙您对森德集体支持与信任的鼓舞，我们将继续调整和致力实现我们设下的宏愿、增长和可持续发展目标。与此同时，集团也优先确保股东的利益与回酬获得保障。

**Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim**  
主席兼非独立非执行董事

# BOARD OF DIRECTORS

## TAN SRI DATO' MOHD SHERIFF BIN MOHD KASSIM

*Chairman and Non-Independent Non-Executive Director*



**MALAYSIAN**



**AGE 83**



**MALE**

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim is a Non-Independent Non-Executive Director and Chairman of the Company. He was appointed to the Board as Independent Non-Executive Chairman on 20 June 2003 and was re-designated as Non-Independent Non-Executive Chairman on 22 March 2018. He is also a member of the Board's Nomination and Remuneration Committee.

He graduated with a Bachelor of Arts (Honours) in Economics from University of Malaya in 1963 and a Diploma in Economic Development from Oxford University, United Kingdom in 1969. He graduated with a Master of Arts in Economics from Vanderbilt University, USA in 1974.

He served as the Secretary General of Treasury, Ministry of Finance for three years from 1991 to 1994 and as Managing Director of Khazanah Nasional Berhad for nine years from 1994 to 2003. He was formerly a Director of United Engineers (Malaysia) Berhad and RHB Bank Berhad, and the former Chairman of Renong Berhad, Projek Penyelenggaraan Lebuhraya Berhad, PLUS Expressways Berhad, PLUS Malaysia Berhad, Malaysian Institute of Economic Research, Manulife Holdings Berhad, Standard Chartered Bank Malaysia Berhad and Standard Chartered Saadiq Berhad. He is also a former President of the Malaysian Economic Association.

He sits on the Board of Trustees of Yayasan UEM and Yayasan MEA. He is also a Non-Executive Chairman of Warisan Pinang Sdn Bhd, a property development company.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## LIM PENG JIN

*Managing Director/Chief Executive Officer*



**MALAYSIAN**



**AGE 55**



**MALE**

Lim Peng Jin is currently the Managing Director/Chief Executive Officer (CEO) of the Company. He was appointed to the Board on 20 January 1995 as the Group Executive Director and subsequently as Managing Director on 6 November 2001. He is also a member of the Board's Risk Management Committee.

He graduated with a Bachelor of Science (Honours) in Chemical Engineering from the University of Tokyo, Japan in 1990. He began his career in the chemical industry in Japan before joining the Company in 1991 as Management Consultant. He had also completed a course in Programme Management Development at Harvard University, USA in 1998. He has local and international working experiences in the fields of polymer and chemicals during the early years of his career and is very hands-on in the businesses of Scientex Berhad Group of Companies involving packaging, property, polymer and chemicals industries for the past 30 years. The success of the Group owes much to his extensive involvement in its operations and management.

He is the brother of Lim Peng Cheong, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## Board of Directors

**LIM PENG CHEONG***Non-independent Non-Executive Director***MALAYSIAN****AGE 60****MALE**

Lim Peng Cheong is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board as an Executive Director on 9 September 1988, and has held this position until 10 November 2003, when he was re-designated as Non-Executive Director. He graduated with a Bachelor of Science (Honours) in Business Studies from City University, London, UK in June 1984. He was the Managing Director of Malacca Securities Sdn Bhd and was re-designated as Executive Chairman on 1 August 2021.

He is the brother of Lim Peng Jin, who is also a Director and major shareholder of Scientex Berhad. He has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

**WONG CHIN MUN***Senior Independent Non-Executive Director***MALAYSIAN****AGE 78****MALE**

Wong Chin Mun is a Senior Independent Non-Executive Director of the Company. He was appointed to the Board as a Non-Executive Director on 6 October 2017. He is also the Chairperson of the Board's Audit Committee and a member of the Nomination and Remuneration Committee.

He received the Teacher's Certificate from the Ministry of Education of Malaysia in 1966 and graduated with a Bachelor of Business (Accounting) and Bachelor of Business (Secretarial Administration) from Curtin University, Western Australia in 1972 and 1974 respectively. He is a Fellow of the Australian Society of Certified Practising Accountants as well as an associate member of the Malaysian Institute of Accountants.

He worked as the Financial Controller/Company Secretary in Yeo Hiap Seng Bhd from 1974 to 1975. He then joined Nylex (Malaysia) Berhad (Nylex) as the Financial Controller/Company Secretary in 1976 and became the first local General Manager/Director of Nylex in 1980. He was promoted to the position of Managing Director in 1985 and left Nylex at the end of June 1994 to found TEC Asia Centre (now known as Vistage Malaysia Sdn Bhd), an international organisation which aims to help chief executive officers and entrepreneurs to manage change and grow their businesses. He had served on the National Export Council under the Ministry of International Trade & Industry (MITI) from 1989 to 1992 and was appointed to the National Branding Taskforce of MITI from 2006 to 2009. He also served on the Board of Trustees of the Malaysian Rubber Export Promotion Council from 2000 to 2002 and as the Senior Independent Non-Executive Director of Sunway Berhad from 2011 to 2020. Currently, Mr Wong is the Independent Non-Executive Director of Khind Holdings Berhad.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## Board of Directors

**Dato' Noorizah Binti Hj Abd Hamid***Independent Non-Executive Director***MALAYSIAN****AGE 62****FEMALE**

Dato' Noorizah Binti Hj Abd Hamid is an Independent Non-Executive Director of the Company. She was appointed to the Board as a Non-Executive Director on 7 November 2016. She is also the Chairperson of the Board's Risk Management Committee and a member of the Board's Audit Committee.

She graduated with a Diploma in Accountancy from MARA Institute of Technology in 1980, and a Bachelor of Science in Business Administration (Finance) and a Master's degree in Business Administration (Finance and Management) from Central Michigan University, USA in 1982 and 1984 respectively.

She was formerly an Independent Non-Executive Director of Amanah Mutual Berhad, Maybank Islamic Asset Management Sdn Bhd, PT Lintas Marga Sedaya, a subsidiary of PLUS Expressways International Berhad (PEIB), and a Chairperson and Director of UKM Holdings Sdn Bhd. She was also formerly a Non-Executive Chairperson and Managing Director/Chief Executive Officer of PEIB, and former Managing Director of PLUS Malaysia Berhad and PLUS Expressways Berhad. Presently, she sits on the Board of Directors of Mass Rapid Transit Corporation Sdn Bhd and Mass Rapid Transit System Sdn Bhd, which are the direct and indirect wholly-owned subsidiaries of Minister of Finance Incorporated Malaysia, PNB Merdeka Venture Sdn Bhd, Land & General Berhad and Petron Malaysia Refining & Marketing Berhad.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2022.

**ANG KIM SWEE***Independent Non-Executive Director***MALAYSIAN****AGE 64****MALE**

Ang Kim Swee is an Independent Non-Executive Director of the Company. He was appointed to the Board on 17 December 2014. He is also the Chairperson of the Board's Nomination and Remuneration Committee and a member of the Board's Audit Committee and Risk Management Committee.

He graduated with a Diploma in Accounting and Costing. He is a Registered Financial Planner, a Chartered Financial Consultant registered with The Malaysian Insurance Institute, an Audit Committee Member of The Institute of Internal Auditors Malaysia as well as a Qualified Risk Director with the Institute of Enterprise Risk Practitioners. He has also attended the Premier Business Management Program organised by Harvard Club of Malaysia in 2015. He has more than 30 years of working experience in the areas of finance, costing, information technology systems and administration. He is a pioneer of Meditop Corporation (M) Sdn Bhd since 1990 and presently, he is the General Manager (Finance), primarily responsible for the management of financial affairs of the company.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

# KEY MANAGEMENT

Our key management consists of Mr Lim Peng Jin, Managing Director/Chief Executive Officer of Scientex Berhad, and the following persons:

## CHOO SENG HONG

Chief Operating Officer - Packaging



**MALAYSIAN**



**AGE 54**



**MALE**

Choo Seng Hong graduated with a Bachelor of Accountancy from Universiti Putra Malaysia in 1993 and is also a member of the Malaysian Institute of Accountants. He joined Scientex in 1997 as a Finance and Administration Manager. Prior to that, he was attached to KPMG from 1993 to 1997 and has experience in the fields of banking, oil and gas, and manufacturing. Currently, he is the Executive Director and Chief Operating Officer of Scientex's Packaging Division. He is also the Chairman and Non-Independent Non-Executive Director of Scientex Packaging (Ayer Keroh) Berhad (formerly known as Daibochi Berhad).

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## DATUK ALEX KHAW GIET THYE

Chief Operating Officer - Property



**MALAYSIAN**



**AGE 54**



**MALE**

Datuk Alex Khaw Giet Thye joined Scientex's Property Division in 1996. Starting off as a project manager in Scientex's subsidiary, Scientex Quatari Sdn Bhd, he was promoted to General Manager on 1 February 2004, and subsequently, to Executive Director of Scientex's Property Division on 1 August 2013. Presently, he is the Chief Operating Officer of the Property Division. He graduated from Universiti Sains Malaysia with a Degree in Housing, Building & Planning and has over 25 years of experience in construction and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## KOAY TEIK CHUAN

Executive Director - Property



**MALAYSIAN**



**AGE 62**



**MALE**

Koay Teik Chuan joined Scientex in 1997. During the early stages, he was involved in the construction and development of Scientex's flagship development in Johor. Prior to joining Scientex, he was handling various construction projects in different parts of the country. He was appointed as the Executive Director of Scientex's Property Division on 1 November 2009. He received his higher education from the Institut Teknologi Butterworth in 1978 and has more than 30 years of experience in various aspects of construction and property development including township projects.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## Key Management

**JESSELYN CHANG SIEW SIAN***Executive Director - Corporate Planning***MALAYSIAN****AGE 50****FEMALE**

Jesselyn Chang Siew Sian is an accountant by profession. She has more than two decades of local and international experience in the field of auditing and accounting. She graduated from University of Malaya with a Bachelor's degree in Accounting. She is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. She joined Scientex Berhad in 2002 as Corporate Finance Manager and was subsequently promoted to Group Financial Controller on 15 May 2003. She was appointed as the Executive Director overseeing corporate planning of the Group since 2014. She completed the Advanced Management Program in Harvard Business School in 2015.

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2022.

**GAN KOK KHYE***Executive Director - Packaging***MALAYSIAN****AGE 60****MALE**

Gan Kok Khye graduated from North East London Polytechnic, London in 1985 with a Bachelor of Arts (Honours) in Business Studies. He joined Scientex Group in 1988 and has since then held various management positions in the subsidiaries of the Company. He was appointed as an Executive Director of the Group's subsidiary, Scientex Packaging Film Sdn Bhd, as well as the Executive Director of Scientex's Packaging Division in 2002. For a period from 2016 to 2018, he was assigned to oversee the corporate affairs of the Group. Presently, he is the Executive Director of the Packaging Division.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

**GOH TIAN CHIN***Executive Director - Packaging***MALAYSIAN****AGE 57****MALE**

Goh Tian Chin joined Scientex Polymer Sdn Bhd in September 1995 as Assistant Production Manager. He was promoted to General Manager in February 2001 and, since 1 July 2010, he has assumed the responsibilities of Senior General Manager for the stretch film business. He is a graduate of Universiti Sains Malaysia with a Bachelor's degree in Technology and has more than 20 years of experience in the polymer industry. Presently, he is the Executive Director of the Packaging Division.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.



## Key Management

**JACKY PHANG YUEN KHANG***Sales and Marketing Director - Property***MALAYSIAN****AGE 41****MALE**

Jacky Phang Yuen Khang joined Scientex's Property Division in 2010 as Sales and Marketing Manager. He was promoted to Sales and Marketing General Manager in August 2017 and subsequently, to Sales and Marketing Director of Scientex's Property Division in February 2020. He graduated from La Trobe University, Australia with a Bachelor of Business in Marketing and has about two decades of experience in marketing and property development.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

**TAN HONG KOON***General Manager - Corporate Planning***MALAYSIAN****AGE 44****FEMALE**

Tan Hong Koon is an accountant by profession. She has more than two decades of local and international experience in the field of auditing and accounting. She graduated from the University of Melbourne with a Bachelor of Commerce degree, specialising in Accountancy and Finance. She is a member of the Chartered Accountants of Australia and New Zealand. She joined Scientex Berhad as an accountant in 2003 and was appointed as Senior Financial Manager in January 2009. She has been the General Manager of Corporate Planning since January 2019, and was appointed as Executive Director of Scientex Packaging (Ayer Keroh) Berhad (formerly known as Daibochi Berhad).

She does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. She has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on her by any regulatory bodies during the financial year 2022.

**PHANG CHI MING***General Counsel***MALAYSIAN****AGE 57****MALE**

Phang Chi Ming graduated from the National University of Singapore in 1989 with a Bachelor of Laws (Honours) degree. He has been in legal practice since 1990 and obtained his Master of Laws from University of Malaya in 1996. He has various experience in commercial and corporate work as well as litigation. He was appointed as the Legal & Corporate Affairs Manager of Scientex Berhad in January 2008, and subsequently was re-designated as General Counsel.

He does not have any family relationship with any Director and/or major shareholder of Scientex Berhad and has no conflict of interest with the Company. He has not been convicted for any offences within the past 5 years. There were no public sanctions or penalties imposed on him by any regulatory bodies during the financial year 2022.

## OUR VALUE CREATION STORY

Value creation at Scientex is guided by an integrated strategic approach that considers a holistic set of factors, covering the needs of our stakeholders, prevailing trends and risks, our Drivers of Growth, and the established business processes of our dual core businesses.

With the aim of developing strategies that generate sustainable, long-term value for both our business and our stakeholders, we begin by undertaking detailed analysis of industry-level and macroeconomic trends, pairing the insights we glean with the continuous feedback gained from our stakeholders to form a complete picture of our operating environment. We also evaluate our material matters and risks and opportunities on a frequent basis to ensure that our areas of priority remain relevant and impactful.

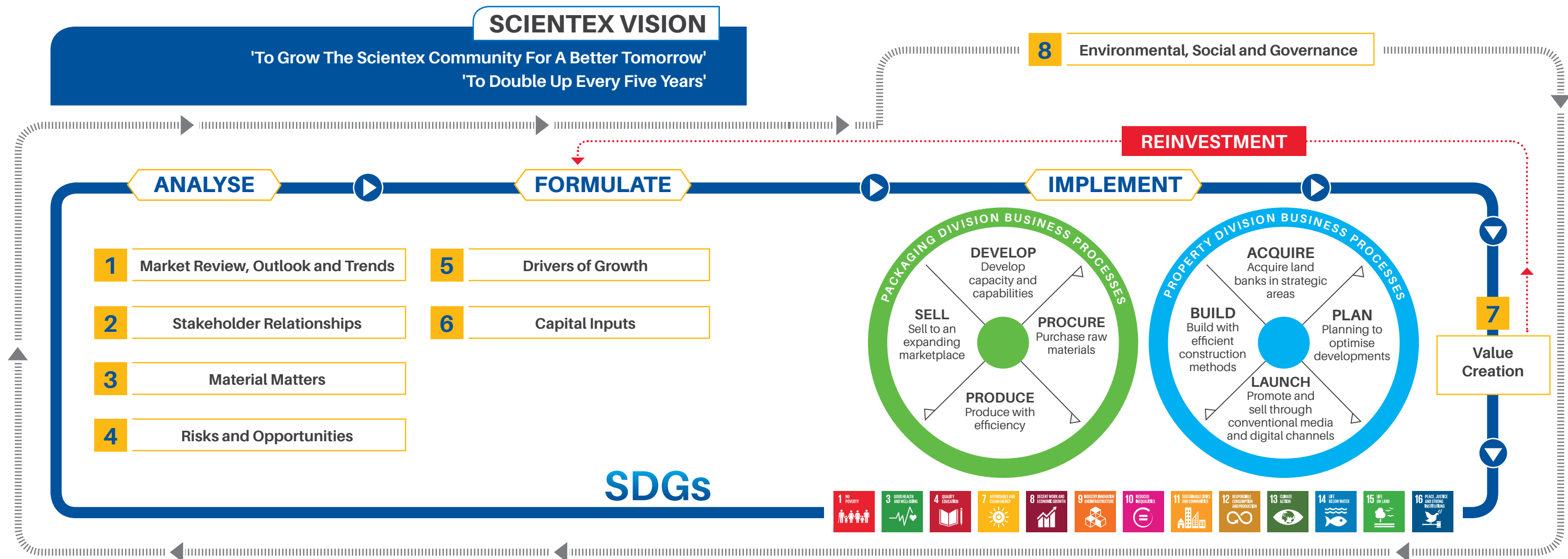
We then formulate business strategies to maximise the productive use of our resources across the 'Six Capitals'. Strategies should also strengthen our core competitive advantages by improving capacity, efficiency or product value – our three Drivers of Growth.

Strategies formulated are implemented through established business processes in both the Packaging Division and the Property Division, delivering on our vision '**To Grow The Scientex Community For A Better Tomorrow**' and '**To Double Up Every Five Years**' while generating sustained economic value that is reinvested to empower continuous operational improvement.

Underlining the key role that sustainability plays in our thinking and actions, ESG factors are considered throughout the strategic formulation process, with the goal of contributing meaningfully to the UN SDGs. Learn more about how business and sustainability are integrated at Scientex by reading our Sustainability Report 2022.



# OUR VALUE CREATION STORY



## 1 Market Review, Outlook and Trends | p. 42

We analyse trends at the global, local and industry level to determine the external forces that may impact on our business processes, our strategies and our ability to create value over the short, medium and long term.

## 2 Stakeholder Relationships | p. 39

Through ongoing engagements, we identify matters to our key stakeholders and their expectations of the Group within each issue.



## 3 Material Matters | p. 46

Our material matters are topics which influence our ability to retain our competitiveness and reputation within the markets we operate in, and ultimately our ability to create value. We have identified seven material matters with specific strategies developed to maximise value creation in each area.



## 4 Risks and Opportunities | p. 51

We remain attuned to strategic, operational, financial and compliance-related risks and opportunities which have the potential to impact our operational processes, reputation

and revenue-generating abilities, continually monitoring developments within each of the risks and opportunities we identified.

## 5 Drivers of Growth | p. 38

Our Drivers of Growth are three key factors which we have identified as central to our long-term value creation journey. They encapsulate the paramount importance we place on developing better products, and continually producing these products more efficiently and at greater capacity.



## 6 Capital Inputs | p. 36

The successful execution of our strategies is enabled by the efficient deployment of capital resources, which span our financial assets, machinery, our established processes and expertise, our long-standing relationships, and more.



## 7 Value Creation | p. 36

The value we generate is measured not only in our financial results but also in the dividends we pay to shareholders, contributions we make to national economies, the jobs we create, and our investments in social and environmental initiatives. Economic value is also recirculated and reinvested to fund continuous improvement across our capitals.

## 8 Environmental, Social and Governance

read our Sustainability Report 2022 to learn more

Sustainability is embedded within each stage of our value creation process and each of our business processes, generating shared value for our stakeholders, communities and the planet.

OUR VALUE CREATION BUSINESS MODEL





# OUR DRIVERS OF GROWTH

At the very core of value creation at Scientex lies our Drivers of Growth, which comprise three factors central to our ability to maintain and enhance our competitive advantage and reputation across our dual core businesses.

Across the Group, our employees seek to innovate in ways that expand our production capacity, enhance the efficiency of our processes and improve the value of our products to customers and end consumers. By doing so, we are best placed to achieve our vision as a Group.

## OUR VISION

To Grow The Scientex Community For A Better Tomorrow  
To Double Up Every Five Years



### CAPACITY

Increasing production capacity and sales volumes

- Exploring mergers and acquisitions that have the potential to expand our production capacity and enhance our capabilities
- Investing in suitable development land banks to expand our affordable home footprint, with a goal of completing 50,000 affordable homes by 2028
- Investing in new machinery with enhanced technology and production capacities
- Implementing advanced production and construction methods that unlock additional capacity
- Divesting non-performing assets and reinvesting financial capital into high growth areas



### EFFICIENCY

Improving production and construction efficiencies

- Adopting advanced production technologies and approaches including automation (Packaging Division) and IBS (Property Division)
- Implementing process innovations that improve time-and cost-efficiency in production
- Standardising our processes for increased efficiency
- Centrally procuring raw materials for greater economies of scale, while employing a just-in-time purchasing strategy to minimise volatility of raw material costs
- Adopting efficient factory layouts and effective production planning
- Utilising sustainable production and construction methods that reduce waste and raw material usage, improve occupational safety and health standards, and enhance energy efficiency
- Adopting customised ERP systems



### PRODUCT VALUE




Enhancing the value of our products to our customers

- Continually monitoring consumer and market trends to drive product innovation efforts
- Leveraging our fully integrated end-to-end structure in the Packaging Division to develop customised solutions that cater to the needs of our customers
- Utilising our state-of-the-art innovation centres to carry out rigorous product testing and rapidly test prototypes
- Supporting the sustainability agendas of our customers by developing packaging solutions that meet their needs
- Developing products with Post-Consumer Recycled (PCR) and Post-Industrial Recycled (PIR) resin content
- Adopting digital marketing for sales, customer outreach, lead generation and conversion in our Property Division
- Delivering on our "Speed, Cost, Quality" trifecta of benefits in our Property Division



# KEY STAKEHOLDER ENGAGEMENT

We carry out purpose-fit engagements with our stakeholders in order to understand the issues that matter to them. The insights we gain form a key input of our materiality determination process, in turn enabling us to develop business and sustainability strategies that maximise value creation.

Stakeholders	Why We Engage	How We Engage	How We Address Their Expectations
 <p><b>Customers</b></p>	<p>Meeting the needs of customers is our primary focus across our Packaging and Property Divisions.</p> <p>By understanding evolving customer needs and market trends, we are best placed to invest in product innovation and, in turn, drive greater product value.</p> <p>Ultimately, this enhances our sustainability as a business.</p>	<p><u>Packaging Division</u></p> <ul style="list-style-type: none"> <li>• The Scientex corporate website</li> <li>• Customer feedback channels</li> <li>• Regular meetings and plant visits</li> <li>• Collaboration in product development</li> <li>• Product brochures</li> </ul> <p><u>Property Division</u></p> <ul style="list-style-type: none"> <li>• Customer feedback channels</li> <li>• Social media channels</li> <li>• The Scientex corporate website</li> <li>• Marketing activities and promotions</li> <li>• Our customer service offices</li> </ul>	<p><u>Packaging Division</u></p> <ul style="list-style-type: none"> <li>• Collaborating with our customers to develop products based on their specific needs, which include greater sustainability and recyclability, improved physical performance, enhanced shelf life, and improved performance in terms of protection, hygiene, safety and convenience</li> <li>• Leveraging our fully integrated end-to-end structure to develop fully customised solutions from film development to converting</li> <li>• Supporting our customers' sustainability agendas by providing them with a range of sustainable packaging solutions</li> <li>• Maintaining always-on communication channels between customers, technical personnel and sales personnel</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Operational Review – Packaging Division &gt; p. 63</i></li> <li>▶ <i>Product Innovation &gt; p. 36 of our Sustainability Report 2022</i></li> </ul> <p><u>Property Division</u></p> <ul style="list-style-type: none"> <li>• Continuously innovating to drive down the cost of construction and end sale price, including by centrally procuring inputs and adopting systematic processes</li> <li>• Expanding our affordable home presence to reach more communities and middle-to-lower-income individuals across Malaysia</li> <li>• Advertising our latest launches, events and promotions via traditional media and digital marketing channels for optimal reach</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Operational Review – Property Division &gt; p. 69</i></li> <li>▶ <i>Providing Affordable Housing &gt; p. 33 of our Sustainability Report 2022</i></li> </ul>

## Key Stakeholder Engagement

Stakeholders	Why We Engage	How We Engage	How We Address Their Expectations
 <b>Suppliers</b>	<p>Our suppliers play a crucial role in ensuring we meet our product quality standards and production timelines. Therefore, it is essential that we engage with them on a continuous basis to detect and mitigate against any operational risks.</p> <p>We also engage with our suppliers to encourage the adoption of practices that meet recognised standards in sustainability and business ethics.</p>	<ul style="list-style-type: none"> <li>• Regular supplier meetings and progress updates</li> <li>• Ongoing evaluations</li> <li>• Site visits</li> <li>• Exhibitions and trade fairs</li> <li>• Technical seminars</li> <li>• Our Code of Conduct for Suppliers</li> </ul>	<p><u>Raw material and machinery suppliers</u></p> <ul style="list-style-type: none"> <li>• Holding regular supplier meetings to enable effective inventory planning and ensure optimal production efficiency</li> <li>• Maintaining periodic communication with suppliers for better understanding of requirements and technical specifications, and to remain abreast of new technologies</li> <li>• Conducting periodic performance reviews to enhance quality of goods and services delivered</li> </ul> <p><u>Sub-contractors and construction material suppliers</u></p> <ul style="list-style-type: none"> <li>• Holding regular meetings to discuss construction schedules and exchange information on material demand forecasts</li> <li>• Conducting periodic performance reviews to enhance quality of goods and services delivered</li> </ul>
 <b>Investors &amp; Shareholders</b>	<p>It is vital that we maintain the trust of our investors and shareholders, who provide the capital base for our continued expansion.</p> <p>Our aim in engaging with our investors and shareholders is to provide transparent disclosure of our financial and non-financial performance - including in relation to our corporate governance practices, sustainability practices and business strategies.</p>	<ul style="list-style-type: none"> <li>• Annual General Meetings (AGM)</li> <li>• Investor relations engagements</li> <li>• The Scientex Integrated Annual Report and Sustainability Report</li> <li>• The Scientex corporate website</li> <li>• Announcements on Bursa Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>• Adopting integrated reporting to more effectively communicate the holistic and integrated way that our strategies are formulated, and the value that they create</li> <li>• Engaging an external investor relations team and an in-house investor relations team to manage communication with shareholders and investors</li> <li>• Delivering consistent capital appreciation and sustained, strong dividend payouts</li> <li>• Stepping up our community investment and environmental efforts, and communicating outcomes regularly</li> </ul>
 <b>Employees</b>	<p>Maintaining a motivated and highly engaged workforce is central to achieving our business objectives.</p> <p>Through ongoing communication, we are best placed to understand and cater to the career development and human needs of our employees, and in turn drive a high workforce retention rate. Our efforts equally serve to enhance the skills of our employees and drive innovation, in line with our Drivers of Growth.</p>	<ul style="list-style-type: none"> <li>• Quarterly Rolling Budget (QRB) dialogues</li> <li>• Employee appraisals</li> <li>• Employee engagement events</li> <li>• Internal bulletins</li> <li>• Progress update meetings</li> <li>• Monthly management meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Communicating company goals and targets through: <ul style="list-style-type: none"> <li>- Monthly management meetings</li> <li>- Half-yearly QRB dialogues</li> <li>- Monthly EXCO meetings</li> </ul> </li> <li>• Maintaining regular communication through corporate and event videos, notice boards, bulletins and online portals</li> <li>• Aligning our employee reward system with our company goals through performance incentives and our share grant plan</li> <li>• Curating effective employee training modules and programmes for continuous professional development</li> <li>• Providing a safe and healthy work environment that meets high standards in occupational safety and health</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Occupational Safety and Health &gt; p. 68 of our Sustainability Report 2022</i></li> <li>▶ <i>Empowering Our People &gt; p. 74 of our Sustainability Report 2022</i></li> </ul>

## Key Stakeholder Engagement

Stakeholders	Why We Engage	How We Engage	How We Address Their Expectations
 <p><b>Governments &amp; Regulators</b></p>	<p>By engaging with governmental and regulatory authorities, we are better placed to drive compliance and formulate strategies that serve our business objectives.</p> <p>Aside from compliance, we seek to support government objectives in our Property Division to deliver affordable homes to a wider cross-section of the Malaysian population.</p>	<ul style="list-style-type: none"> <li>• Regular meetings and consultations</li> <li>• Seminars, training sessions, dialogues and forums (organised by regulatory bodies)</li> <li>• On-site inspections and audits</li> </ul>	<ul style="list-style-type: none"> <li>• Building affordable homes that support community needs and the Malaysian Government's housing agenda</li> <li>• Supporting the sustainability agenda of governments through our product innovation efforts</li> <li>• Supporting socio-economic development through community investments</li> <li>• Consistently staying abreast of legal and regulatory changes through an internal team and the engagement of external advisors</li> <li>• Contributing to the Malaysian economy through foreign currency receipts from exports, and income taxes paid</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Responsible Business Conduct and Governance &gt; p. 30 of our Sustainability Report 2022</i></li> <li>▶ <i>Economic Value Contributed &gt; p. 43 of our Sustainability Report 2022</i></li> </ul>
 <p><b>Local Communities</b></p>	<p>Member of local communities are the end consumers of our packaging and property products and services. In addition, they form the majority of our workforce across both divisions.</p> <p>By engaging with members of local communities, we enhance our understanding of their needs, guiding ongoing improvement in product development, employment practices and sustainability initiatives.</p>	<ul style="list-style-type: none"> <li>• Social media channels</li> <li>• The Scientex corporate website</li> <li>• Customer service offices (Property Division)</li> <li>• Community events</li> <li>• Dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Providing sustained employment and career advancement opportunities to members of local communities</li> <li>• Expanding our affordable housing footprint throughout Peninsular Malaysia to reach a wider cross-section of Malaysians in the middle-to-lower-income segment</li> <li>• Developing holistic townships that provide a wider range of services, commercial zones to catalyse job creation and improved connectivity to larger population hubs, thus enhancing community resilience and improving quality of life</li> <li>• Mitigating environmental and socio-economic risks at certain property development sites through environmental and social impact assessments</li> <li>• Allocating funds for activities, including school-based programmes and environmental initiatives, that promote the values and practices of sustainable living</li> <li>• Supporting socio-economic development through local community initiatives, while enhancing community resilience by providing relief during natural disasters</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Providing Affordable Housing &gt; p. 33 of our Sustainability Report 2022</i></li> <li>▶ <i>Empowering Our People &gt; p. 74 of our Sustainability Report 2022</i></li> <li>▶ <i>Contributing to Local Communities &gt; p. 79 of our Sustainability Report 2022</i></li> </ul>

# MARKET REVIEW, OUTLOOK AND TRENDS

## > PACKAGING

Despite facing a variety of disruptions within the global supply chain, continuing strong market demand coupled with our emphasis on innovation and growing the circular plastic economy places us on a robust trajectory for continued growth.

### Staying focused amidst lingering global supply chain disruptions

The primary challenges the Packaging Division faced during the year were mostly due to the spillover effects of the COVID-19 pandemic, which continued to cause disruptions to the supply chain, impact the flow of consumer goods into key markets and propel an escalation in freight costs.

These disruptions served to inflate our raw material and operational costs, instigate inefficiencies within our supply chain and impact our ability to procure some raw materials, while ongoing restrictions on foreign labour also caused us to face with a shortage of manpower.

Our response to these challenges has been robust, as we maintained focus on expanding our capacity and capabilities, strengthening our operating and supply chain efficiencies, and capitalising on strategic opportunities that enable us to meet our growth objectives.

We will continue to leverage on our strengths across the packaging value chain to drive rapid innovation in tandem with market needs and expand our presence in new and sustainable segments of the industrial and consumer packaging markets.

### Stretch film market continues to provide optimism for growth

The stretch film packaging market showcased its resilience in FY2022 to remain on a steady upward trajectory of growth. A forecast published in May 2022<sup>1</sup> estimated the global market size at US\$5.47 billion in 2022, which is an increase of US\$315 million since 2020, and projected that the market will stay firm on its 3.4% CAGR trajectory to reach at least US\$6.68 billion in 2028.

As one of the leading global stretch film players, we have made it a priority to prime ourselves to capture a significant portion of this market growth. Our capacity to cater to the increased demand in upcoming years has been significantly boosted with our manufacturing plants in Malaysia and the United States.

### Consumer packaging sector set for long-term growth

There is similar cause for optimism within the consumer packaging segment, with both the Asia-Pacific and global

markets forecasted to record strong growth in the coming years.

A June 2022 market outlook report<sup>2</sup> valued the Asia-Pacific flexible packaging market at US\$115.38 billion in 2021 and estimated a CAGR of more than 5% between 2022 to 2027. The underlying factors contributing to this growth are an increase in per capita income amongst Asia-Pacific nations, a growing health awareness that is placing the spotlight on quality hygienic packaging, and changing lifestyle patterns that are boosting the demand for conveniently packaged consumables.

Plastic packaging accounts for 60% of the entire Asia-Pacific flexible packaging market and an expected expansion in the food and beverage market is anticipated to further increase the demand for the types of flexible plastic packaging that we produce.

Switching to the global FMCG packaging market, we find an even more aggressive CAGR of 5.7% forecasted for the next decade, culminating in a projected market size of US\$736.6 billion in 2032<sup>3</sup>.

This robust CAGR is justified by the expected expansion of various FMCG-related sectors in emerging economies, such as the food and beverage, pharmaceutical, personal care and electronics industries. With growth driven by emerging economies, the long-term upward trend is expected to remain stable with high sales projected until 2032 and an increased CAGR of 6.1% predicted thereafter.

As an end-to-end integrated flexible packaging manufacturer, we are confident of leveraging on our operational synergies and expertise in innovation to adapt quickly to the needs of our customers and seize a growing share of the consumer packaging market in the coming years.

### Spearheading the transition to sustainable plastic packaging

In our previous two integrated reports, we outlined the growing trend of sustainability within the packaging industry. Boding well for the future for our planet, this trend has only continued to gather greater momentum during FY2022.

Establishing a 'Plastic Circular Economy' has now become the primary objective of the future, with the New Plastics

## Market Review, Outlook and Trends &gt; Packaging

Economy Global Commitment launched in October 2018 uniting more than 500 businesses, governments, and other organisations from around the world behind a common vision of a circular economy for plastics, where it does not become waste or a source of pollution.

Led by the Ellen MacArthur Foundation, and in collaboration with the UN Environment Programme, this Global Commitment is driven by the goal of tackling plastic pollution at its source and has set ambitious 2025 targets to help realise that common vision.

In addition to global collective action, individual nations are also setting their own targets. The Malaysian government has stated its commitment to enhance plastic sustainability within the Twelfth Malaysian Plan, 2021-2025 (RMK-12) and, under the stewardship of the Ministry of Environment and Water (KASA), has introduced the Malaysia Plastics Sustainability Roadmap (MPSR) 2021 - 2030 into the national agenda.


We are proud to have recognised this impending transition towards sustainable packaging early on and steadily escalated our commitments over the years. The principles of sustainability that have now been embedded into our core business strategies and across our packaging operations place us in complete alignment with the above global and national agendas and empower us to contribute meaningfully towards developing plastic circularity.

Our emphasis on working closely with brand owners to innovate new sustainable packaging products has seen us become a crucial partner for many of our customers in advancing their own sustainability agendas and has honed our expertise and capabilities in preparation for the seismic shift towards sustainable packaging solutions that is now upon us.

Coupled with our other sustainability initiatives in waste management, material optimisation and energy consumption, we are consistently and strategically growing our reputation as a preferred packaging partner for environmentally-conscious brand owners.

 [Read more](#)

 [Operational Review - Packaging Division > p. 63](#)

 [Product Innovation > p. 36 of our Sustainability Report 2022](#)

### Well-equipped to harness sustained growth

Despite facing lingering supply chain disruptions, we remain confident of achieving our vision of 'Doubling Up Every Five Years' and 'To Grow The Scientex Community For A Better Tomorrow'.

Guided by this collective mission, we have continued to make significant investments across our Packaging Division to boost our capabilities and manufacturing capacity. Our commitment to advancing our R&D and securing advanced machinery with cutting-edge technologies is epitomised by the construction of our newest facility - a robotic manufacturing plant in Shah Alam that will have an initial capacity of producing 18,000 metric tonnes of stretch film per year.



*Our robotic manufacturing plant in Shah Alam*

We will also continue to take advantage of our unique position as an end-to-end flexible packaging manufacturer to robustly collaborate with customers and innovate new packaging solutions that are customised to meet the evolving requirements of the growing stretch film and consumer packaging markets.

#### Sources:

1. *Global and United States Stretch Film Packaging Market Report & Forecast 2022-2028 | Market Research Report | May 2022*
2. *Asia-Pacific Flexible Packaging Market Outlook, 2027 | Market Research Report | June 2022*
3. *Fast-Moving Consumer Goods Packaging Market | Market Research Report | February 2022*



# MARKET REVIEW, OUTLOOK AND TRENDS

## > PROPERTY

While we confronted operational challenges in the form of labour shortages, increasing costs and a shortage in the supply of materials during FY2022, the outlook for our Property Division remains strong. Looking forward, we will continue to align our objectives with the national agenda and build affordable homes that fulfil the growing demand amongst Malaysians.

### Persevering through persistent cost and supply challenges

Our Property Division faced various operational challenges during FY2022 that could be attributed to the lingering effects of the COVID-19 pandemic, with higher raw material costs, material shortages as well as changes in certain regulatory application processes contributing to temporary inefficiencies within our operations. Material supply issues most notably impacted our operations when a lack of availability for power supply infrastructure caused delays in obtaining the CCC for some of our projects.

In spite of these challenges, the division has continued to leverage healthy national demand for affordable homes as we sustained our expansion into new locations across Peninsular Malaysia and successfully launched our first high-rise residential project in Klang Valley in the second half of FY2022.

At the same time, we are adapting our operating and pricing strategies to cope with the challenges of reduced labour availability and higher material costs as we strive to provide an increasing number of quality homes at affordable prices for the Malaysian population.

### Optimistic economic forecast likely to boost purchasing confidence

With property market activity often mirroring a nation's economic sentiment, Malaysia's robust economic resurgence following its transition to the endemic phase of the government's COVID-19 recovery plan augurs well for our Property Division.

The country's economic revival is evidenced by an expanding economy, increased international trade as well as a decline in the unemployment rate.

According to a statement by the Malaysia's Minister of Finance in July, the country's Gross Domestic Product (GDP) grew by 5% in the first quarter of 2022, which places the nation on track to achieve the forecasted GDP growth of 5.3-6.3% in 2022<sup>1</sup>.

Later in the month, the Prime Minister announced that the country's trade had increased by 43.4% in June 2022 to hit a new high of RM270.4 billion<sup>2</sup>, and that the unemployment

rate improved from 5.0% in May 2020 to 3.9% in May 2022, both of which indicate that the economy was on the right track to recovery.

Based on past performance, it is likely that these economic factors will contribute towards greater purchasing confidence within the residential market in 2022 and 2023. Despite Bank Negara Malaysia raising the Overnight Policy Rate (OPR) by 25 basis points to 2.50% in September 2022, the interest rate remains at a reasonable level.

### Market trends underscore persistent demand for affordable housing

With our commitment to building affordable homes predicated upon the ongoing demand from the national population, we keep a close eye on activity within the property sector to ensure we stay aligned with the needs of the people.

#### Property Market Report 2021 - Number of Residential Property Transactions by Sub-Sector and Price<sup>3</sup>

Time Period & Price Range	Units	
	2020	2021
<b>Jan-Dec</b>		
100,000 & Below	36,149	32,153
100,001 - 200,000	44,403	40,187
200,001 - 300,000	37,498	38,761
300,001 - 400,000	25,714	29,145
400,001 - 500,000	16,287	19,752
500,001 - 600,000	9,353	10,749
600,001 - 700,000	6,545	7,736
700,001 - 800,000	3,979	5,129
800,001 - 900,000	2,599	3,403
900,001 - 1,000,000	1,791	2,342
1,000,001 & Above	7,036	9,455
<b>Total</b>	<b>191,354</b>	<b>198,812</b>

Residential property purchase statistics from NAPIC's Property Market Report 2021 indicate that affordable homes priced below RM500,000 continue to account for the vast majority of all homes purchased, representing 80.5% of transactions during the year. Within this group, homes priced at RM300,000 and below remain the most desirable choice, accounting for 55.9% of residential purchases.

## Market Review, Outlook and Trends &gt; Property

At the same time, the report also noted that the demand was predominantly for terraced homes, which contributed 43% of all residential transactions, while vacant plots and high-rise units each accounted for close to 15% market share.

Backed by these statistics, we remain galvanised in our objective to continue building affordable housing developments that tap into the market sectors that possess the greatest demand from home buyers.

### Government initiatives to propel affordable housing sector

Recognising the national demand for affordable housing, the Malaysian government has laid out a robust framework to address the undersupply of such homes within the property sector. Within its RMK-12, the government has set the target of building 500,000 affordable houses by 2025 as one of the key performance indicators to enhance population well-being.

The RMK-12 also outlined various priorities to improve the desirability of affordable housing as well as accessibility to home financing. Some of these priorities include providing financial assistance and home ownership schemes, enhancing the governance of public affordable houses and increasing the provision of user-friendly facilities at affordable housing projects.

At the same time, the Malaysian Ministry of Housing and Local Government (KPKT) is contributing towards the creation of a better ecosystem for housing development and bank financing that can enable more Malaysians to own homes.

Subsequent to the Home Ownership Campaign (HOC), which ran from 2019 until December 2021, KPKT has launched the Home Ownership Programme (HOPE) in 2022. HOPE consists of various initiatives to encourage home ownership for middle-to-lower income communities, including the Keluarga Malaysia Home Ownership Initiative (i-MILIKI).

Under the i-MILIKI scheme, first-time Malaysian homebuyers will be eligible for a 100% stamp duty exemption on properties priced RM500,000 and below. With the vast majority of Scientex developments priced below RM500,000, the i-MILIKI initiative will allow many first-time buyers that purchase a home from us by December 2023 to enjoy this stamp duty waiver, thus increasing the desirability and affordability of our homes.

KPKT also collaborated with the Ministry of Finance (MoF) to launch the Malaysian Housing Financing Initiative (i-Biaya) in April 2022. The programme consists of three different financing schemes that are designed to encourage the development of affordable homes amongst developers (Housing Credit Guarantee Scheme) and provide more access to financing via the My First Home Scheme and PR1MA Rent to Own Scheme.

We are confident that the increased access to financing provided by the government will play a significant role in increasing the purchases of affordable homes by middle-to-lower-income individuals in the coming years. This will play an important role in helping us achieve our own objective of constructing 50,000 affordable homes by 2028.

### Malaysian Government Affordable Housing Initiatives

<b>The Twelfth Malaysia Plan, 2021 - 2025</b>	<ul style="list-style-type: none"> <li>• Build 500,000 affordable homes by 2025</li> <li>• Various schemes to increase accessibility through financing</li> </ul>
<b>Malaysian Ministry of Housing and Local Government</b>	<ul style="list-style-type: none"> <li>• Keluarga Malaysia Home Ownership Initiative</li> <li>• 100% stamp duty waiver for first-time buyers of homes priced RM500,000 and below</li> </ul>
<b>Malaysian Ministry of Housing and Local Government and Ministry of Finance</b>	<ul style="list-style-type: none"> <li>• Malaysian Housing Financing Initiative</li> <li>• Features three financing schemes to promote affordable home development and home ownership amongst middle-to-lower-income segments</li> </ul>

Sources:

1. 'Economy strengthened in Q2, says Tengku Zafrul' | FMT/Bernama | 9 July 2022

2. 'Malaysia's economic growth expected to remain strong in Q2 this year, says PM' | The Edge Markets/Bernama | 29 July 2022

3. Property Market Report 2021 - Number of Property Transactions by Sub-Sector and Price | NAPIC

# OUR MATERIAL MATTERS

In FY2022, we adhered to our annual materiality determination process, canvassing the opinion of our stakeholders and conducting detailed internal analysis to identify matters that are material to our ability to create value over the short, medium and long term.

The process yielded the same seven material matters as per prior year, wherein our actions are disclosed below.

## The Materiality Determination Process

### IDENTIFICATION

Based on internal analysis of our business and feedback gathered, we identified material matters that are key to the Group, based on their impact on our financial and non-financial performance and in the context of the Six Capitals of the <IR> Framework

### EVALUATION AND PRIORITISATION

After evaluating the importance of the topics in terms of their known or potential effect on value creation for our business and stakeholders, we prioritised seven material matters to focus on for FY2022

### DISCLOSURE

After prioritising the material matters, we undertook an intensive exercise to determine relevant information to disclose about the scope and boundary of each material matter for reporting purposes

## Our Seven Key Material Matters



### Product Innovation

Collaboration, allied with new technologies, ideas and methods, drives enhanced product offerings.



### Product Reliability

Through embedded quality, safety and delivery standards, we exceed expectations and drive brand loyalty.



### Talent Attraction And Retention

By aligning rewards with performance, and enabling upskilling, we drive continual workforce improvement, which impacts product value and our ability to meet our growth targets.



### Expansion

Continuous capacity and capability building is at the heart of our corporate strategy, empowering growth in possibilities and improved outcomes.



### Community Impact And Development

We place the community at the heart of all we do. The needs of our customers and the Malaysian populace provides direction to our growth.



### Employee Safety and Health



Employee safety is a Group-wide priority. In addition to compliance with applicable laws and regulations, we have implemented various initiatives to further enhance the safety and health of our employees.













### Governance and Compliance

We continuously monitor our compliance to applicable laws and regulations, ensuring that proper policies and systems are in place to manage and oversee our business operations.

## Our Material Matters

Material Matters	Capitals, Stakeholders and Drivers of Growth Impacted	Description
 <p><b>Product Innovation</b></p>	<p><u>Capitals Impacted:</u></p>     <p><u>Stakeholders Involved:</u></p>   <p><u>Drivers of Growth Impacted:</u></p>   	<ul style="list-style-type: none"> <li>• Innovation is the enabler of our Drivers of Growth, unlocking increased production capacity and efficiency, and empowering the development of products and solutions that offer increased value to our customers</li> <li>• As a fully integrated flexible packaging producer, we work closely with our customers to innovate and develop packaging solutions that meet their needs</li> <li>• Our innovations contribute to creating consumer packaging products which offer longer shelf life, enhanced safety and hygiene, and greater convenience, and industrial packaging products which offer improved physical performance at lower resource footprints</li> <li>• Introduced various process innovations that enable greater efficiencies in our production processes, such as by using less raw materials, incurring a lower energy use and generating less waste</li> <li>• Innovating strongly in support of sustainability, introducing processes that use less raw materials, are less energy intensive, generate less waste, and support the circular plastic economy</li> <li>• Our state-of-the-art innovation centres support our innovation efforts, enabling rapid prototyping and testing of new products and solutions, while we collect and analyse a range of market and industry data to form our strategies</li> <li>• In our Property Division we use the IBS construction technique, which enables improved efficiency, enhanced build quality, increased employee safety, and reduced construction waste</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <a href="#">Operational Review – Packaging Division &gt; p. 63</a></li> <li>▶ <a href="#">Product Innovation &gt; p. 36 of our Sustainability Report 2022</a></li> </ul>
 <p><b>Product Reliability</b></p>	<p><u>Capitals Impacted:</u></p>   <p><u>Stakeholders Involved:</u></p>   <p><u>Drivers of Growth Impacted:</u></p>   	<ul style="list-style-type: none"> <li>• Our customers rely upon us to consistently maintain timeliness, product safety and quality in everything we do</li> <li>• Across our dual core businesses, we adhere to international best practices in mission-critical areas, with most of our manufacturing plants certified based on globally recognised ISO standards</li> <li>• To ensure that quality is maintained at scale, we rely on systematic processes and procedures which have been ingrained within our operations</li> <li>• In our Property Division, we utilise well-established land space and home designs to optimise land use and maximise end-product quality, resulting in timely delivery of property developments</li> <li>• In our Packaging Division, we have had no major product recalls during the past decade</li> <li>• In driving continuous improvement to our processes, we stay abreast of customer needs by canvassing feedback and maintaining communication with customers on an ongoing basis</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <a href="#">Packaging Division – Overview &gt; p. 10</a></li> <li>▶ <a href="#">Property Division – Overview &gt; p. 14</a></li> <li>▶ <a href="#">Operational Review – Packaging Division &gt; p. 63</a></li> </ul>

## Our Material Matters






Material Matters	Capitals, Stakeholders and Drivers of Growth Impacted	Description
 <p><b>Talent Attraction And Retention</b></p>	<p><u>Capitals Impacted:</u></p>   <p><u>Stakeholders Involved:</u></p>  <p><u>Drivers of Growth Impacted:</u></p>   	<ul style="list-style-type: none"> <li>Attracting, developing and retaining a high quality workforce is key to developing our human capital and spurring innovation across our three Drivers of Growth</li> <li>We aim to stand out as a leading employer, providing attractive and dynamic remuneration packages as well as impactful talent development opportunities in order to attract and retain a high quality workforce, while remaining in compliance with employment laws and regulatory requirements at all times</li> <li>Employees are further incentivised by performance-based bonuses and our share grant plan, which rewards those who attain clearly communicated KPIs</li> <li>We practise two-way communication with our employees in order to stay abreast of any current and potential matters, with Heads of Departments encouraged to adopt an open-door policy and foster a culture of openness and collaboration</li> <li>Common channels of employee engagement include quarterly rolling budget (QRB) dialogues, regular meetings, roundtable discussions and performance reviews</li> <li>By prioritising the employment of local talents, we are better equipped to mitigate human capital risks and build long lasting teams to drive our growth and progress</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Key Stakeholder Engagement - Employees &gt; p. 40</i></li> <li>▶ <i>Key Risks and Mitigation - Availability of Human Workforce and Automation &gt; p. 53</i></li> <li>▶ <i>Occupational Safety and Health &gt; p. 68 of our Sustainability Report 2022</i></li> <li>▶ <i>Empowering Our People &gt; p. 74 of our Sustainability Report 2022</i></li> </ul>
 <p><b>Expansion</b></p>	<p><u>Capitals Impacted:</u></p>     <p><u>Stakeholders Involved:</u></p>     <p><u>Drivers of Growth Impacted:</u></p>   	<ul style="list-style-type: none"> <li>In line with our vision 'To Double Up Every Five Years', we strive to achieve continual expansion in terms of our production capacity, property land banks and customer base</li> <li>In our Property Division, we pursue a 'Cross Boundary Development Strategy', whereby we seek to penetrate new states in Peninsular Malaysia and offer affordable housing options to Malaysians across a broader cross-section of the country</li> <li>Thus far, this strategy has enabled our expansion from our traditional base in Johor northwards into Melaka, Negeri Sembilan, Selangor, Perak, Penang and Kedah</li> <li>In our Packaging Division, our continuous investment in new machinery and technology enables the expansion of our production capacity and growth in our capabilities</li> <li>We also drive expansions to our customer base by co-creating products and solutions with our Packaging Division customers, focusing particularly on developing fully recyclable plastic packaging structures</li> <li>In order to maximise our growth potential, we consistently reinvest our financial capital into high growth areas, including through strategic and synergistic acquisitions, land bank acquisitions and organic expansions</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Operational Review - Packaging Division &gt; p. 63</i></li> <li>▶ <i>Operational Review - Property Division &gt; p. 69</i></li> <li>▶ <i>Product Innovation &gt; p. 36 of our Sustainability Report 2022</i></li> </ul>



## Our Material Matters

Material Matters	Capitals, Stakeholders and Drivers of Growth Impacted	Description
 <p><b>Community Impact and Development</b></p>	<p><u>Capitals Impacted:</u></p>   <p><u>Stakeholders Involved:</u></p>   <p><u>Drivers of Growth Impacted:</u></p>  	<ul style="list-style-type: none"> <li>As expressed in our vision 'To Grow The Scientex Community For A Better Tomorrow', we strive to achieve synergy between our business objectives and what is good for people and planet</li> <li>Innovations in our Packaging Division serve to enhance protection, convenience, hygiene and safety, and food waste reduction, delivering tangible benefits to end consumers</li> <li>We continuously seek to innovate sustainable packaging solutions, thereby contributing to the circular plastic economy and the betterment of our environment</li> <li>Our Property Division is specifically geared towards developing quality yet affordable housing, with the aim of providing equal opportunity for home ownership to Malaysians of all backgrounds</li> <li>Our aim is to develop 50,000 affordable homes by 2028, delivering transformative outcomes for more Malaysians than ever</li> <li>We plan our developments to deliver holistic benefits for homeowners and members of surrounding communities - integrating essential services, encouraging job creation, and providing enhanced connectivity through purposeful transportation infrastructure</li> <li>Beyond the positive impact of our businesses, we also support community needs by partnering with experienced NGOs, providing emergency assistance in response to the West Malaysia floods in late-2021 and delivering value through a range of social impact initiatives such as our blood donation drive</li> <li>Another long-term initiative of ours is the Green Truck Programme, which raises awareness amongst schoolchildren on the importance of recycling and educates them on the 3R practices</li> <li>We also support local communities through our policy of providing preferential employment opportunities to local talents and engaging local suppliers wherever practicable</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <a href="#">Key Stakeholder Engagement - Local Communities &gt; p. 41</a></li> <li>▶ <a href="#">Providing Affordable Housing &gt; p. 33 of our Sustainability Report 2022</a></li> <li>▶ <a href="#">Product Innovation &gt; p. 36 of our Sustainability Report 2022</a></li> <li>▶ <a href="#">Empowering Our People &gt; p. 74 of our Sustainability Report 2022</a></li> <li>▶ <a href="#">Contributing to Local Communities &gt; p. 79 of our Sustainability Report 2022</a></li> </ul>
 <p><b>Employee Safety and Health</b></p>	<p><u>Capitals Impacted:</u></p>   <p><u>Stakeholders Involved:</u></p>   <p><u>Drivers of Growth Impacted:</u></p>  	<ul style="list-style-type: none"> <li>Employee safety and health is crucial not only to the well-being of our valued team but to our reputation as a responsible employer and a progressive organisation</li> <li>Rigorous safety and health practices are followed across all worksites and manufacturing facilities, with practices aligned with all national, local, industry-specific and occupation-specific laws, regulations and best practices</li> <li>Consistency in the application of our standards is ensured through our Group-wide Safety and Health Policy, which provides specific guidance and outlines purpose-fit practices in injury prevention and protection, emergency preparedness and response, and safety and health education</li> </ul>

## Our Material Matters

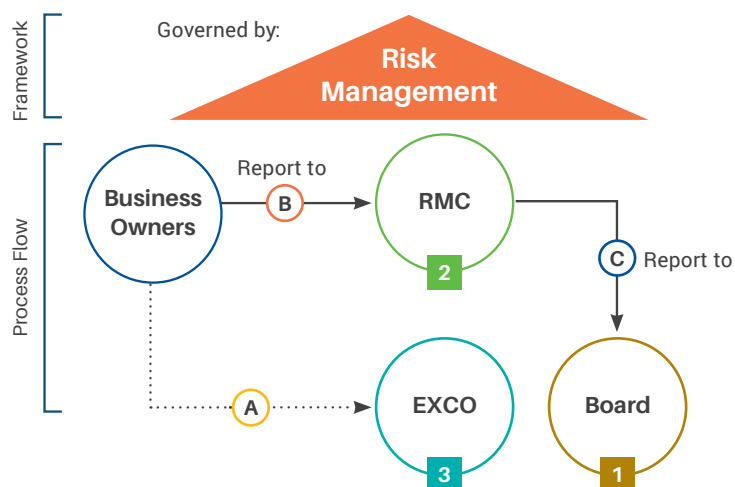
Material Matters	Capitals, Stakeholders and Drivers of Growth Impacted	Description
		<ul style="list-style-type: none"> <li>Furthermore, our worksites are continually evaluated to identify any emerging risks to safety and health, while a wide range of training courses related to occupational safety and health are regularly provided to our employees</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Occupational Safety and Health &gt; p. 68 of our Sustainability Report 2022</i></li> <li>▶ <i>Read our full suite of Group-wide policies on our corporate website</i></li> </ul>
 <b>Governance and Compliance</b>	<p><u>Capitals Impacted:</u></p>  <p><u>Stakeholders Involved:</u></p>  <p><u>Drivers of Growth Impacted:</u></p> 	<ul style="list-style-type: none"> <li>With our growing business presence spanning an increasingly wide geographical area, it is essential that we maintain rigorous oversight of our processes and drive alignment to our corporate values within all entities of the Group</li> <li>We strive to achieve excellence in corporate governance, implementing an integrated governance structure that canvasses input from across our business divisions and subsidiaries, and facilitates well-informed decision-making</li> <li>Our integrated governance structure is spearheaded by our EXCO, which is tasked with formulating overarching strategies with regard to strategic goal planning, resource planning, governance, stakeholder and community engagement, and more</li> <li>Key members of the EXCO also hold positions in division-level governance structures, driving the effective implementation of strategies</li> <li>We maintain strict compliance with all national, local, industry-specific and occupation-specific laws and regulations, and remain updated on the latest applicable changes to such laws and regulations</li> <li>In enforcing our high standards within our business footprint and across our supply chain, we adhere to a suite of Group-wide policies, including our Code of Ethics and Code of Conduct for Suppliers - which outline our approach towards ethical and responsible business</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Our Corporate Governance - Our Integrated Governance Structure &gt; p. 89</i></li> <li>▶ <i>Key Risks and Mitigation - Compliance &gt; p. 55</i></li> <li>▶ <i>Responsible Business Conduct and Governance &gt; p. 30 of our Sustainability Report 2022</i></li> <li>▶ <i>Read our full suite of Group-wide policies on our corporate website</i></li> </ul>

# KEY RISKS AND MITIGATION

Across our broad business footprint, we adhere to an Enterprise Risk Management Framework (ERM Framework) that is integrated into day-to-day processes, empowering leaders at all levels to take a proactive role in mitigating against existing and emerging risks that could threaten our business and our stakeholders. The ERM Framework is designed and adapted as reasonably practicable from the ISO 31000:2018 Risk Management - Guidelines.

As detailed below, the ERM Framework vests responsibility within management teams of all divisions and business units ("Business Owners") to identify risks relevant to their operating environment, develop mitigation action plans and monitor the progress of these action plans. Business Owners are supported by a governance structure that includes the Scientex Executive Committee ("EXCO") and the Risk Management Committee ("RMC"), which take the lead in overseeing the entire risk management framework and ensuring its efficacy. In practice, Business Owners provide detailed reports on risks and their mitigation actions to the RMC, who in turn report to the Board. Meanwhile, the EXCO supports the implementation of the Group's policies and procedures on risk management and control, and also overseeing the processes carried out by Business Owners as detailed above.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK



- 1** The Board is assisted by RMC and Audit Committee in overseeing the risk management and internal control system of the Group
  - 2** The RMC is chaired by an Independent Non-Executive Director and comprises Managing Director/Chief Executive Officer and an Independent Non-Executive Director as members
  - 3** The EXCO has an important role in supporting the implementation and execution of the Group's policies and procedures in relation to risks
- A** Conduct regular meetings with Business Owners to review financial and operational performance, internal controls and risk management of the respective divisions/ business units
- B**
- Identify relevant risks applicable to respective divisions/business units
  - Set up Risk Register
  - Establish mitigation plans
  - Monitor risks on a regular basis
  - Report to RMC
- C**
- Review the Risk Register prepared by Business Owners
  - Ascertain the significance of the risk, factoring in the impact to the Group and its stakeholders, and the likelihood of the risk occurring
  - Report to the Board

### Risk Identification

Identify risks from operating environment

### Risk Assessment

Determine the likelihood and assess the potential impact of risks

### Risk Evaluation

Evaluate existing controls of risks to derive risk rating

### Risk Treatment

Decide on risk controls and action plans

### Risk Monitoring and Reporting

Review, monitor and report on the implementation progress of action plans

## Key Risks and Mitigation

## OUR IDENTIFIED RISKS AND MITIGATION PLANS

Leveraging regular engagements with Business Owners, eight key risks were identified as relevant in FY2022 at the Group level. These risks fall into four categories, namely 'Strategic', 'Operational', 'Financial' and 'Compliance', and are reported in detail below.

Risks/Opportunities	Description	Mitigation Plans
 <p><b>Environmental Issues</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Climate Change</li> <li>• Biodiversity</li> <li>• Pollution (Air, Water &amp; Land)</li> <li>• Waste Management</li> <li>• Natural Resource Utilisation</li> <li>• Water Security</li> </ul> <p><u>Risk Category:</u></p>  Strategic <p><u>Material Matters Impacted:</u></p>  	<p><u>Risk:</u></p> <p>With global consumer preferences and market trends shifting markedly towards environmental sustainability, an inability to adapt would affect us in several ways:</p> <ul style="list-style-type: none"> <li>• Malaysia's transition towards a low-carbon/net-zero economy could result in government-led initiatives such as the MPSR 2021 – 2030 introducing an Extended Producer Responsibility (EPR) scheme, which would lead to additional operating costs</li> <li>• An increase in extreme weather events caused by climate change may cause project delays and stranded assets in our Property Division, and also result in damage to our manufacturing plants</li> <li>• Greater emphasis on sustainable waste management and other environmental matters by the Malaysian government may result in additional operating costs</li> </ul> <p><u>Opportunity:</u></p> <ul style="list-style-type: none"> <li>• Establishing market leadership in the creation of sustainable products and solutions</li> <li>• Taking advantage of the shift towards sustainability amongst our suppliers to acquire efficient machinery and production technology, thereby reducing our energy consumption and driving additional production efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously channelling product innovation efforts in our Packaging Division, aided by customer collaborations, towards developing sustainable packaging solutions that: <ul style="list-style-type: none"> <li>- are fully recyclable</li> <li>- use less raw materials</li> <li>- offer extended shelf life</li> <li>- are compostable or biodegradable</li> </ul> </li> <li>• Innovating downgauged films and products that reduce material use in production without sacrificing performance</li> <li>• Introducing innovative processes that reduce energy and material consumption, and waste generation by leveraging advanced technology</li> <li>• Developing products which use PCR and PIR resin as an input, wherein we launched a packaging solution for instant noodles in FY2022 which is 30% composed of PCR resin derived from ocean-bound plastics</li> <li>• Engaging with external recycling services to convert non-recyclable waste into Processed Engineered Fuel</li> <li>• Reducing wastage at property development sites and manufacturing plants through ongoing initiatives, while implementing 3R (Reduce, Reuse and Recycle) initiatives that reuse construction and production waste</li> <li>• Using the IBS construction technique across all Property Division projects, resulting in substantial savings to raw materials used</li> <li>• Conducting Environmental Impact Assessments at certain development sites, with insights used to develop Environmental Management Plans (EMP) that seek to minimise the environmental impact of land use change on local biodiversity and ecosystems</li> <li>• Considering climate-related issues when assessing potential land acquisitions</li> <li>• Adhering to our Group-wide Environmental Policy and enforcing its strictures across our business footprint and supply chain</li> <li>• Engaging in concerted community activities that support a more balanced future, including by raising awareness of sustainable living practices amongst the younger generation</li> <li>• Initiating the planting of 500 mangroves and investing in a solar photovoltaic project at one of our manufacturing facilities in FY2022, as part of our efforts to counter GHG emissions</li> </ul> <p> <b>Read more</b></p> <ul style="list-style-type: none"> <li>▶ <i>Product Innovation &gt; p. 36 of our Sustainability Report 2022</i></li> <li>▶ <i>Responsible Waste Management &gt; p. 46 of our Sustainability Report 2022</i></li> <li>▶ <i>Optimising Consumption of Materials &gt; p. 51 of our Sustainability Report 2022</i></li> <li>▶ <i>Reducing Energy Consumption and Emissions &gt; p. 55 of our Sustainability Report 2022</i></li> <li>▶ <i>Environmental Compliance &gt; p. 60 of our Sustainability Report 2022</i></li> </ul>

## Key Risks and Mitigation

Risks/Opportunities	Description	Mitigation Plans
 <p><b>Change of Market Conditions</b></p> <p><u>Risk Category:</u></p>  Strategic <p><u>Material Matters Impacted:</u></p>   	<p><u>Risk:</u></p> <p>External factors such as infectious diseases, geopolitical instability and international trade wars may disrupt global supply chains and exacerbate logistical challenges. This would in turn contribute to a global economic slowdown and consequently affect demand for our products and solutions.</p>	<ul style="list-style-type: none"> <li>• Collaborating with customers to develop products that meet their evolving safety requirements and align with their in-house safety procedures</li> <li>• Working closely with suppliers to understand the operating challenges they are facing due to the supply chain bottleneck, with a view to ensuring continuous and cost-effective supply of production inputs</li> <li>• Remaining attuned to external market conditions through continuous communication with customers and suppliers</li> <li>• Remaining abreast of current issues and news in the global macroeconomic environment, with a view to anticipating customers' purchasing behaviour</li> </ul>
 <p><b>Availability of Human Workforce and Automation</b></p> <p><u>Risk Category:</u></p>  Operational <p><u>Material Matters Impacted:</u></p>   	<p><u>Risk:</u></p> <p>Changing employment regulations, especially regarding regulations around foreign labour, may cause shortfalls in our workforce and disrupt our time-sensitive operations.</p> <p><u>Opportunity:</u></p> <p>Uncertainties around the availability of labour provide us with the opportunity to ramp up investments in automation, thereby increasing efficiency and productivity.</p>	<ul style="list-style-type: none"> <li>• Attracting high quality talent and driving long-term retention with: <ul style="list-style-type: none"> <li>- competitive remuneration packages</li> <li>- updated, industry-relevant training modules and programmes</li> <li>- employee reward system that aligns employee incentives, including our share grant plan, with the achievement of established KPIs</li> </ul> </li> <li>• Investing in automation across our manufacturing plants, thereby enhancing efficiency and mitigating against the risk posed by any unexpected shortfalls in human labour</li> <li>• Utilising the IBS construction technique across all Property Division projects, resulting in enhanced efficiencies in construction and in the use of human and intellectual capital</li> <li>• Engaging trusted agents to source for our labour needs, especially with regard to foreign labour</li> <li>• Prioritising the provision of employment opportunities to Malaysians, and particularly to those living in communities near our production facilities and property development sites</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <a href="#">Operational Review – Packaging Division &gt; p. 63</a></li> <li>▶ <a href="#">Product Innovation &gt; p. 36 of our Sustainability Report 2022</a></li> <li>▶ <a href="#">Occupational Safety and Health &gt; p. 68 of our Sustainability Report 2022</a></li> <li>▶ <a href="#">Empowering Our People &gt; p. 74 of our Sustainability Report 2022</a></li> </ul>



## Key Risks and Mitigation





Risks/Opportunities	Description	Mitigation Plans
 <p><b>Cybersecurity</b></p> <p><u>Risk Category:</u></p>  Operational <p><u>Material Matters Impacted:</u></p> 	<p><u>Risk:</u></p> <p>As we increasingly adopt digital technologies to manage our production, distribution and sales processes, this puts us at greater risk of cyberattacks, which can have a profound impact on our day-to-day operations, our ability to meet production and delivery deadlines, and ultimately our reputation.</p>	<ul style="list-style-type: none"> <li>• Maintaining a comprehensive IT handbook and policy which outlines our approach to cybersecurity and defines clear mitigation measures in the event of a security breach</li> <li>• Enlisting the support of hardware and software experts through internal hires and by engaging reputable external agencies</li> <li>• Conducting regular IT system health checks and security updates with the assistance of our internal and external experts</li> <li>• Reviewing the relevance and effectiveness of our cybersecurity measures on an annual basis, thereby facilitating an ongoing process of improvement that takes emerging cybersecurity threats into account</li> <li>• Implementing a comprehensive IT data backup, data restoration and disaster recovery plan</li> </ul>
 <p><b>Cost and Supply of Raw Materials</b></p> <p><u>Risk Category:</u></p>  Operational <p><u>Material Matters Impacted:</u></p> 	<p><u>Risk:</u></p> <p>The cost-effective purchase of raw materials is essential in both of our dual core businesses. In addition to the risk of raw material price fluctuations, periodic supply chain disruptions and global shortages may also result in temporary delays, meaning that we may be unable to meet committed production and delivery timelines.</p>	<ul style="list-style-type: none"> <li>• Continuously monitoring prices and stock levels of raw materials to pre-emptively manage against volatility in supply and demand</li> <li>• Centrally procuring our raw materials to unlock economies of scale and mitigate against day-to-day fluctuations in prices, thereby attaining greater consistency in input prices and enabling more effective production planning</li> <li>• Adhering to a “just-in-time” purchasing strategy whereby materials are purchased expressly to meet the projected demand of customers</li> <li>• Widening our supplier base to mitigate against supplier-specific shortfalls in the raw materials we need</li> </ul>
 <p><b>Employee and Contractor Safety and Health</b></p> <p><u>Risk Category:</u></p>  Operational <p><u>Material Matters Impacted:</u></p> 	<p><u>Risk:</u></p> <p>Any accidents, incidents and/or exposure to occupational health hazards may cause injury or harm to our employees and contractors, property damage, lost production time, and ultimately harm our reputation.</p>	<ul style="list-style-type: none"> <li>• Maintaining strict compliance with all applicable national, local, industry-specific and occupation-specific laws and regulations related to safety and health.</li> <li>• Adhering to our Group-wide Safety and Health Policy, which provides specific practices in relation to injury prevention and protection, emergency preparedness and response, and safety and health education</li> <li>• Maintaining comprehensive oversight of safety and health at all worksites and manufacturing plants through our OSHA Committees, which are assisted by comprehensive OSHA management systems</li> <li>• Providing all employees with role-specific and regularly updated safety and health training, and avenues to raise any potential issues or incidents through their worksite OSHA Committee and the Group’s whistleblowing procedures</li> <li>• Enhancing employee safety through our Property Division’s use of the IBS construction technique</li> </ul>

## Key Risks and Mitigation

Risks/Opportunities	Description	Mitigation Plans
 <p><b>Foreign Currency Exchange Rate Fluctuation</b></p> <p><u>Risk Category:</u></p>  Financial <p><u>Material Matters Impacted:</u></p> 	<p><u>Risk:</u></p> <p>As the price of raw materials is usually denominated in foreign currencies, mainly in USD, foreign currency fluctuations have a direct impact on the purchase price of inputs and our ability to meet our financial targets.</p>	<p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Our Material Matters – Employee Safety and Health &gt; p. 49</i></li> <li>▶ <i>Occupational Safety and Health &gt; p. 68 of our Sustainability Report 2022</i></li> <li>▶ <i>Empowering Our People &gt; p. 74 of our Sustainability Report 2022</i></li> </ul> <ul style="list-style-type: none"> <li>• Mitigating against exchange rate fluctuations through a natural hedging strategy that involves:             <ul style="list-style-type: none"> <li>- denominating product selling prices of exports in foreign currencies, mainly in USD and other relevant foreign currencies</li> <li>- obtaining borrowings denominated in relevant foreign currencies</li> </ul> </li> </ul>
 <p><b>Compliance</b></p> <p><u>Risk Category:</u></p>  Compliance <p><u>Material Matters Impacted:</u></p>  	<p><u>Risk:</u></p> <p>Given the global presence of our operations, not remaining attuned to changing statutory requirements and laws may result in incomplete delivery of goods and loss of reputation, in addition to the imposition of financial penalties and/or the suspension of our operations in the country in question.</p> <p><u>Opportunity:</u></p> <p>By adopting transparent corporate governance practices that align with global best practices, we can enhance our reputation as an organisation and provide greater confidence to our shareholders.</p>	<ul style="list-style-type: none"> <li>• Maintaining strict compliance with all national, local, industry-specific and occupation-specific laws and regulations</li> <li>• Maintaining a dedicated team responsible for statutory compliance matters and staying abreast of laws and regulations pertaining to our businesses</li> <li>• Engaging internal and external professionals across our operating markets who provide consultancy in relation to statutory compliance</li> <li>• Maintaining rigorous oversight of our businesses and their compliance through our integrated governance structure</li> <li>• Adhering to Group-wide policies covering Anti-Bribery and Anti-Corruption (ABAC), sustainability and ethical business conduct, amongst other key areas of focus, across our workforce and supply chain</li> </ul> <p> <a href="#">Read more</a></p> <ul style="list-style-type: none"> <li>▶ <i>Our Material Matters – Governance and Compliance &gt; p. 50</i></li> <li>▶ <i>Responsible Business Conduct and Governance &gt; p. 30 of our Sustainability Report 2022</i></li> </ul>

OUR ROADMAP TOWARDS FY2023

Packaging Division  
400,000 Metric Tonnes/Year

Key Business Process	Competitive Advantage	Business Strategies
 DEVELOP	<ul style="list-style-type: none"><li>Integrated, end-to-end expertise across the entire packaging value chain</li><li>Continuous investment in new and sustainable machinery and technology</li><li>State-of-the-art innovation centres for research and development</li><li>Long-standing collaborative relationships with customers</li></ul>	<ul style="list-style-type: none"><li>Leverage on our integrated expertise across the packaging value chain to capitalise on emerging market opportunities, especially by becoming the first-mover in developing specific films and multi-layered packaging solutions previously unavailable in the region</li><li>Increase our ongoing efforts in developing downgauged films and fully recyclable flexible plastic packaging structures, while increasing the use of recycled resin in our inputs</li><li>Expand our testing capabilities and internal quality assurance processes to improve product quality</li><li>Continue to work closely with customers in the development of new products and solutions</li></ul>
 PROCURE	<ul style="list-style-type: none"><li>Centralised purchasing function, which drives economies of scale in procurement</li><li>Well-established presence and strong reputation</li><li>Long-standing relationships with suppliers</li></ul>	<ul style="list-style-type: none"><li>Further cultivate relationships with suppliers and widen supplier base to manage raw material costs and supply volatilities</li><li>Enhance just-in-time purchasing function to minimise volatility of raw material costs, while optimising storage time through effective inventory management systems</li></ul>
 PRODUCE	<ul style="list-style-type: none"><li>Ingrained ERP system</li><li>Extensive range of machinery with varied capabilities</li><li>Efficient layout of factory floors</li><li>Factory specialisation</li></ul>	<ul style="list-style-type: none"><li>Optimise our machine deployment strategies to drive specialisation and enhance economies of scale</li><li>Optimise our factory layouts, machine run-time planning and ERP system for greater production efficiency</li><li>Continue to explore and implement process innovations, including automation, energy efficiency technologies and renewable energy sources, to reduce our environmental impact and unlock additional production efficiencies</li><li>Continue to increase the use of recycled resin in our inputs to reduce raw material usage and support the circular plastic economy</li></ul>
 SELL	<ul style="list-style-type: none"><li>Established presence across global markets</li><li>Established 54-year track record</li><li>Strong industry networks</li><li>Globally recognised and respected certifications</li><li>Experienced sales force</li><li>Long-standing relationships with customers</li></ul>	<ul style="list-style-type: none"><li>Leverage on our global presence to speed up delivery to customers</li><li>Maintain and improve price competitiveness by utilising economies of scale</li><li>Accelerate our product innovation efforts to offer value-added products in line with customer needs</li><li>Identify growth potential in existing sectors, while aggressively expanding to capitalise on new opportunities</li></ul>



Ultimately, our strategies are geared towards achieving the next milestone in our vision ‘**To Double Up Every Five Years**’. By FY2023, we seek to achieve sales of 400,000 metric tonnes per year in our Packaging Division and develop 8,000 homes per year in our Property Division.

To achieve our goals, we are employing specific strategies that leverage and strengthen our competitive advantages across our business processes, as detailed below.

Property Division  
8,000 Affordable Homes/Year

Key Business Process	Competitive Advantage	Business Strategies
 ACQUIRE	<ul style="list-style-type: none"><li>Strong financial position</li><li>Dedicated land bank acquisition team</li><li>Deep expertise and knowledge of the Malaysian affordable housing market</li></ul>	<ul style="list-style-type: none"><li>Capitalise on new opportunities to expand our land bank portfolio by leveraging our strong financial position</li><li>Focus on land banks and residential markets that provide opportunities for a speedy return on investment</li><li>Further our Cross Boundary Development Strategy by building our presence across Peninsular Malaysia</li></ul>
 PLAN	<ul style="list-style-type: none"><li>Dedicated and experienced planning team</li><li>Market-focused development concepts</li><li>Efficient layout and master planning approaches</li><li>Standardised house designs</li></ul>	<ul style="list-style-type: none"><li>Efficient planning of land use and house designs to optimise land bank usage while maintaining quality standards within the affordable home segment</li><li>Continue to enrich our best practices by sharing expertise across departments and projects</li><li>Place emphasis on community development during the planning phase, including by earmarking land space for community activities, commercial zones for job creation, and building infrastructure for improved connectivity to larger population hubs</li></ul>
 LAUNCH	<ul style="list-style-type: none"><li>Proven brand name in the Malaysian affordable housing market</li><li>Effective and time-tested launch and publicity strategies</li><li>Wide customer database</li></ul>	<ul style="list-style-type: none"><li>Continue to leverage digital and social media campaigns to engage with a wide cross-section of society</li><li>Develop strategies to further enhance brand name recognition within Malaysia</li><li>Continue to introduce attractive packages and timely promotions that leverage consumer trends</li><li>Engage with members of the media and government representatives to enhance cooperation and brand exposure</li><li>Utilise our in-house Knowledge Management System for optimal database management and to maximise lead follow-up and conversion</li></ul>
 BUILD	<ul style="list-style-type: none"><li>Standardised quality house designs</li><li>Strong track record in effective utilisation of IBS</li><li>Centralised purchasing function</li><li>Long-standing relationships with experienced suppliers and contractors</li></ul>	<ul style="list-style-type: none"><li>Continue to adopt IBS practices to enhance construction efficiency and optimise product quality, while reducing resource usage and construction cost</li><li>Continue to review house designs towards adopting greater uniformity and enhancing end-product quality</li><li>Further cultivate relationships with reputable contractors and suppliers to ensure timely and cost-effective access to essential raw materials and expertise</li></ul>

# FINANCIAL PERFORMANCE REVIEW

## MAINTAINING OUR FINANCIAL RESILIENCE

Against a backdrop of continuing global uncertainty, the Group's financial performance in FY2022 has remained resilient. We maintain a robust fiscal position and are equipped to continue facilitating our strategic expansion plans and attain our long-term growth objectives.

### GROUP FINANCIAL PERFORMANCE OVERVIEW

Description	FY2022 RM'000	FY2021 RM'000	Change (%)
Revenue	3,985,318	3,655,966	+ 9.0
Profit Before Tax (PBT)	548,307	600,961	- 8.8
Net Profit	409,874	457,233	- 10.4

The Group continued to perform steadily in FY2022 and recorded its highest revenue of RM4.0 billion, representing a 9.0% increment over the RM3.7 billion revenue recorded last year. However, our PBT contracted by 8.8% during FY2022, from RM601.0 million in FY2021 to RM548.3 million in the current year, due to the numerous operational challenges faced by both the Packaging and Property Divisions. The Group recorded a net profit of RM409.9 million in FY2022, a reduction of 10.4% compared to RM457.2 million in FY2021.

The rise of inflationary pressures across the global supply chain during FY2022 contributed to a volatility in global currencies and a spike in raw material, energy and logistic costs, which has impacted our operational profit in the current year. However, the Group is confident of maintaining our resilience amidst these operational challenges and global geo-political tensions, and is cautiously optimistic that both divisions will maintain their trajectory of growth in the upcoming financial year.

Armed by our long-term expansion strategies, the Group has continued to accelerate numerous capacity and capability enhancement plans at various plants in anticipation of a global economic rebound.

### DIVISION FINANCIAL PERFORMANCE OVERVIEW

Packaging Division	FY2022 RM'000	FY2021 RM'000	Change (%)
Revenue	2,861,375	2,491,481	+ 14.8
Operating Profit	238,043	253,558	- 6.1
Property Division	FY2022 RM'000	FY2021 RM'000	Change (%)
Revenue	1,123,943	1,164,485	- 3.5
Operating Profit	322,999	346,781	- 6.9

Our Packaging Division recorded its highest revenue of RM2.9 billion in FY2022, an increase of 14.8% compared to the RM2.5 billion achieved in the preceding financial year. Both our industrial and consumer packaging segments contributed to the upturn in revenue, which was driven mainly by domestic and export markets, and an increase in average selling prices.

The Group's packaging division continues to face challenges that have lingered since the onset of the pandemic, as volatile raw material prices, rising costs and operational disruptions reduced our operating profit by 6.1% to RM238.0 million in FY2022, compared to RM253.6 million in FY2021.

Maintaining a steady focus on our growth strategies, the Group's Packaging Division will continue to strengthen and enhance its operational and supply chain efficiencies, manage rising production and logistics costs and expand capacity in areas of competitive strengths with a focus on developing innovative, sustainable and value-added packaging products that meet our customer's evolving requirements.

## Financial Performance Review

Our Property Division recorded total revenue of RM1.1 billion in FY2022 with an operating profit of RM323.0 million. The division's performance during the year was impacted by disruptions to our construction progress triggered by labour shortages, deferments in receiving the CCC for some projects due to shortages of materials required for the installation of power supply infrastructure, as well as delays in obtaining permits and approvals for new project launches from the relevant authorities.

With demand from the affordable housing sector expected to remain strong, the Group's Property Division will maintain its focus on developing affordable residential homes at strategic locations and at competitive prices. The Group will also continue to explore and source for more competitively priced land banks as part of our overall strategy to expand the Scientex brand and footprint throughout Peninsular Malaysia.

Read more about each division's performance in our Operational Review section from p. 63 to p. 77 of this report.

The Group's financial position remains strong with total assets increasing from RM5.1 billion in FY2021 to RM5.5 billion in FY2022. The increase was primarily driven by completed acquisitions of new development lands and the procurement of new machinery at our manufacturing plants.

The total equity attributable to owners of the Company grew from RM2.9 billion in FY2021 to RM3.1 billion in FY2022. This increase was mainly due to:

- a) FY2022 net profit of RM409.9 million offset by a total dividend payout of RM139.6 million;
- b) New issuance of 319,000 ordinary shares amounting to RM1.4 million distributed to eligible employees of the Group, pursuant to the Scientex Berhad Share Grant Plan; and
- c) Utilisation of RM65.5 million retained earnings due to acquisition of additional interest in an existing subsidiary.

### OPTIMISED FOR GROWTH AND EXPANSION

Description	FY2022 RM'000	FY2021 RM'000
Net Operating Cash Generated	738,288	699,572
Net Borrowings	980,298	876,489
Equity Attributable to Owners of the Company	3,109,596	2,895,663
Net Gearing Ratio (times)	0.32	0.30

The Group's cashflow remained robust in FY2022, generating RM738.3 million in net cash generated from operating activities during the year. Our strong net operating cash flow further enhances our short-term liquidity and capacity to invest in expansion and advancement initiatives.

Cash outflow from investing activities during FY2022 totalled RM667.7 million and was mainly composed of capital expenditure for development land and machineries, in addition to our supplementary investment in an existing subsidiary. Further outflows from financing activities during FY2022 includes dividend payments of RM152.7 million and finance costs of RM27.2 million.

With net borrowings holding at RM980.3 million in FY2022, our net gearing ratio remains optimal at 0.32 times. Leveraging on our liquidity and robust financial position, we remain empowered to invest effectively in expansion activities that will propel us towards our growth objectives, while at the same maintaining the resilience and strategic flexibility to seize new opportunities that arise within the markets in which we operate.

### DELIVERING HEALTHY RETURNS TO SHAREHOLDERS

The Board has declared a single tier interim dividend of 4 sen per ordinary share, which has been paid on 22 July 2022, and is pleased to recommend a single tier final dividend of 5 sen per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting.

The total dividend payout of 9 sen per ordinary share, or approximately RM139.6 million, represents 34.1% of the Group's net profit in FY2022 and underscores our commitment to reward our shareholders with healthy returns each year.



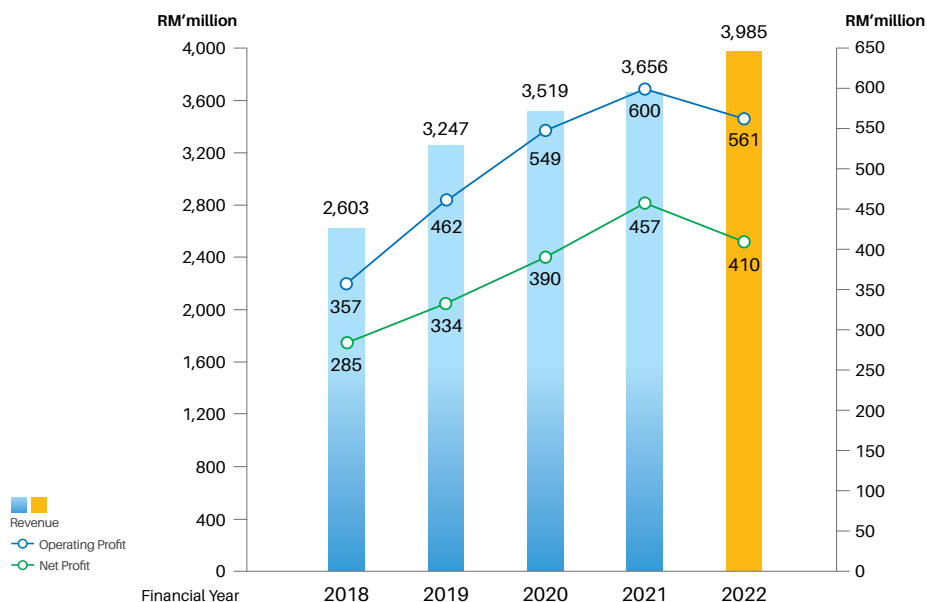
# 5-YEAR FINANCIAL HIGHLIGHTS

Year ended 31 July	2022 RM '000	2021 RM '000	2020 RM '000	2019 RM '000	2018 RM '000
<b>Results</b>					
Revenue	3,985,318	3,655,966	3,518,601	3,247,446	2,602,834
Operating Profit	561,042	600,339	549,455	461,777	357,386
EBITDA	683,207	722,327	671,270	558,404	437,146
Profit Before Taxation	548,307	600,961	544,262	450,588	354,684
Profit After Taxation	432,597	485,776	418,026	345,908	288,734
Net Profit	409,874	457,233	390,114	333,697	284,506
<b>Group Assets</b>					
Non-current Assets	3,582,302	3,159,980	2,776,719	2,409,020	2,173,065
Current Assets	1,892,253	1,939,853	1,823,716	1,698,461	1,212,225
<b>Total Assets Employed</b>	<b>5,474,555</b>	<b>5,099,833</b>	<b>4,600,435</b>	<b>4,107,481</b>	<b>3,385,290</b>
<b>Financed by</b>					
Share Capital	704,799	703,250	691,782	685,776	453,850
Reserves	2,404,797	2,192,413	1,869,610	1,539,242	1,295,755
Equity attributable to owners of the Company	3,109,596	2,895,663	2,561,392	2,225,018	1,749,605
Non-controlling Interests	198,062	201,545	194,260	173,935	69,973
Current Liabilities	1,782,023	1,571,262	1,353,230	1,329,723	1,160,017
Non-current Liabilities	384,874	431,363	491,553	378,805	405,695
<b>Total Funds Employed</b>	<b>5,474,555</b>	<b>5,099,833</b>	<b>4,600,435</b>	<b>4,107,481</b>	<b>3,385,290</b>
<b>Performance Indicators</b>					
Earnings Per Share (Sen)*	26.43	29.50	25.22	22.22	19.50
Net Dividend Per Share (Sen)*	9.00 <sup>#</sup>	9.00	7.67	6.67	6.67
Net Assets Per Share (RM)*	2.00	1.87	1.66	1.44	1.19
Net Gearing Ratio (Times)	0.32	0.30	0.25	0.32	0.44
Return on Equity (%)	13.18	15.79	15.23	15.00	16.26
Net Operating Cash Flow (RM'000)	738,288	699,572	715,337	556,965	392,424

\* For years 2018 to 2020, the figures have been restated to take into account the bonus issue in January 2021.

<sup>#</sup> Includes a single tier final dividend of 5 sen per ordinary share proposed for shareholders' approval.

### Revenue FY2022 RM4.0 billion

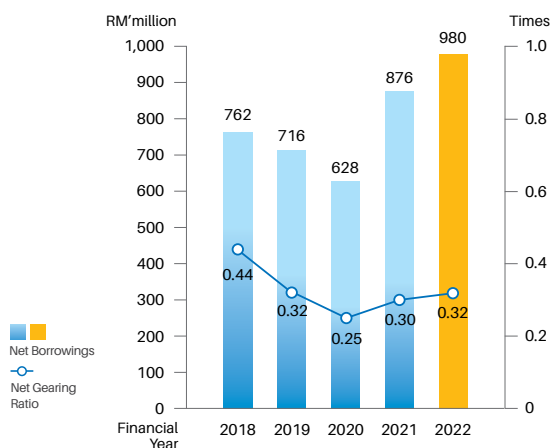
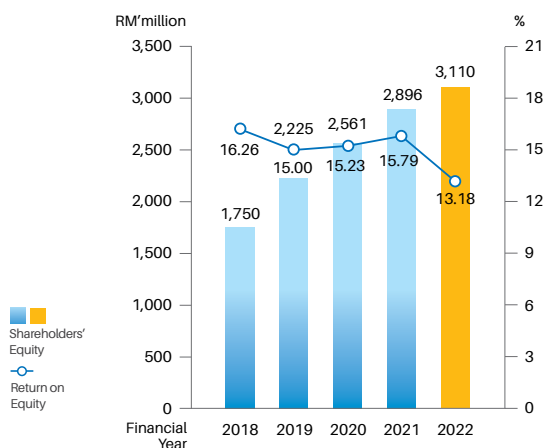


Return on Equity  
FY2022 13.18%

Shareholders' Equity  
FY2022 RM3.1 billion

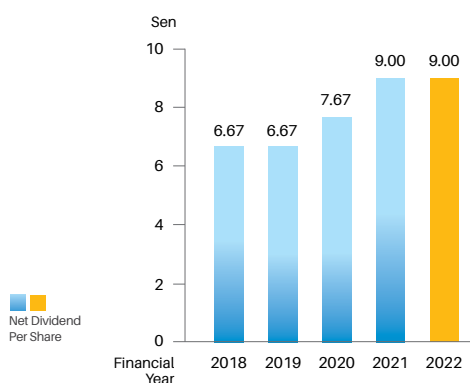
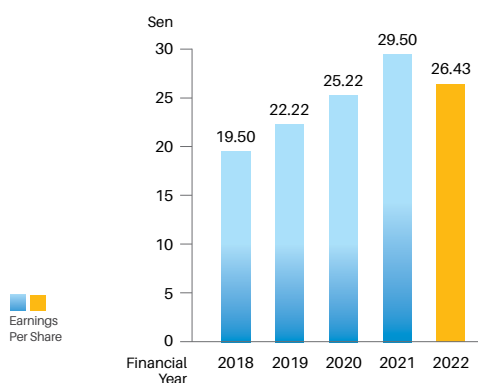
Net Gearing Ratio  
FY2022 0.32 times

Net Borrowings  
FY2022 RM980 million

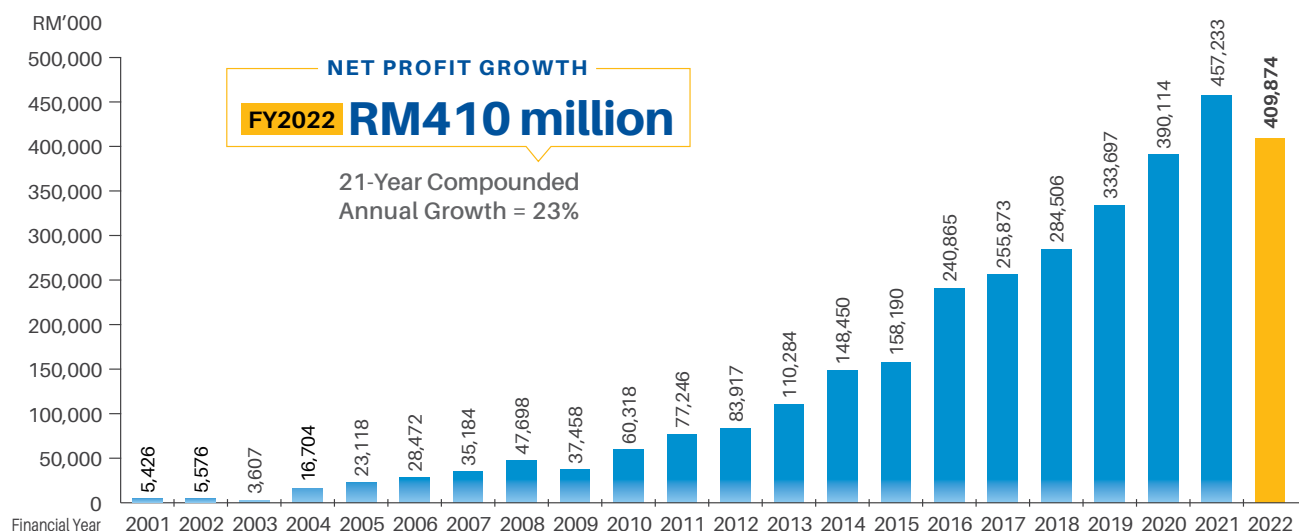


Earnings Per Share FY2022 26.43 sen

Net Dividend Per Share FY2022 9.00 sen

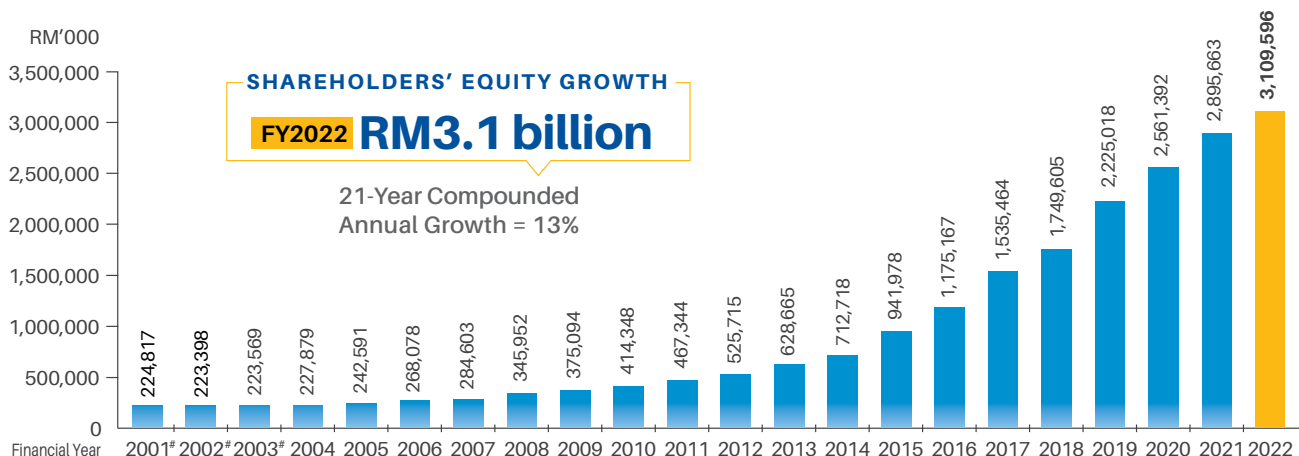


# SCIENTEX PERFORMANCE RECORD



\* Includes a special dividend of RM4.8m in FY2006 and RM22.1m in FY2013.

^ Includes a single tier final dividend of 5 sen per ordinary share proposed for shareholders' approval.



# The figures have been restated for consistency.

# OPERATIONAL REVIEW > PACKAGING DIVISION

## DEMONSTRATING RESILIENCE IN A CHALLENGING OPERATING ENVIRONMENT

At a time of global upheaval, we have benefitted from the synergies brought about by our vertically integrated structure, while remaining focused on innovating solutions that meet customer needs across the consumer and industrial packaging segments.

### Sales Volume (MT)

FY2022	277,270
FY2021	280,660

### Revenue (RM'000)

FY2022	2,861,375
FY2021	2,491,481

### Operating Profit (RM'000)

FY2022	238,043
FY2021	253,558

While the days of COVID-19 lockdowns have ended, the wide-reaching effects of the pandemic continue to be felt through supply chain disruptions, rising freight and raw material costs, and significant shortfalls in labour around the world.

In FY2022, our Packaging Division recorded slight contractions in sales volume and operating profit by 1.2% and 6.1% respectively. However, divisional revenue has grown by 14.8%, sitting at RM2.9 billion for the financial year, driven mainly by an increase in average selling price and stable demand from our domestic and export markets.

Despite the challenging business environment that we faced during the year, we continued to stay focused on our singular ambition to grow, leveraging our core strengths and capitalising on opportunities to expand the reach of our products and solutions.

Furthermore, as a fully integrated end-to-end packaging producer, we have been able to unlock advantageous synergies in product development, enabling us to rapidly innovate and meet evolving customer demands, particularly for fully recyclable laminated packaging solutions. Coupled with the positive future outlook of the flexible packaging and FMCG packaging market (please refer to 'Market Review, Outlook and Trends' on p. 42 for more information), we are poised to further grow our market share and move closer to achieving our vision in the years to come.

## ADHERING TO OUR OPERATIONAL FOCUS AREAS

To achieve our ambitious growth targets, we maintain a strict adherence to six operational focus areas, wherein our initiatives and innovations are reported on the following pages in this section.

The actions we take in each of these focus areas serve to enhance our three Drivers of Growth (please see p. 38 for more) – increasing our production capacity, improving production efficiencies and enhancing the value of the end products we deliver.

## Operational Review &gt; Packaging Division

**FOCUS AREA #1: Unlocking synergies as an end-to-end packaging producer**

Building on our decades-long presence in the stretch film sector and across other industrial products, as well as the expansion of our consumer packaging segment through various strategic acquisitions, partnerships and organic growth, we have continued to unlock advantageous synergies as an integrated end-to-end packaging producer.

As a result of our integration, we are now equipped to develop flexible plastic packaging structures fully in-house - all the way from base film development, through to prototyping and testing, and finally to the converting process. This is a key competitive advantage for us, meaning that we can work closely with leading brand owners throughout the packaging development process and develop solutions that meet their functionality, quality and sustainability requirements.

In FY2022, we further enhanced our competitive advantage in consumer packaging by integrating our consumer

packaging group of companies under one umbrella. This means that we can now develop and prototype solutions in response to market trends more quickly, share information and make decisions in a more streamlined manner, and more effectively disseminate technical expertise across our operations, thereby improving the entire innovation process. Moreover, we are now better placed to ensure stability in the supply of base films and are able to unlock greater cost-efficiencies through economies of scale.

Our integration also means that we can interact with customers and suppliers holistically as one Group, promoting more impactful end-to-end solutions through a single contact point and maximising the potential of our collective capabilities. This is opposed to our previous arrangement whereby our subsidiaries dealt with their customers and suppliers on an individual basis.

In FY2022, we initiated a total of 207 R&D projects, commercialising a total of 27 innovations (please read 'Product Innovation' in our Sustainability Report 2022 for more). Moving forward, we will continue to leverage our



## Operational Review &gt; Packaging Division

vertical integration to capitalise on opportunities across the industrial and consumer packaging segment - while maintaining a focus on sustainable packaging solutions - with an eye to increasing our market share in the growing Asia-Pacific market.

**Our packaging division commercialised  
a total of  
**27 innovations**  
in FY2022**

#### **FOCUS AREA #2: Product innovations that address industrial and consumer market trends**

Our flexible plastic packaging products can be broadly categorised by the market segments they serve, namely Industrial and Consumer. In both segments, we invest in developing product innovations that meet the needs of our customers and establish key competitive advantages.

#### **INDUSTRIAL PACKAGING PRODUCT INNOVATIONS**

Our industrial packaging solutions cater to a variety of industrial applications across multiple sectors, including the petrochemical, oleochemical, logistics and warehousing sectors. As such, our innovation efforts focus on providing enhanced protection and offering other physical properties to ensure the safe delivery of goods across vast distances. Simultaneously, we seek to contribute to sustainability by lowering the resource-use footprint of our solutions.

Our innovation achievements include:

#### **Resource-efficient stretch film varieties for transit handling and storage**

Stretch film plays a key role in global logistics, enabling companies to securely wrap pallets for transportation and reduce the risk of product damage and wastage.

Over the past decade, we have invested considerable resources in developing downgauged stretch film varieties, with the aim of delivering enhanced quality and performance at significantly reduced material footprints. One of our latest investments is in our Nano 67-layer stretch film cast line, which combines downgauging capabilities with cutting-edge Nano technology. Leveraging this advanced technology, we successfully commercialised Nano Ultra XE, a stretch film designed for high speed wrapping machines

which offers thickness of as low as 10 microns. The Ultra XE product line also offers stretch film which can be stretched up to 400% of its original length, leading to a 50% reduction in material usage compared to conventional machine wrap stretch film.

In FY2022, we further enhanced the product value of Nano Ultra XE by meeting and obtaining EUMOS 40509:2020, a global standard by the European Safe Logistics Association. This involved the evaluation of rigidity and load safety of pallets wrapped by Nano Ultra XE when subjected to horizontal acceleration and deceleration, mimicking the stresses placed on loads during road transportation.



Our Nano Ultra XE stretch film

#### **An impactful solution for the packaging of moisture-sensitive and fine powder products**

In FY2022, we introduced VentiFlex, a heavy-duty packaging solution specifically catered to the requirements of moisture-sensitive and fine powder products.

The packaging of fine powdered contents has long caused problems due to the need for air to escape during the filling process. Due to the microscopic nature of the contents, using needled or micro-perforated packaging leads to leakage. Therefore, an innovative approach was necessary to solve this problem.

Using an inserted strip and a sift-proof film with a de-aeration channel, VentiFlex enables air to escape during high-speed filling while ensuring that powdered contents remain in the bag. As such, it unlocks faster filling speeds and enhanced cleanliness during the packaging process, offering significant advantages in comparison with paper packaging, especially for mixtures containing cement, dry mixes or construction chemicals.

## Operational Review > Packaging Division

Furthermore, VentiFlex has been shown to deliver extended shelf life and enhance packaging strength, and is a 100% recyclable packaging solution.

### CONSUMER PACKAGING PRODUCT INNOVATIONS

Our work in consumer packaging supports leading brand owners in the F&B and FMCG sectors by delivering flexible plastic packaging solutions that provide better performance, greater convenience, reduced resource use and greater recyclability. To achieve our objectives, we remain sharply attuned to evolving market trends, working closely with our customers to understand their requirements before leveraging our expertise across the value chain to develop customised solutions from end to end.

Our innovation achievements include:

#### Fully recyclable alternatives that support customers' sustainability agendas

In 2019, we became the first mover in Malaysia in the development of mono-material laminate packaging, which uses one dominant type of plastic resin to produce the layers found in the packaging, thereby ensuring full recyclability.

Since that landmark innovation, we have widened the applicability of our solutions to meet the specific needs of more of our customers, leveraging our state-of-the-art innovation centres to combine enhanced sustainability with excellence in conventional packaging performance metrics.

In FY2022, we commercialised various fully recyclable packaging solutions for clients in the F&B and FMCG sectors. This included packaging for a well-known FMCG brand which was specifically developed for the packaging of durian flavoured ice cream. It utilises a high barrier metallised film in order to prevent leakage of the durian's pungent smell – enabling the product to be sold on-shelf – and features heat resistance and high barrier properties.



The fully recyclable packaging solutions we have developed

#### An innovative solution for enhanced consumer convenience

During FY2022, we worked closely with our customers to introduce packaging with easy peel and straight tear functionality, thereby enhancing consumer convenience.

As their names suggest, easy peel functionality enables packaging to be opened with less effort, while straight tear film ensures that packaging tears in a straight line. Both solutions provide customers with a worry-free experience and reduce the risk of accidental spillage.

Illustrating our efforts in this area, we introduced an easy peel pouch bag for coffee beans which is easy to open. Laminated with a barrier film, the pouch bag also delivers optimum barrier properties for enhanced coffee bean freshness and shelf life.

#### FOCUS AREA #3: Embedding sustainability in our processes

Our innovation efforts also include enhancements made to our production processes that facilitate improvements in cost- and resource-efficiency, product quality and other physical attributes of the end packaging.

Our achievements include:

#### Improved metallisation technology

In FY2022, we invested in new metalliser machinery which enables improved adhesion to base films. This technology delivers significant improvements to oxygen and water vapor barrier performance, enabling us to produce ultra-high barrier metallised films that act as an effective replacement for aluminium foil and metallised PET. As a result, we are now well placed to penetrate new sub-segments of the consumer and industrial packaging spaces in future.

#### Packaging that uses recycled resin

Consumer awareness of and activism surrounding the disposal of plastic waste has reached an all-time high, leading to heightened demand for packaging that utilises recycled resin as an input. We are playing a leading role in this area, launching a packaging solution for instant noodles that is 30% composed of PCR resin derived from ocean-bound plastics, and commercialising a solution for the Australia and New Zealand markets which comprises 30% PIR resin, both during FY2022.

## Operational Review &gt; Packaging Division



Sample of instant noodle packaging with PCR resin

We are actively developing and exploring the commercialisation of additional PCR-based solutions across our customer base, aided by the attainment of the ISCC Plus certification – a globally-recognised sustainability system enabling the traceability of recycled materials throughout the supply chain – by five of our manufacturing plants to date.

#### Extended Colour Gamut (EXG) printing

EXG is a flexographic printing technique which uses a set of standardised inks to achieve a large colour gamut, meaning that minimal changes are required during a print run. As a result, the use of EXG leads to reduced setup time and stoppages, as well as minimal ink wastage and reduced use of solvents. We plan to expand its usage in order to deliver the twin outcomes of cost-efficiency and reduced resource use across a wider variety of applications.

#### FOCUS AREA #4: Investing to enhance expertise, capacity and automation

Continuous improvements in the technology we use is essential to capitalising on trends and maintaining competitiveness in the global packaging marketplace. To this end, we earmarked a RM400 million investment budget in FY2020 which was to be spent on new machinery, advanced technologies and factory enhancements over the following three years.

Charting well against this investment plan, we have spent a total of RM435.9 million on such advancements over this three year period, including on the commissioning of 17 new machines in FY2022.

On a related note, automation and other Industry 4.0 approaches play a central role in our factory transformation efforts, enabling us to reduce our reliance on manual labour and optimise the consistency and quality of our final output,

all at greater production and time efficiencies. In this vein, we commenced construction of a fully robotic stretch film plant in Shah Alam, Selangor, in FY2021, with the aim of developing a plant that stands as an industry leading example of Industry 4.0 principles in action. The plant is expected to commence operations in the second quarter of FY2023.



The robotic arms we installed at our Pulau Indah Plant

#### FOCUS AREA #5: Safeguarding product quality and reliability

Our packaging solutions are relied upon by companies to ensure the safe delivery of goods around the world, and by consumers to preserve the freshness, integrity and safety of everyday foods they consume. Therefore, ensuring the reliability and quality of our solutions is not just a key determinant of our reputation but a core responsibility that we hold close to heart.

In the area of food safety, all our plants which produce food packaging have attained the Food Safety Certification 22000 (FSSC 2200) for food safety management, which is the global standard in its field, while two plants have obtained the BRC Global Standard for Food Safety and one plant the ISO 22000 certification for food safety management.

To manage quality on an everyday basis, we employ sophisticated camera inspection system which allows us to accurately monitor product quality as production processes are carried out. This system is utilised in the production of base films, enabling ultra-fast, precise and reliable optical inspection of physical properties. By detecting defects and irregularities before the finished product is produced, we incur reduced wastage in the event that a defect is detected.

We also employ advanced gauging system in film production to ensure that film thickness falls within the specific range required, a crucial determinant of the functionality and quality of the packaging. The system



## Operational Review > Packaging Division

also features an automatic profile control which enables thickness to be automatically re-adjusted to pre-set requirements, thereby empowering greater control of film quality and raw material consumption.



*A glimpse of our advanced gauging system*

Lastly, we have significantly ramped up our controls and processes in sustainability, with the goal of establishing ourselves as an industry leader in sustainable plastic packaging production and contributing to the circular plastic economy. To this end, four more of our plants (and a total of five plants to date) received the ISCC Plus certification in FY2022, positioning us as an ideal choice for companies looking to introduce PCR resin in their packaging.

In striving to ensure the sustainability of the inputs we use, we have prioritised the sourcing of paper and aluminium from Forest Stewardship Council (FSC) and Aluminium Stewardship Initiative (ASI) certified suppliers respectively. This serves to minimise adverse impacts on natural environments and local communities.

### FOCUS AREA #6: Investing in our human capital

Our people are the core of who we are as an organisation and the foundation upon which innovations to our processes and products are enabled.

In seeking to ensure that our workers enjoy high standards in safety and health, we ensure that our processes are aligned with global standards, with two of our plants presently accredited with the ISO 45001:2018 certification. We are also proactive in investing in technologies that reduce the risk of accidents, such as our fully automatic raw material feeding system and our lifting manipulator, both of which reduce the burden placed on workers in undertaking hazardous or physically strenuous tasks.



*Our lifting manipulator at Pulau Indah plant*

Our commitment to our employees' safety and health extends to purpose-fit training and resources which are provided based on their specific role. Learn more about our occupational safety and health practices via our Sustainability Report 2022.

# OPERATIONAL REVIEW > PROPERTY DIVISION

## NAVIGATING A CHALLENGING OPERATING ENVIRONMENT

While an uncertain macroeconomic backdrop has hampered our ability to meet annual targets, we remain steadfastly focused on our land acquisition and property development activities, keeping us on course to achieve our Vision 2028 goal of completing 50,000 units of affordable homes.

### Affordable Homes Completed (Units)

FY2022	1,403
FY2021	3,766



Total Completed Units  
(up to FY2022)

**29,196**  
units



Total Completed  
Affordable Home Units  
(up to FY2022)

**26,700**  
units



Targeted Affordable  
Homes To Be Completed  
By 2028

**50,000**  
units

Market and global uncertainties have disrupted the activities of our Property Division, leading to a shortage in the supply of foreign labour and in essential construction materials. This has in turn delayed the completion of the necessary power supply infrastructure for certain developments, meaning that our attainment of the CCC for certain projects has been deferred.

While FY2022 saw a dip in the number of affordable homes completed, the broader outlook for our Property Division remains positive, giving us cause for cautious optimism. Demand for affordable homes remains strong, with homes priced at RM500,000 and below comprising 80.5% of all Malaysian residential property transactions in 2021, and we have witnessed increased traffic of visitors to our showrooms, providing optimism that the property industry will witness stronger demand as pandemic effects continue to subside in the near future. This positive prognosis applies especially to our developments in Johor, which stand to benefit greatly from the recent reopening of the Malaysia-Singapore border.

At the same time, the labour shortages we have experienced have sharpened our focus on expanding the use of the IBS construction technique to fulfil more functions across our operations. Further adopting IBS serves to further enhance our construction efficiency and optimise the cost of developing affordable homes.

We achieved divisional revenue of RM1.1 billion in FY2022, securing a divisional operating profit of RM323 million.



## Operational Review &gt; Property Division

## CONTINUING TO EXPAND OUR LAND BANKS

With an eye on capitalising on the anticipated post-pandemic economic rebound, we have continued to leverage our strong financial position to aggressively add to our land banks in FY2022, acquiring a total of 567 acres of land to bring our total land banks as at 31 July 2022 to 6,235 acres.

Reflecting our desire to build a strong brand presence across Peninsular Malaysia, we acquired land in the states of Penang, Selangor and Johor during the past financial year. The largest of our acquisitions was in Sungai Dua, Penang, where we now have access to 343 acres of land to meet the growing demand for affordable housing in the state.

Meanwhile, we have commenced the acquisition process for an additional three lands totalling 1,430 acres, which are in strategic locations, equipping us to march towards our Vision 2028 goal of completing 50,000 units of affordable homes.

TOTAL LAND BANKS AS AT 31 JULY 2022	TOTAL LAND BANKS DEVELOPED	TOTAL LAND BANKS WITH ONGOING DEVELOPMENTS	TOTAL LAND BANKS FOR FUTURE DEVELOPMENTS	TOTAL LAND ACQUISITIONS COMPLETED IN FY2022	NEW LAND BANKS PENDING COMPLETION AS AT 31 JULY 2022
6,235 acres	2,354 acres	564 acres	3,317 acres	567 acres	1,430 acres
<div> <div> <b>FY2022 Land Acquisition Completed</b> </div> <div> <div>Sungai Dua, Penang - 343 acres</div> <div>Kundang Jaya, Selangor - 22 acres</div> <div>Pulai, Johor - 202 acres</div> </div> <div> <b>TOTAL CONSIDERATION</b>  <b>RM448.8 million</b> </div> </div>					
<div> <div> <b>FY2022 Land Acquisition Pending Completion</b> </div> <div> <div>Tebrau, Johor (three parcels) - 960 acres</div> <div>Jenjarom, Selangor - 251 acres</div> <div>Klebang, Perak* - 219 acres</div> </div> <div> <b>TOTAL CONSIDERATION</b>  <b>RM792.6 million</b> </div> </div>					

\* Land acquisitions have been completed in October 2022.

## Operational Review &gt; Property Division

## OUR DEVELOPMENT PROJECTS

In line with our Cross Boundary Development Strategy, we seek to maximise growth and our impact on middle-to-lower-income home buyers by developing a strong and sustainable presence across Peninsular Malaysia. The success of this strategy can be seen in our developments across four key regions – namely Johor, Melaka and Negeri Sembilan, the Central region and the Northern region. Details on our completed, ongoing and future developments in each region are provided below.

## JOHOR

## Total Land Banks - 2,865 Acres



**Completed**  
2,032 Acres



**Ongoing**  
139 Acres



**Future**  
694 Acres

Affordable Homes Completed in FY2022

▶ **349 units**

Total Completed Affordable Homes to Date

▶ **20,907 units**



*An artist's impression of Scientex Pulai 3, Johor*

## Operational Review &gt; Property Division

Johor is the home of our business and remains the stronghold of our property development presence, boasting a total of 2,032 acres of land banks developed (or 86.3% of our total developed land banks nationwide).

Even as we aggressively expand our presence across other states and regions of the country, we are capitalising on opportunities to acquire new land in Johor, continuing to receive a strong response from potential buyers.

In FY2022, we launched an additional 300 units of Rumah Mampu Biaya Johor (RMBJ) in the township of Taman Scientex Utama, raising our total number of affordable homes priced below RM500,000 in the township to 1,005. Upon the launch of the new units, a balloting process was conducted in tandem with the Johor State Secretary Office (SUKJ) which saw 207 units successfully distributed to middle-to-lower-income individuals and families.

The past year also saw us expand another of our most successful developments in the state - our 87-acre land bank in Kota Tinggi. A verdant development located in close proximity to the town, its initial launch in FY2020 saw an excellent response, leading us to develop an additional 224 units of double-storey terrace house units. Unsurprisingly, these units have achieved an outstanding 98% take-up rate.

We also witnessed a strong response to the new units launched in our Taman Pulai Mutiara 2, Amber Land development, with a total of 450 double-storey terrace house units and 177 three-storey terrace house units garnering a 95% take-up rate. This can be explained by the development's excellent connectivity to the highway network of southern Johor and its strategic location just 8km from the Malaysia-Singapore Second Link Expressway.

On the topic of the Malaysia-Singapore border, its reopening in April 2022 bodes well for our existing and ongoing developments in Johor, with an anticipated surge in demand from expatriate Malaysians based in Singapore. With the aim of ensuring Scientex is top-of-mind for these potential buyers, we conducted a Facebook Live event offering Singapore-based individuals online tours of our units, while our Pulai development celebrated the reopening with a showhouse event that featured educational materials about the development and its benefits.



Digital advertising released by Scientex Pulai to promote its showhouse event



## Operational Review &gt; Property Division

## MELAKA AND NEGERI SEMBILAN

## Total Land Banks - 2,172 Acres



**Completed**  
236 Acres

Affordable Homes Completed in FY2022

► **914 units**



**Ongoing**  
163 Acres



**Future**  
1,773 Acres

Total Completed Affordable Homes to Date

► **4,296 units**



*An aerial view of Scientex Durian Tunggal development*

The state of Melaka is a key growth area for our Property Division, with the future development of 1,773 acres of land that we already own in the region set to propel us towards our Vision 2028 goal of constructing 50,000 affordable homes across the country.

Our optimistic outlook in this state is bolstered by the success of our Durian Tunggal and Durian Tunggal 2 developments, which illustrated a strong demand for affordable housing amongst the local population. In FY2022, we further built upon the success of these developments by launching a further 128 units of Rumah Mampu Milik (RMM) and 39 units of shop lots in Durian Tunggal 2. These additions contribute to our broader goal of transforming Scientex Durian Tunggal into an integrated township that combines quality and affordable homes, commercial zones and community services.

Looking to the future, our Bandar Jasin development is set to play a key role in our Melaka-based expansion efforts. The largest ongoing development project within our Property Division at 1,357 acres, it offers excellent value - with homes priced from just RM208,800 with freehold title - and enviable accessibility to Melaka Town and Muar via the AMJ Highway. This combination of factors led to a strong 97% take-up rate across its first two phases, which we have built upon through a third phase launch which offers an additional 240 units of double-storey terrace houses to potential buyers. In addition, more double-storey terrace houses, along with RMM and shop lots, are set to launch in the coming year. At the same time, we have also launched a total of 423 units of RMM on our 158 acres of freehold land located in the Jasin town centre.

## Operational Review &gt; Property Division



Our new sales gallery and regional HQ in Melaka

Encouraged by the success of our projects in Melaka, we have built a new sales gallery on a 3-acre parcel of land which includes show units of our developments in the state, offering potential home buyers a central point to view the various existing and upcoming developments we have. In addition to being a hub for sales, the sales gallery also functions as the HQ for our operations in the state, enabling us to efficiently execute our expansion efforts.

In FY2022, we also launched our maiden project in the neighbouring state of Negeri Sembilan. Located in a fast-developing area that has seen a rapid increase in population, Scientex Seremban's 109 acres feature a total of 365 double-storey terrace units, each offering home owners excellent connectivity to major highways and proximity to amenities and services including hospitals, supermarkets, shopping malls and educational institutions. Having launched in July 2022, the development witnessed an 85% take-up rate in its first month alone.

## CENTRAL - PERAK AND SELANGOR

## Total Land Banks - 514 Acres



**Completed**  
86 Acres

Affordable Homes Completed in FY2022

▶ **140 units**



**Ongoing**  
114 Acres



**Future**  
314 Acres

Total Completed Affordable Homes to Date

▶ **1,497 units**

While remaining an emerging region in the context of our entire property footprint, our developments in the Central Region of Peninsular Malaysia place us within the proximity of the country's largest population hubs, giving us the opportunity to launch innovative product offerings that redefined the affordable homes market.

The success of Mori Residences development in Rawang is a testament to our commitment to creating unparalleled value for home buyers regardless of market segments. With the extensive facilities and amenities aimed at enhancing everyday living, including a glamping site, hilltop star gazing site, BBQ area, sky bridge, outdoor gym, jogging track and more. Furthermore, it provides a first-of-its-kind lifestyle experience through an exclusive private 4-acre Alpine Park, where residents will be able to enjoy hives of outdoor activities, including, community gardening, glamping, and even star gazing, amidst verdant greenery.

In line with our Group-wide push towards greater sustainability, Mori Residences is being developed using green building construction principles with low environmental impact. For instance, recycled grade steel is being used for the building's foundations, and the entire building is designed to minimise energy use, water use and emissions, thereby lowering its ongoing operating costs and reducing resource use-related costs incurred by home owners too.

Leveraging this innovative and environmentally-friendly approach to Mori Residences construction, we will obtain the GreenRE Bronze Certification from REHDA upon the project's completion. GreenRE provides a framework for green buildings in a tropical climate that is recognised by all relevant ministries in Malaysia, and this will further solidify Scientex's reputation as an environmentally responsible and progressive property developer.



## Operational Review &gt; Property Division

Our Rawang development, where we have completed 140 units of double-storey terrace houses and 70 units of double-storey semi-detached houses during the year in review, with a total of 239 units currently under construction. These new units will be in addition to Mori Residence 638 unit-strong first phase, which achieved 85% take-up rate at launch, further enhancing the development proposition that offers strategic proximity to key lifestyle services and infrastructure within a growing township.



*An artist's impression of our Mori Residences development in Rawang, Selangor*



*A glimpse of the newly completed double-storey terrace at our Rawang development*

Meanwhile we have completed the acquisition of an additional 22-acre land in the Kundang Jaya, which increases our total land bank in the development to 208 acres. This land area currently consists of four ongoing projects, totalling 1,136 units of double-storey terrace houses and 3-storey terrace houses.

## Operational Review &gt; Property Division

## NEW LAND ACQUISITIONS PENDING COMPLETION

JENJAROM, SELANGOR	
Land Title	Freehold
Land Size	251 acres
Description	Strategically located in the heart of Jenjarom town within the Kuala Langat district of Selangor, this development offers residents accessibility to the Klang Valley and other well-developed townships, in addition to a range of mature amenities including schools, a hypermarket, banks and commercial shops. It is set to capitalise on high demand for affordable freehold properties brought about by rising property prices in the area, targeting potential buyers who are already living in the area, and those in the surrounding towns and cities.

KLEBANG, IPOH, PERAK	
Land Title	Freehold
Land Size	219 acres
Description	Boasting easy access to the North-South Expressway, this development will offer terrace houses at an affordable price, providing home buyers with proximity to amenities including supermarkets, shopping malls, banks, schools and eateries, in addition to the city of Ipoh.

## NORTHERN - PENANG AND KEDAH

## Total Land Banks - 684 Acres



Completed

-

Ongoing  
148 AcresFuture  
536 Acres

An artist's impression of our development in Tasek Gelugor, Penang



## Operational Review &gt; Property Division

Bolstered by support provided by the Penang State Government, our affordable housing presence in Penang continues to grow from strength to strength.

Our very first development in the Northern region of Malaysia, a 180-acre prime freehold land bank strategically located in Tasek Gelugor, saw the launch of two new phases with a total of 604 units of double-storey terrace houses during FY2022, bringing its total to 1,965 units of affordable homes launched. Both phases have enjoyed strong market response, with close to 100% and 85% take-up rates respectively.

To further improve the standard of living that the township provides its residents, we also launched 85 units of double-storey shop offices – located in an area termed “New Town” – which will serve to create job opportunities for those living in the township and in surrounding communities.

In addition, we recently completed the acquisition of 343 acres of land in Sungai Dua. This piece of land is planned for a mixed development that includes shop offices, a leisure park, a multipurpose hall and double-storey terrace houses, providing local residents with affordable access to daily conveniences within an inclusive community setting.

Due to high home prices in the state, we see Penang playing a central role in delivering our Property Division's expansion plans for years to come, and are encouraged by the continuing assistance and collaboration provided by the Penang State Government. On this note, we were proud to be awarded the Sijil Anugerah Perkhidmatan Cemerlang Tahun 2021 in May 2022 by the state's Chief Minister, Y.A.B. Tuan Chow Kon Yeow, for our efforts in building affordable homes in the state.

Looking further afield, we seek to capture a larger slice of the affordable housing pie across the Northern region with our 162-acre prime freehold land bank in Sungai Petani, Kedah. Featuring double-storey terrace houses and commercial units, it is set to offer the benefits of a self-contained township both for native Kedahans and out-of-state home buyers working in the surrounding towns upon its expected launch in Q4 of 2022.

### LEVERAGING DIGITAL TECHNOLOGY TO DELIVER IMMERSIVE EXPERIENCES

We are increasingly dealing with potential home buyers who are digital natives and, in the wake of the pandemic, Malaysians of all ages have become more familiar with and reliant on digital technology to carry out everyday tasks.

In adapting to changing consumer behaviour, we stepped up our use of digital technology during FY2022 to cover more aspects of the consumer journey, introducing 3D virtual tours and Facebook Live tours for various projects and adopting digital-first marketing and customer service strategies.

With Malaysia now progressing to the endemic phase, physical visits and on-ground marketing activities have been reintroduced. However, digital platforms and technologies will continue to play a central role in our marketing and customer engagement efforts as they enable us to reach a wider cross-section and greater volume of the Malaysian populace in a cost- and time-efficient manner.



# OUR SUSTAINABILITY JOURNEY

As we strive for continuous business growth in line with our corporate vision, it is equally important that we deliver this growth in ways that generates shared value for people and the planet. It is only through adopting this holistic approach to value creation that we can in turn ensure the long-term sustainability of our business.



## OVERVIEW

The Scientex Sustainability Report 2022 is our second standalone sustainability report, providing a complete picture of the commitments, initiatives and actions we have adopted to create value across the ESG spectrum.

It features 11 sustainability topics spanning three sustainability pillars - "Creating Shared Sustainable Value", "For the Betterment of the Environment", and "Our People, Our Pride" - with each topic aligned with relevant UN SDGs and disclosing key performance data as per the requirements of the GRI Standards.

In addition to topic-level disclosures, it also details how we have integrated sustainability at the heart of our business processes and strategic thinking, and at all levels of our organisation, in order to foster interconnected and responsible actions across our wide business footprint.

It is prepared in compliance with the Bursa Malaysia Main Market Listing Requirements, the second edition of the Bursa Malaysia Sustainability Reporting Guide and the GRI Standards for sustainability reporting.

## SCOPE AND BOUNDARY

The report discloses the sustainability initiatives and commitments of Scientex, covering our Malaysian and international subsidiaries across our businesses of Packaging and Property, and excludes joint ventures and associates of the Group.

## REPORTING PERIOD

The disclosures contained in the report cover the reporting period from 1 August 2021 to 31 July 2022 ("FY2022"), unless otherwise stated.

## AVAILABILITY

Please visit our corporate website - [www.scientex.com.my](http://www.scientex.com.my) - to download the report in full.

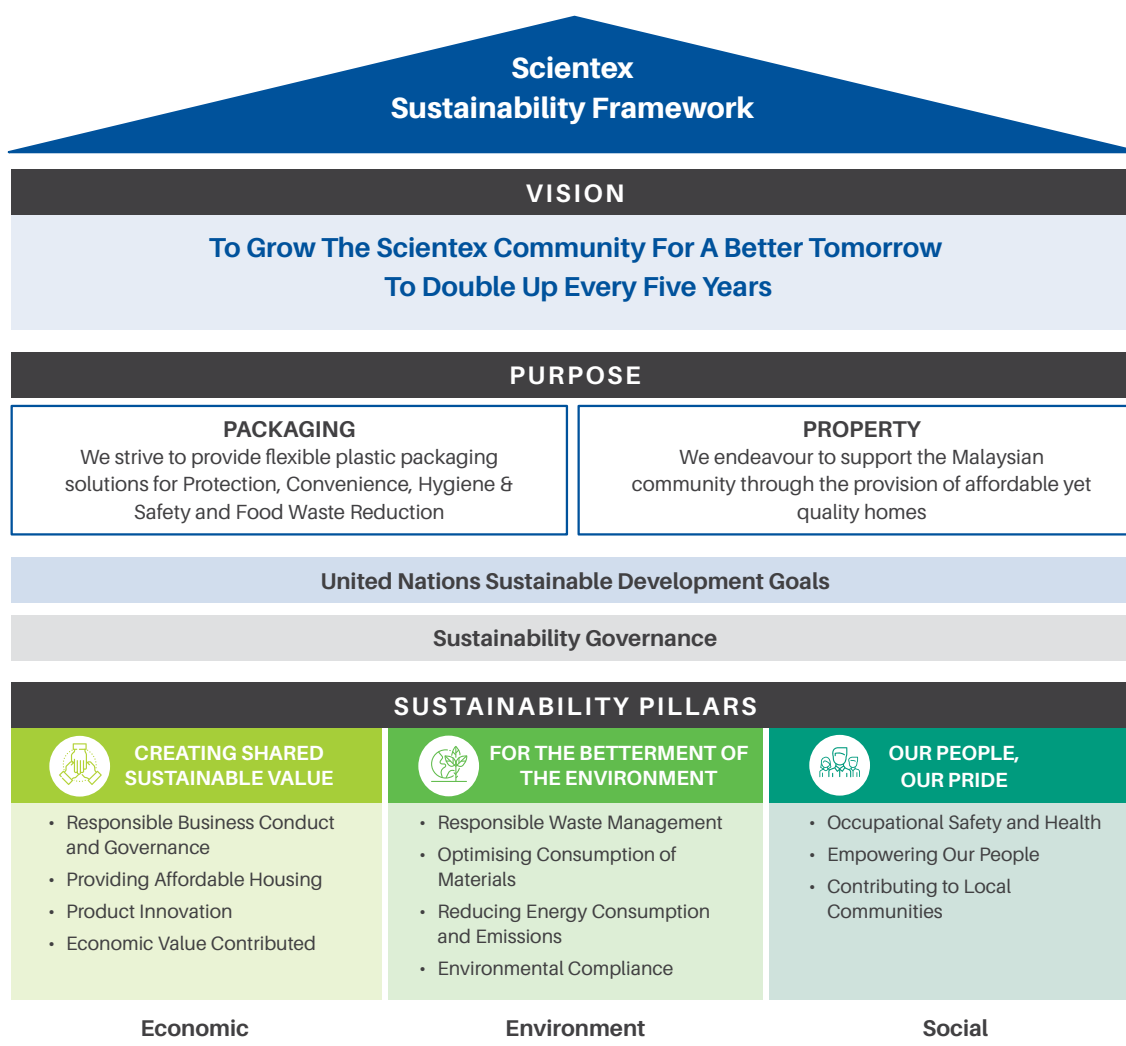
# SUSTAINABILITY FRAMEWORK

At Scientex, we strive to achieve synergistic balance between business and sustainability. This holistic approach is captured through the Sustainability Framework, which describes the interconnectedness we have created between our business processes, governance framework and sustainability initiatives towards generating long-term value and driving continued growth.

As a starting point, sustainability is embedded within the business processes of our dual business divisions of Packaging and Property. This assists in fulfilling our corporate Vision and Purpose, while also supporting the specific UN SDGs which we have identified as relevant to our stakeholders.

Our eleven sustainability material topics have each been aligned to specific UN SDGs, and are encapsulated within three pillars - "Creating Shared Sustainable Value", "For The Betterment Of The Environment" and "Our People, Our Pride". Material topics are identified and continuously refined through stakeholder engagement and materiality determination processes, which aid the development of specific strategies, initiatives and action plans to deliver positive value creation.

Finally, our Sustainability Governance structure sits at the core of the framework, endowing shared responsibility for sustainability at all levels. This robust governance structure empowers us to maintain strong oversight across our entire organisation, remain in tune with evolving sustainability issues, and pivot our strategies to address the evolving needs of our businesses, stakeholders and markets of operation.



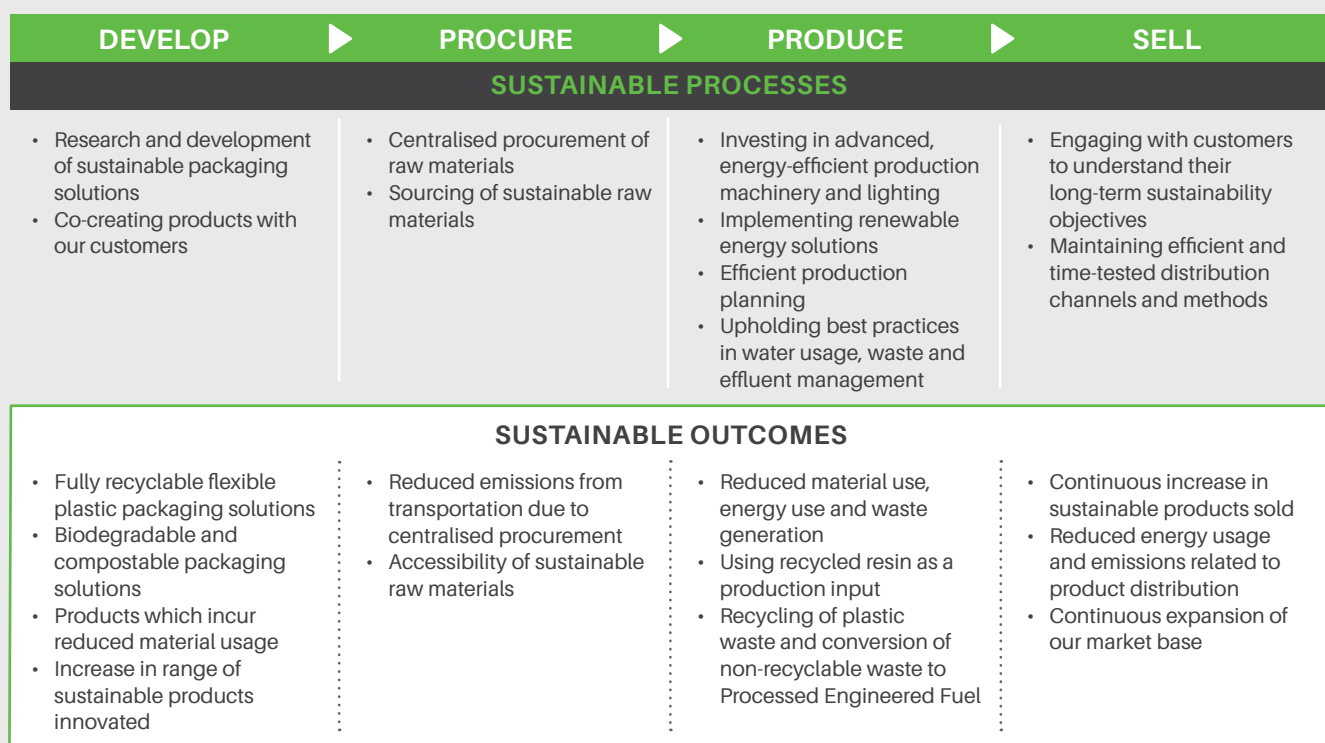


# OUR APPROACH TO SUSTAINABILITY

## Embedding sustainability in our business processes

We strive to create synergistic balance between what is good for our business and what is good for people and planet. To this end, we have integrated sustainable thinking within our business processes, leading to outcomes which generate shared value.

### PACKAGING DIVISION



### PROPERTY DIVISION

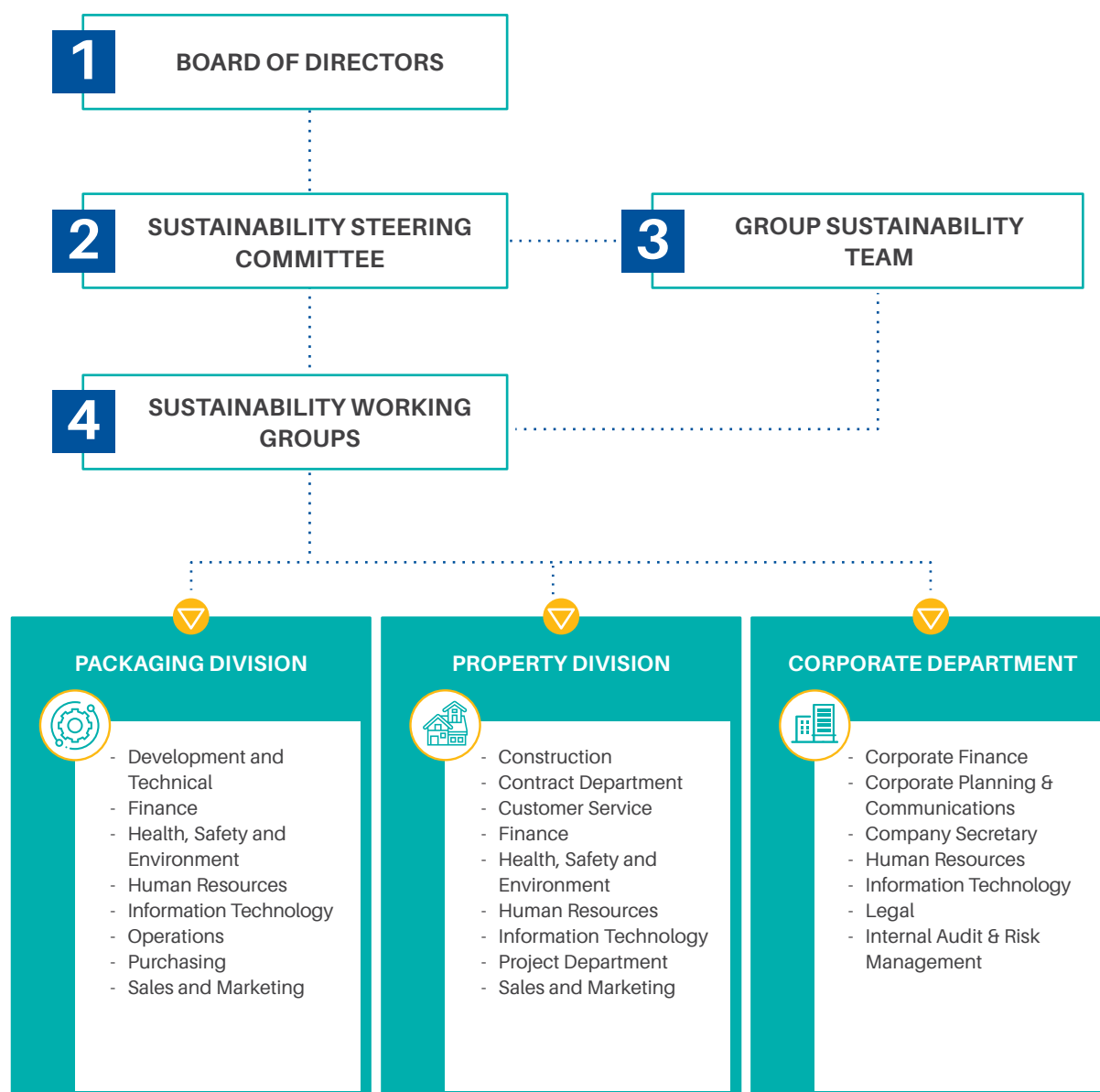


# OUR SUSTAINABILITY GOVERNANCE

To deliver on our sustainability agenda, we leverage a robust governance structure that provides the necessary leadership, oversight and accountability for sustainability across the Group.

Overseen by our Board of Directors ("Board"), it ingrains a culture of sustainability at all levels of the Group and across our geographically wide business presence, empowering all our employees to table issues that are relevant to their areas of expertise and take a leadership role in driving improved outcomes.

In FY2022, we strengthened our sustainability governance framework with the addition of a dedicated Group Sustainability Team, who are responsible for remaining attuned to evolving ESG matters and reporting requirements, and communicating these changes across the entire structure, amongst other areas within their scope of work. This addition will better enable us to remain ahead of the curve within a fast-changing sustainability landscape.



(Composition of working groups are determined based on the specific needs of sustainability topics and their associated initiatives)

## Our Sustainability Governance


1	<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Assumes overall responsibility for and oversight of the Group's sustainability agenda, including the identification of sustainability topics, setting of objectives, and establishing of policies and practices</li> <li>Nominated by the Nomination and Remuneration Committee, which is also responsible for evaluating the Board's performance on sustainability issues through a peer evaluation process</li> <li>The Managing Director/Chief Executive Officer, Mr. Lim Peng Jin, spearheads the sustainability responsibilities of the Board</li> </ul>
2	<b>Sustainability Steering Committee ("SSC")</b>	<ul style="list-style-type: none"> <li>Comprises members of the Scientex Executive Committee ("EXCO") and is led by the Managing Director/Chief Executive Officer, Mr. Lim Peng Jin</li> <li>Conducts regular engagements with stakeholders and staff at the departmental or subsidiary level</li> <li>Identifies potential sustainability topics based on these engagements, and tables these topics for Board consideration</li> <li>Develops detailed strategies for sustainability topics identified</li> <li>Sets key performance indicators for strategies identified, involving data management systems, reporting processes and internal control mechanisms</li> <li>Develops sustainability related policies which govern sustainability practices across the Group, and tables these policies to the Board for approval</li> </ul>
3	<b>Group Sustainability Team</b>	<ul style="list-style-type: none"> <li>Provides recommendations to the SSC on potential sustainability topics, and on the subsequent development and execution of strategies for the sustainability topics which are identified and approved</li> <li>Provides assistance to the SSC in the nomination of specific working groups to execute strategies formulated by the SSC</li> <li>Responsible for the execution of strategies in tandem with the Sustainability Working Groups identified</li> <li>Reports on the outcomes or progress of strategies to the SSC in monthly management meetings</li> <li>Monitors sustainability initiatives, maintaining proper records to facilitate regular reviews of sustainability management procedures and overall performance</li> <li>Leads sustainability related reports and presentations, ensuring compliance with applicable reporting requirements</li> </ul>
4	<b>Sustainability Working Groups</b>	<ul style="list-style-type: none"> <li>Appointed on a topic-by-topic basis depending on the needs of the topic and its initiatives</li> <li>May comprise representatives from any of the departments and divisions within the Group</li> <li>Works with the Group Sustainability Team to ensure smooth implementation of strategies formulated, while adhering to specific management procedures</li> <li>Maintains proper records of actions taken and their results</li> <li>Delivers detailed reports on actions taken and results during monthly management meetings</li> <li>Act as a conduit between the Group Sustainability Team and individual departments and subsidiaries, providing an avenue for staff members to highlight and elevate potential sustainability issues for consideration</li> </ul>

# OUR SUSTAINABILITY PERFORMANCE

The analysis below is a summary of the topic-level disclosures contained within our Sustainability Report 2022.



Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
<b>Responsible Business Conduct and Governance</b>  	<p>We have a responsibility to uphold high standards of business conduct, including through a zero-tolerance approach towards unethical actions and activities, to perpetuate the trust and confidence of our investors, customers and other stakeholders.</p>	<ul style="list-style-type: none"> <li>Overseeing business conduct across the Group through a robust governance structure</li> <li>Adhering to comprehensive codes and policies including our Code of Ethics, Code of Conduct for Suppliers and ABAC Policy</li> <li>Providing relevant trainings on our codes and policies to all employees</li> <li>Conducting a corruption risk assessment for various departments within the Group</li> <li>Implementing a new Directors' Fit and Proper Policy that provides guidelines to assess existing and new Board members' fitness for directorship</li> </ul>	<ul style="list-style-type: none"> <li>100% of employees completed e-learning modules on our codes and policies</li> <li>100% of new joiners acknowledged our ABAC Policy and Code of Ethics</li> <li>176 new third-party suppliers informed about our ABAC Policy and Code of Conduct for Suppliers</li> <li>Zero instances of corruption, bribery or unethical business conduct reported or investigated</li> </ul>
<b>Providing Affordable Housing</b>    	<p>Providing access to affordable quality housing is central to our purpose as a company. It serves both our continued business expansion and our social responsibilities.</p>	<ul style="list-style-type: none"> <li>Using standardised building designs and layouts to optimise use of space and drive down cost of construction, with savings passed on to customers through more affordable home prices</li> <li>Using the IBS construction technique for enhanced speed, quality and safety of construction</li> <li>Continued land bank expansion across Peninsular Malaysia to provide affordable quality housing to more home buyers and support government initiatives</li> <li>Developing supporting infrastructure such as roads, commercial zones and community centres to enhance standard of living and enable economic opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Completed 1,403 affordable homes</li> <li>26,700 affordable homes completed by our Property Division since its founding</li> <li>70% of our homes launched were priced below RM300,000</li> </ul>
<b>Product Innovation</b>   	<p>Product innovation drives expanded capacity, improved efficiency and enhanced product value - our three Drivers of Growth. We also innovate to reduce resource consumption, energy use and waste, and to contribute to the circular plastic economy.</p>	<ul style="list-style-type: none"> <li>Continued investment in new machinery, technological advancements including automation, and other factory enhancements</li> <li>Leveraging intra-Group collaboration to develop improved and more sustainable base films and fully recyclable packaging solutions</li> <li>Developing downgauged films and packaging products to enhance resource- and cost-efficiency for our industrial market customers</li> </ul>	<ul style="list-style-type: none"> <li>207 innovations developed</li> <li>27 innovations successfully commercialised</li> </ul>

## Our Sustainability Performance




Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
		<ul style="list-style-type: none"> <li>Developing compostable and biodegradable packaging solutions for our consumer market customers</li> <li>Innovating packaging solutions which use PIR and PCR resin as an input</li> <li>Introducing process improvements that reduce use of materials and waste generation, improve energy efficiency and drive additional production efficiencies</li> </ul>	
<b>Economic Value Contributed</b> 	We are long-term residents in our markets of operation, and our presence should serve to improve livelihoods and support local economies in a sustained and meaningful way.	<ul style="list-style-type: none"> <li>Distributing economic value to local and federal governments, shareholders, suppliers, business partners and our workforce in line with our commitment to sustainable development</li> <li>Contributing to local communities through corporate social responsibility activities</li> </ul>	<ul style="list-style-type: none"> <li>RM3.4 billion in economic value distributed to suppliers, business partners, shareholders, employees and governments, including:               <ul style="list-style-type: none"> <li>RM276.6 million in salaries and benefits</li> <li>RM139.6 million in dividends</li> <li>RM106.6 million in taxes</li> </ul> </li> <li>RM608.6 million in economic value retained</li> </ul>
<b>Responsible Waste Management</b>  	The world is generating increasing amounts of waste and, as a responsible corporation, we have a duty to consider and to introduce circular and low-waste solutions.	<ul style="list-style-type: none"> <li>Adhering to our detailed waste management framework, in line with our Group-wide Environmental Policy</li> <li>Enhancing our machinery and processes to optimise resin utilisation and reduce wastage of raw materials</li> <li>Expanding the customer base of our fully compostable BioPBS™ packaging</li> <li>Innovating packaging solutions which use PIR and PCR resin as an input</li> <li>Adopting new methods to recycle and upcycle plastic trimmings, rejected films and other recyclable waste</li> <li>Continually refining our effluent and waste management procedures</li> <li>Developing our 3R initiatives and 'Back to Earth' food composting programme to drive employee awareness and participation in 3R</li> </ul>	<ul style="list-style-type: none"> <li>Total tonnage of non-hazardous plastic waste generated is 4.2% of the total tonnage of our output (23.6% YoY reduction)</li> <li>1,327 MT of scheduled (hazardous) waste generated, which is 0.5% of the total tonnage of our output (the same proportion as FY2021)</li> </ul> <p>The outcomes disclosed above cover plastic waste generated by our Packaging Division.</p>



## Our Sustainability Performance

Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
<b>Optimising Consumption of Materials</b> 	By developing products that require less materials and introducing circular economy solutions, we can mitigate the impact of our production processes on the environment.	<ul style="list-style-type: none"> <li>Adhering to the guidelines on material and resource use stipulated by our Group-wide Environmental Policy</li> <li>Using recycling machines at our manufacturing plants to recycle plastic recyclable waste for reuse in production</li> <li>Commercialising packaging solutions that use PIR and PCR resin as an input</li> <li>Innovating downgauged films and packaging products to reduce material usage without sacrificing quality and functionality</li> <li>Continually refining our use of the IBS construction technique to improve precision and reduce material wastage in construction</li> <li>Using eco-friendly lightweight construction blocks to reduce material usage</li> <li>Reusing materials wherever practicable across our dual core businesses</li> <li>Adopting best practices in water extraction and consumption, including rainwater harvesting</li> </ul>	<ul style="list-style-type: none"> <li>894,200 m<sup>3</sup> of water consumed across the Group (1.7% YoY reduction)</li> <li>Water consumption intensity of 210.8 m<sup>3</sup>/RM Million revenue across the Group (11.1% YoY reduction)</li> <li>Recycled materials constitute 7.8% of total materials used in our Packaging Division</li> <li>Four more of our manufacturing plants received the International Sustainability and Carbon Certification (ISCC) Plus Certification for traceability of PCR throughout the supply chain</li> </ul>
<b>Reducing Energy Consumption and Emissions</b> 	With the acceleration of climate change, the onus is on us, as a major manufacturer and property developer, to adopt low carbon energy technologies and introduce energy-efficient production technologies.	<ul style="list-style-type: none"> <li>Adhering to the guidelines on energy and emissions stipulated by our Group-wide Environmental Policy</li> <li>Utilising our Nano 67-layer cast stretch film line, which delivers a 15% improvement in energy efficiency during production</li> <li>Utilising a high-performance air ring and modular cooling system in our blown film lines for Form Fill Seal (FFS) bags, thereby unlocking 50% higher output with improved energy efficiency</li> <li>Utilising a cutting-edge drying system to reduce electricity consumption from printing by more than 50%</li> <li>Transitioning to low-energy lighting across both of our dual core businesses</li> <li>Continually exploring and introducing process improvements for energy efficiency in the production of plastic packaging</li> <li>Adopting circular practices such as recycling plastic trimmings and using PIR and PCR content as production inputs</li> </ul>	<ul style="list-style-type: none"> <li>283,000 MWh of electricity consumed across the Group (0.4% YoY reduction)</li> <li>Our Group-wide energy intensity is 66.7 MWh/RM Million revenue (9.9% YoY reduction)</li> <li>113,600 million BTU of natural gas consumed in our Packaging Division, marking a decrease of 7.9% in consumption intensity</li> <li>156,300 MT of CO<sub>2</sub>e emissions (Scope 1 and 2) across the Group (1.6% YoY reduction)</li> <li>Our Group-wide GHG emissions intensity (Scope 1 and 2) is 36.9 MT CO<sub>2</sub>e/RM Million revenue (10.9% YoY reduction)</li> </ul>


## Our Sustainability Performance

Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
		<ul style="list-style-type: none"> <li>Encouraging our suppliers to adopt low carbon processes, in line with our Environmental Policy and Code of Conduct for Suppliers</li> <li>Launching a mangrove planting programme to sequester carbon and offset our emissions</li> </ul>	
<b>Environmental Compliance</b>   	<p>Upholding compliance with all applicable environmental regulations in the regions where we operate, while at the same time holding our supply chain to a similarly high standard of responsibility, is key to minimising our environmental impact and maintaining our reputation as a responsible corporate citizen.</p>	<ul style="list-style-type: none"> <li>Adhering strictly to the practices outlined in our Group-wide Environmental Policy, with a focus on energy and emissions, waste, resource utilisation and biodiversity</li> <li>Remaining in compliance with all relevant environmental laws and regulations in the various jurisdictions where we operate</li> <li>Continually attending training courses and seminars to remain up to date on the latest environmental rules and regulations</li> <li>Continually undertaking Environmental Impact Assessments (EIA) for all property projects of 50 hectares or more to identify risks related to the environment</li> <li>Remaining abreast of and obtaining globally recognised certifications including ISO 14001, which sets out the requirements for establishing an effective environmental management system</li> <li>Providing our employees with role-specific training on relevant environmental rules and regulations</li> <li>Taking a leadership role in the Plastic Sustainability and Circularity Working Group established by KASA</li> </ul>	<ul style="list-style-type: none"> <li>Code of Conduct for Suppliers communicated to all suppliers with an annual supply volume exceeding RM50,000</li> <li>Planted more than 4,700 trees and scrubs within our project developments</li> </ul>

## Our Sustainability Performance

Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
<b>Occupational Safety and Health</b> 	<p>Providing our workforce with a safe and secure work environment enhances productivity and the sustainability of our business.</p>	<ul style="list-style-type: none"> <li>Adhering to the practices stipulated in our Group-wide Safety and Health Policy</li> <li>Continually refining our OSHA management systems to ensure compliance at all plants and development sites to local laws and regulations</li> <li>Ensuring balanced representation from employer and employees in OSHA Committees</li> <li>Transitioning our plants from the OHSAS 18001:2007 certification to the latest ISO 45001:2018 certification, with two plants already accredited with the new standard</li> <li>Maintaining a comprehensive work related hazards and risk management plan that enhances safety and security at workplaces</li> <li>Providing our employees with training programmes related to occupational safety and health</li> <li>Conducting regular safety and health inspections of business premises, carried out by internal and external parties</li> <li>Remaining in compliance with all updated COVID-19 protection measures at our business premises</li> </ul>	<ul style="list-style-type: none"> <li>100% of all workplaces represented by OSHA Committees that consist of a balanced mix of employer and employee representatives</li> <li>Across our operations, incidents recorded include: <ul style="list-style-type: none"> <li>29 major accidents</li> <li>90 minor accidents</li> <li>Zero fatal injuries</li> </ul> </li> </ul>
<b>Empowering Our People</b> 	<p>Human capital is one of our key long-term success factors. By retaining a high-performing, committed and diverse workforce through attractive remuneration, benefits packages and career advancement opportunities, we empower the continued achievement of our growth targets and the progressive development of practices and initiatives that provide greater environmental and social benefit.</p>	<ul style="list-style-type: none"> <li>Adhering to the practices detailed in our Group-wide Code of Ethics, which align with the principle of non-discrimination and other ethical practices</li> <li>Adhering to responsible labour practices as outlined by Sedex, with three of our plants having achieved Sedex membership</li> <li>Continually optimising the remuneration and benefits offered to our employees to improve talent retention</li> <li>Providing preferential employment opportunities to local Malaysians in line with the national agenda of cultivating local talent</li> <li>Continually engaging employees through various channels including performance reviews and quarterly rolling budget (QRB)</li> <li>Maintaining an open-door policy for two-way communication between employer and employees</li> <li>Providing training and development programmes based on the specific needs and circumstances of employees</li> </ul>	<ul style="list-style-type: none"> <li>3,717 employees in total as of FY2022</li> <li>Local employees comprise 80% of our workforce</li> <li>21,150 hours of training undertaken by our employees</li> <li>Zero incidents of non-compliance to our employment practices and standards recorded</li> <li>The Scientex Family Flood Assistance Fund provided cash support of more than RM650,000 to 150 staff families in the wake of the December 2021 floods</li> </ul>

## Our Sustainability Performance

Sustainable Topic	Why It Matters	Our Approach	Our Performance in FY2022
<b>Contributing to Local Communities</b> 	<p>We have the opportunity and responsibility to drive positive, sustainable development for local communities through the employment opportunities we provide, developments and townships we create and local initiatives that we launch.</p>	<ul style="list-style-type: none"> <li>Allocating funds for activities, including school-based programmes, that instill responsible recycling habits from young</li> <li>Providing sustained employment and career advancement opportunities to members of local communities</li> <li>Expanding our affordable housing footprint throughout Peninsular Malaysia to reach Malaysians in the middle-to-lower-income segments</li> <li>Developing townships that provide a wider range of services, encourage job creation and provide improved connectivity to larger population hubs, thereby enhancing community resilience and improving quality of life</li> <li>Supporting communities in times of need through donations and collaborations with established NGOs</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced and broadened our community development efforts, continuing our initiatives in recycling, food composting and blood donation, while launching a new mangrove planting initiative</li> </ul>

# OUR CORPORATE GOVERNANCE

## OUR INTEGRATED GOVERNANCE STRUCTURE

As our rapid growth and expansion increasingly spreads our operations over multiple geographical jurisdictions and areas of specialisation, the importance of maintaining synergy across all our business entities becomes more pronounced. We believe that by ensuring Group-wide alignment to our corporate values, business processes and Drivers of Growth, we can maximise the positive impact we make and sustain the value we create as a Group.

Our integrated governance structure delivers this synergy by centralising high-level planning while at the same time empowering teams from across both our Packaging and Property Divisions to provide valuable industry-relevant input to guide our strategic processes.

### THE ROLE OF THE SCIENTEX EXECUTIVE COMMITTEE

Our integrated governance structure is driven by the Scientex Executive Committee ("EXCO"), which is led by the Group's Managing Director/Chief Executive Officer and comprises key decision makers from the Packaging Division, Property Division and Corporate Department.

The EXCO is charged with overseeing and providing direction to the Group's strategic planning, resource allocation, governance, community building and stakeholder engagement initiatives with the objective of ensuring long-term and continuous growth alongside the creation of shared and sustainable value.



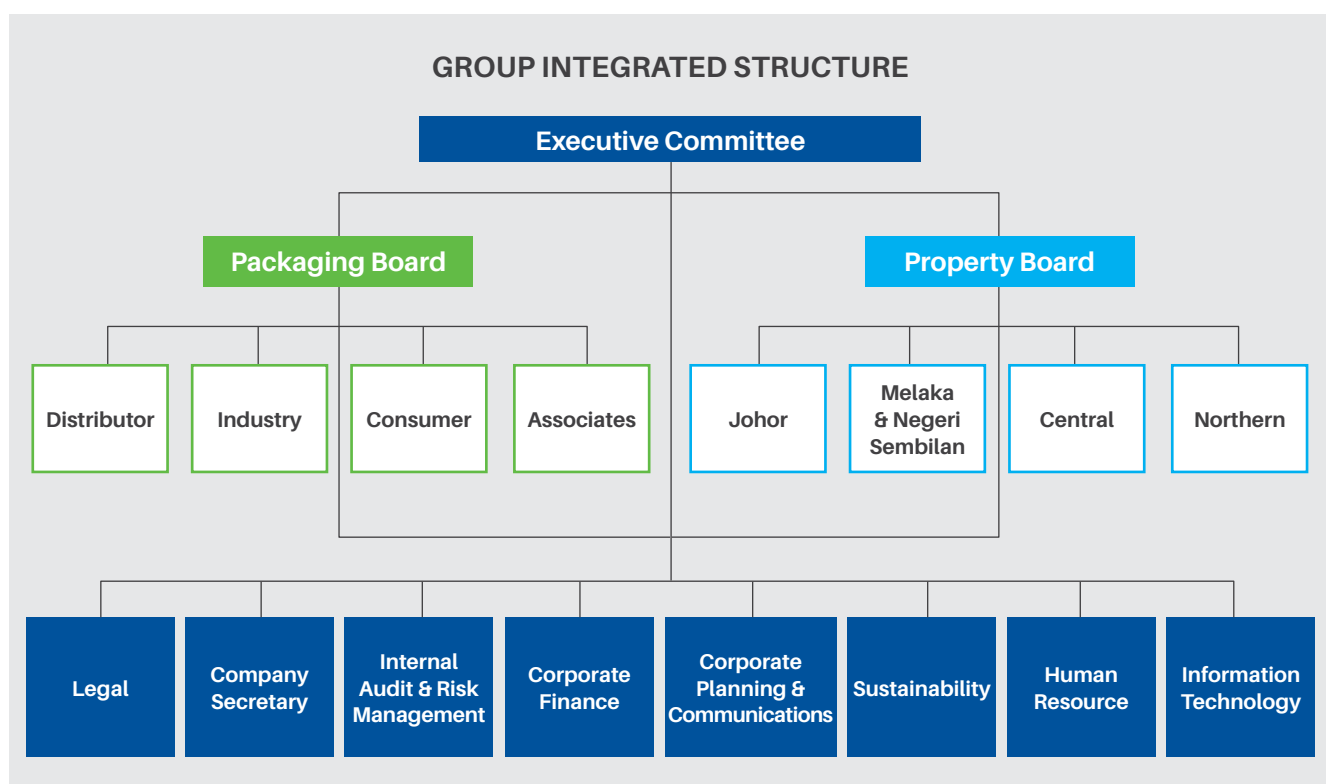


## Our Integrated Governance Structure

### DRIVING INTEGRATION ACROSS OUR GROUP

In FY2022, we streamlined our governance structure for improved integration between business units, thereby enabling more efficient communication and effective implementation of Group-level strategies.

Through our integrated and EXCO-led governance structure, we are ultimately able to achieve a more cohesive and synergistic decision-making, and optimise our capacity for efficient resource allocation. This empowers our teams to rapidly respond to changing business circumstances, encourage innovations, drive enhanced efficiencies and achieve competitive advantages in their respective markets.



## Our Integrated Governance Structure

### DELIVERING GOOD CORPORATE GOVERNANCE

The Board of Directors strongly support the principles of good corporate governance and has delegated certain responsibilities to various Board Committees in order to ensure the effective and conscientious discharge of its governance duties.

During FY2022, the Board was assisted by the following Board Committees:

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

The roles of each of these committees are detailed below:



For more detailed descriptions of the roles of each of our Board Committees, please visit our corporate website.

### PROFILES OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT

For full profiles of all members of the Scientex Board of Directors and key management team, kindly refer to 'Our Leadership' section from p. 27 to p. 32.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

**The Board of Directors (“Board”) of Scientex Berhad (“Scientex”, the “Group” and/or the “Company”) recognises the importance of upholding good corporate governance (“CG”) and the responsibility of maintaining high standards of transparency, accountability and integrity. These best practices will not only safeguard and enhance sustainable shareholder value but also ensure that the interests of all the stakeholders are protected.**

In addition, the Group is committed to good Environmental, Social and Governance (ESG) practises and works towards embedding sustainability into its business processes - from its policies, social impact initiatives to its day-to-day operations, to deliver continuous business growth that considers the development of communities and the preservation of the environment. Disclosure on the Group's sustainability efforts are continuously presented in its Sustainability Report 2022, which contains in-depth analysis of its sustainability performance in relation to ESG matters material to the Group and its stakeholders, as well as its support towards the United Nations Sustainable Development Goals.

This CG Overview Statement (“Statement”) is prepared in accordance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) to provide stakeholders with an overview of the application of the principles set out in the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) under the leadership of the Board during the financial year ended 31 July 2022 (“FY2022”). This Statement is to be read together with the CG Report 2022 of the Company (“CG Report”) which disclose the application of all practices set out in the MCCG 2021 during FY2022. The prescribed CG Report is accessible at [www.scientex.com.my/investors-relations/announcements/](http://www.scientex.com.my/investors-relations/announcements/).

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### BOARD RESPONSIBILITIES

The Board is collectively responsible for the long term success of the Group and the delivery of sustainable values to its stakeholders. The Board together with management takes responsibility for the governance of sustainability in the Group including setting the Group's sustainability strategies, priorities and targets. The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of the Group's strategic plans and direction, while overseeing the conduct of the business, risk management and succession planning of the Board and senior management. The Board is also responsible for implementing investor relations programmes and ensuring the systems of internal controls and management information are in place and working effectively. The Board formulates overall objectives, short and medium term plans, policies and business strategies on an on-going basis to respond to rapid changes in the external business environment whilst ensuring that the Group's overall objectives and plan are adhered to.



[Read more](#)

▶ [Our Sustainability Governance > p. 81](#)

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities, while acting as a source of reference and primary induction literature to provide insights to prospective Board members and senior management. The Board has also developed codes and policies to support the Group's corporate culture/values and commitment to conduct business professionally and ethically, with due regard to ESG elements. During FY2022, the Board has adopted a Fit and Proper Policy to enhance Board quality in the appointment and re-election of Directors of the Group. The Board Charter, codes and policies of the Company are accessible at [www.scientex.com.my/corporate-governance/](http://www.scientex.com.my/corporate-governance/).

To maintain effective supervision and accountability of the Board and the management, the position of Chairman and Managing Director/ Chief Executive Officer are held by different individuals to ensure balance of power and authority. The roles and responsibilities of the Chairman and the Managing Director/ Chief Executive Officer are specified in the Board Charter as explained in Practice 1.3 of the CG Report and accessible at [www.scientex.com.my/investors-relations/announcements/](http://www.scientex.com.my/investors-relations/announcements/).

The Directors in their individual capacity or as a full Board have full and unrestricted access to all information pertaining to the Group. The Directors also have the advice and services of the suitably qualified and experienced Company Secretary and senior management staff at all times to aid in the proper discharge of their fiduciary duties. The notices and the meeting

## Corporate Governance Overview Statement

papers are sent to all members of the Board and Board Committees a week ahead of the scheduled meetings enabling them to seek clarification and to have sufficient time to peruse the issues to be deliberated at the Board and Board Committees meetings.

### BOARD COMPOSITION

The Board comprises six (6) experienced and competent members with different areas of expertise, out of which three (3) members are Independent Non-Executive Directors ("INED"). None of the members of the Board is a former key audit partner of the external auditors of the Company. Mr Wong Chin Mun was appointed as the Senior INED of the Company on 6 October 2017 and he acts as an intermediary between the Company and the shareholders if the shareholders have concerns that have not been addressed through the channels provided.

The Board has established the Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Risk Management Committee ("RMC") to assist in the execution of its responsibilities. Each of the Board Committees is chaired by an INED who is not the Chairman of the Board. The functions, duties and authorities of the Board Committees are set out in the Terms of Reference of each of the Board Committees, which is accessible at [www.scientex.com.my/corporate-governance/](http://www.scientex.com.my/corporate-governance/).

The Board through the NRC has conducted the annual peer and self-assessments on the effectiveness of the Board and Board Committees, evaluation of the individual performances of Directors, as well as reviewed the independence of Independent Directors and the following matters via questionnaires. The board will engage an independent expert to facilitate objective and candid board effectiveness evaluations as and when necessary.

#### (i) Assessment of independence of INED

The NRC assessed the independence of all INEDs with the following criteria to ensure the INED would be able to discharge its duties and responsibilities effectively: -

- fulfilment of the definition of "independent director" under the Listing Requirements;
- whether the tenure of INEDs have exceeded a cumulative term of nine (9) years;
- whether INEDs has received any performance-based remuneration or share-based incentives from the Company and the Group;
- whether INEDs able to exert considerable influence on the Company's financial standing; and
- other criteria such as directorships in other listed issuers and public companies, any family relationship with Directors or major shareholders, any conflict of interest he/she has with the Company, interest in securities in the Company and their attendance of the Board and Board Committees meetings during the financial year.

The NRC has determined that all INEDs have remained objective and independent. Each of the INED has provided a confirmation of his/her independence to the NRC.

#### (ii) Review of the effectiveness of the individual Directors, Board Committees and the Board

The NRC reviewed the competencies, contributions and performances of each individual Director, Board Committees and the Board as a whole. With regard to the mix of skills, experiences, competencies, independence, diversity and other qualities required to meet the needs of the Group as well as the character, personality, integrity and time commitment of the individual Directors, the NRC is satisfied with the performance and contribution of the Directors, the Board skills matrix, size and composition of the Board and Board Committees.

#### (iii) Review of the AC, external auditors and internal auditors

The NRC has reviewed and satisfied with the independence, composition, skills and expertise, term of office and overall performance of the AC. The NRC also through AC reviewed the objectivity, independence, competency, professionalism and resource capacity of the external and internal auditors.

## Corporate Governance Overview Statement

**(iv) Review of the remuneration of Directors**

The NRC reviewed the remuneration component of the Directors which includes fees, salary, benefits-in-kind and other emoluments. At the recommendation of NRC, the Board is of the view that the current Directors' fees of RM130,000 for Chairman and RM120,000 for other Directors are suffice to attract and retain calibre Directors to serve on the Board. The total proposed Directors' fees of RM730,000 for FY2022 will be tabled at the forthcoming Fifty-Fourth Annual General Meeting ("AGM") of the Company ("54<sup>th</sup> AGM") for the approval of the shareholders.

**(v) Rotation of Directors**

The Constitution of the Company ("Constitution") provides that one-third ( $\frac{1}{3}$ ) of the Directors with a minimum of one (1) and those appointed during the year shall retire from office and shall be eligible for re-election at every AGM. The Constitution also provides that all Directors shall retire from office at least once in every three (3) years.

The Directors, Mr Wong Chin Mun and Mr Ang Kim Swee, who are standing for re-election at the forthcoming 54<sup>th</sup> AGM had indicated their intentions to seek for re-election. Having considered the fit and proper criteria in the Fit and Proper Policy, their past contribution, attendance at the Board and Board Committees meetings as well as other criteria such as directorships in other listed issuers and public companies, possibility of any conflict of interest he/she has with the Company, the Board recommended their re-election to be approved by the shareholders at the forthcoming 54<sup>th</sup> AGM.

The Board is satisfied with the level of time commitment given by the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by all the directors observing the restriction on the number of directorships as set out in the Listing Requirements by not holding more than five (5) directorships in listed issuers.

At the beginning of the year, the Board and Board Committees will schedule the meetings according to the availability of the members and convene additional meetings as and when necessary. Senior management and advisers are invited to the Board and Board Committees meetings to present relevant subject matters, if applicable. The Board and Board Committees meetings are conducted based on a formal agenda on matters to be discussed with adequate time allocated for deliberation. The Chairman of the Board and the Chairperson of the respective Board Committees chair the meetings with proper record of minutes kept by the Company Secretary. The draft minutes of the Board and Board Committees meetings are made available to all the members of the Board and Board Committees before the confirmation of minutes at the next meeting. The attendance of the members of the Board and the Board Committees during FY2022 were as follows: -

Name of Director	No. of Meetings Attended/ Total No. of Meetings Held			
	Board	AC	NRC	RMC
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim (Chairman)	5/5*	N/A	2/2	N/A
Lim Peng Jin (Managing Director/Chief Executive Officer)	5/5	N/A	N/A	2/2
Lim Peng Cheong (Non-Independent & Non-Executive Director)	5/5	N/A	N/A	N/A
Wong Chin Mun (Senior Independent Non-Executive Director)	5/5	5/5*	2/2	N/A
Dato' Noorizah Binti Hj Abd Hamid (Independent Non-Executive Director)	5/5	5/5	N/A	2/2*
Ang Kim Swee (Independent Non-Executive Director)	5/5	5/5	2/2*	2/2

Remarks:

\* Chairperson of the Board/ Board Committees

N/A - Not applicable/ not the member of the respective Board Committees



## Corporate Governance Overview Statement

All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities. The Board is mindful that the Directors should continuously update their skills and knowledge to maximise the effectiveness of the Board during their tenure. The Directors are required to evaluate their own training needs on a continuous basis to keep abreast with regulatory requirements and ongoing business development. The Board has approved a budgeted amount set aside for all the Directors to attend training courses which are relevant and may assist the Directors in discharging their responsibilities. In addition, the Board is notified of a series of training programmes or workshops conducted by Bursa Securities and other training providers for its consideration and the Board receives updates of new statutory and regulatory requirements from time to time. The Group's external auditors/ Company Secretary also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during FY2022 and any other changes to the regulatory environment such as amendments to Listing Requirements, Companies Act 2016 as well as publications from Securities Commission Malaysia.

During FY2022, the Directors have attended various training programmes, seminars, conferences and forums, details of which are set out below: -

Directors	Title of Training Programmes/Seminars/Conferences/Forums
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	- Sustainable and Responsible Investment (SRI) Virtual Conference 2022 - Preserving the Climate through Sustainable Business and Living
Lim Peng Jin	- 5G and its current mainstream applications - Global, Regional & Malaysia Economic Updates - Succession Planning Without A Successor: The New Trend in Succession Planning - The Secret of Body Language - 'Leading in Times of Crisis' with Indra Nooyi (ex-CEO of PepsiCo)
Lim Peng Cheong	- Data and AI insights: Driving growth in a digital world - Governance and Risk Management - Adapting to the New Normal - Sustainability and Its Impact on Organizations: What Directors Need to Know
Wong Chin Mun	- 5G and its current mainstream applications - Present & Post Covid Syndrome Treatment - Global, Regional & Malaysia Economic Updates - Succession Planning Without A Successor: The New Trend in Succession Planning - The Secret of Body Language - 'Leading in Times of Crisis' with Indra Nooyi (ex-CEO of PepsiCo) - Economic Outlook - Global, Regional & ASEAN Economic Update
Dato' Noorizah Binti Hj Abd Hamid	- Securities Commission (SC) Guidelines on the conduct of Directors of listed corporations and their subsidiaries - Khazanah Megatrend Forum 2021 - The Invention of Tomorrow - PNB Knowledge Forum 2021 - Climate Change: A New Green Deal in Malaysia - Conduct of Directors & Common Breaches of Listing Requirements - PNB Knowledge Sharing - Sustainable Investing - ESG at the Forefront - AMLAFATPUAA (Money Laundering Offences, Investigation & Prosecution) in Malaysia and Section 17A MACC Act 2009 - Sustainability and Its Impact on Organizations: What Directors Need to Know

## Corporate Governance Overview Statement

Directors	Title of Training Programmes/Seminars/Conferences/Forums
Ang Kim Swee	<ul style="list-style-type: none"> <li>- Qualified Risk Director Program: Director' Guide to Environmental, Sosial and Governance (ESG)</li> <li>- Board Assessment - A Key Cog in an Effective Governance Structure</li> <li>- SC's Audit Oversight Board Conversation with Audit Committees</li> <li>- Beyond Box-Ticking: Enhancing Effectiveness of Nominating Committees</li> <li>- Black Swan Events: Widespread Implications of the Highly Improbable</li> <li>- Professional Scepticism for Board of Directors</li> <li>- Sustainability and Its Impact on Organizations: What Directors Need to Know</li> </ul>

## REMUNERATION

The Company's general policy on Directors' remuneration is to offer competitive remuneration packages, which are designed to attract and retain high calibre Directors. The remuneration package for Executive Director(s) is structured to link the rewards to financial performance and long term objectives of the Group aside from individual performance. The remuneration package comprises a number of separate elements such as basic salary, allowances, bonuses and other benefits-in-kind.

In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken. The remuneration package for Non-Executive Directors shall be determined by the Board as a whole. The Director concerned shall be abstained from deliberation and voting on decisions in respect of his/her individual remuneration package.

Apart from the remuneration paid and payable by the Company and the Group in respect of FY2022 as follows, the Group has arranged for directors' and officers' liability insurance to indemnify the Directors and officers of the Company and its group of companies. The amount of premium paid for such liability insurance is set out in the Report of the Directors of the Company's Audited Financial Statements for FY2022.

	Company					Group				
	Salaries RM'000	Fees* RM'000	Bonuses and Allowances and Other Emoluments RM'000	EPF Contribution by Employer RM'000	Total RM'000	Salaries RM'000	Fees* RM'000	Bonuses and Allowances and Other Emoluments RM'000	EPF Contribution by Employer RM'000	Total RM'000
<u>Executive Director</u>										
Lim Peng Jin	-	120	-	-	120	4,860	120	2,430	1,312	8,722
<u>Non-Executive Directors</u>										
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	-	130	-	-	130	-	130	-	-	130
Lim Peng Cheong	-	120	-	-	120	-	120	-	-	120
Wong Chin Mun	-	120	-	-	120	-	120	-	-	120
Dato' Noorizah Binti Hj Abd Hamid	-	120	-	-	120	-	120	-	-	120
Ang Kim Swee	-	120	-	-	120	-	120	-	-	120

\* Subject to the approval by shareholders at the 54<sup>th</sup> AGM.

## Corporate Governance Overview Statement

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****AUDIT COMMITTEE**

The AC is led by the Senior INED who is not the Chairman of the Board. The members of the AC comprises one (1) Senior INED and two (2) INEDs, each satisfying the “independence” requirements set out in the Listing Requirements. All AC members are financially literate, with extensive corporate experiences and equipped with the required business skills. The profile of the AC members is stated in the Integrated Annual Report 2022 and is accessible at [www.scientex.com.my/board-of-directors/](http://www.scientex.com.my/board-of-directors/).

The summary of activities carried out by AC in discharging its function and duties for FY2022 is disclosed in the ‘Audit Committee Report’ of this Integrated Annual Report on page 103.

**RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board acknowledges its overall responsibilities to maintain a sound risk management and internal control system, review its adequacy and effectiveness, and put in place sufficient safeguards to manage the Group’s risks in order to safeguard shareholders’ interest and the Group’s assets.

The Board is assisted by RMC and the AC in the oversight of overall risk management and internal control systems of the Group. The RMC reviewed risks identified by business owners and considered its potential impact to the Company and the Group as well as raised issues of concern and provided feedback for managements actions. Risk related matters which warranted the attention of the Board were highlighted by the RMC to the Board and matters or decisions made within the RMC’s purview were escalated to the Board for its notation. The Internal Audit Department supports the AC and the Board to check and monitor the compliance of the Group’s policies and procedures as well as to ensure the adequacy and effectiveness of the internal control system in place.

The Board is also supported by the Scientex Executive Committee (“EXCO”), which is chaired by the Managing Director/ Chief Executive Officer and comprises senior management personnel from both Packaging and Property Divisions of the Group, in the implementation of the Board’s policies and procedures on risk and control by identifying and assessing relevant risks. The EXCO makes recommendations designed to manage, control and mitigate such risks, whilst continuously monitoring and reviewing the risks and its impact on the Group’s operations.

[Read more](#)[▶ Key Risks and Mitigation > p. 51](#)[▶ Statement on Risk Management and Internal Control > p. 100](#)[▶ Audit Committee Report > p. 103](#)**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****ENGAGEMENT WITH STAKEHOLDERS**

The Board recognises the importance of transparency and accountability towards its shareholders and of maintaining an effective communication policy that enables both the Board and the management to communicate effectively with its stakeholders.

Pursuant to Paragraph 15.26(a) of the Listing Requirements, the Directors are responsible for the preparation of financial statements for each financial year to give a true and fair view of the financial position of the Company and the Group, and the financial performance and cash flows of the Company and the Group for the financial year then ended. In the preparation of these financial statements, the Directors have: -

## Corporate Governance Overview Statement

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- ensured that the applicable approved accounting standards have been complied with.

The Directors are also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group. Additionally, the Directors are responsible for ensuring that the financial statements comply with the Companies Act 2016, the applicable approved accounting standards in Malaysia and the Listing Requirements of Bursa Securities.

Hence, in presenting the annual Audited Financial Statements and quarterly financial results, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects. The AC reviews the Group's quarterly financial results and annual Audited Financial Statements to ensure accuracy, adequacy and completeness prior to presentation to the Board for its approval. The AC and the Board are required to ensure that the financial statements prepared are drawn up in accordance with the applicable approved accounting standards and the provisions of the Companies Act 2016 so as to give a true and fair view of the financial position of the Company and the Group.

To maintain an effective communication with the Company's stakeholders, the Board communicates information on the operations, activities and performance of the Group through its integrated annual report, various corporate announcements made to Bursa Securities and the Company's corporate website, while maintaining a continuous stream of active dialogues, discussions or briefings with the press, fund managers and analysts through planned programme of investor relations activities. Stakeholders may direct their queries or concerns to the Company through [www.scientex.com.my/contact-us/](http://www.scientex.com.my/contact-us/).

By engaging constructively with the stakeholders, it has allowed the Group to understand their needs, address their expectation and managed the risks which were then mapped against with the sustainability topics of the Group in order to provide context to their actual or potential effect on environmental, economic, social and governance outcomes. The Group's efforts to strengthen the relationship with stakeholders are reflected in 'Key Stakeholder Engagement' at page 39.

### CONDUCT OF GENERAL MEETINGS

General meetings serve as an important communication channel for shareholders. Notice of general meetings will be sent to shareholders at least fourteen (14) days before the meeting or at least twenty-one (21) days prior to the meeting where any special resolution is to be proposed or where it is an AGM, together with the integrated annual report. The Board ensures all relevant information is disclosed to shareholders to enable them to exercise their rights and hence, each item of special business included in the notice of meeting is accompanied by an explanatory statement on the effects of the proposed resolution. The notice of 54<sup>th</sup> AGM and the administrative notes of AGM were issued 28 days before the AGM date. The notice and administrative notes of meeting are published in the Company's corporate website and accessible at [www.scientex.com.my/investors-relations/agm-egm/](http://www.scientex.com.my/investors-relations/agm-egm/). The notice of general meeting is also advertised in a nationally circulated English daily newspaper.

In line with Paragraph 8.29A of the Listing Requirements, the Board has implemented poll voting for all the resolutions set out in the notice of general meetings and the appointment of at least one (1) independent scrutineer to validate the votes cast at the general meetings. The Company has leveraged on technology to facilitate electronic voting for the conduct of polls on all proposed resolutions to expedite verifications and counting of votes, reduce administrative cost and paperwork. The outcome of the general meetings including the poll voting result will be announced to Bursa Securities on the same day after the meetings are concluded and the announcement is accessible at [www.scientex.com.my/investors-relations/announcements/](http://www.scientex.com.my/investors-relations/announcements/) or via [www.bursamalaysia.com/market\\_information/announcements/company\\_announcement](http://www.bursamalaysia.com/market_information/announcements/company_announcement).

At the general meetings, shareholders are given opportunity and sufficient time to express their views or raise questions in connection with the Company's financial performance, business operations, corporate governance, corporate proposals and other matters concerning the shareholders' interests. The Directors and senior management as well as the auditors and advisers of the Company are present at the general meetings to respond to any questions raised by the shareholders. The minutes of the general meeting is published in the Company's corporate website and is accessible at [www.scientex.com.my/investors-relations/agm-egm/](http://www.scientex.com.my/investors-relations/agm-egm/). In addition, as and when necessary, a press conference is held immediately following

## Corporate Governance Overview Statement

the conclusion of the general meetings where the Directors brief the press, and answer relevant questions on the Group's operations and financial performance.

Due to the COVID-19 situation, the Company had conducted its 53<sup>rd</sup> AGM virtually in year 2021 through live streaming and online voting using the Remote Participation and Voting ("RPV") facilities provided by a reputable service provider. The virtual meeting had enabled shareholders to participate remotely and safely from wherever they were. A shareholder who was not able to participate in the AGM was given the option of appointing a proxy to participate remotely and vote online on his/her behalf. Shareholders are allowed to send pre-meeting questions prior to the AGM or type question in the text box provided during the virtual meeting. The responses to the pre-meeting questions were shown on screen for shareholders' reference.

The Company will ensure the service provider who handling the general meetings have sufficient controls in place to protect data privacy and to prevent cyber threats during the conduct of general meetings.

### CURRENT KEY FOCUS AREAS AND FUTURE PRIORITIES

During the financial year, the Company ramped up the strength of the governance and oversight by establishing a new Group Sustainability Team to support the Board and management in providing the necessary insights, competencies and agility to adapt quickly with the fast-changing sustainability landscape. The Group Sustainability Team are responsible for remaining attuned to evolving ESG matters and reporting requirements and communicating these changes across the entire structure, amongst other areas within their scope of work.



[Read more](#)



[Chairman Statement > p. 18](#)



[Sustainability Report 2022](#)

Moving forward, the Board together with the management will continue working towards embedding sustainability in the strategies and processes across the Group.

This CG Overview Statement was approved in accordance with the resolution of the Board on 12 October 2022.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("Board") is pleased to provide a Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control system of the Group during the financial year.

The Group's risk management and internal control system applies principally to Scientex Berhad and its subsidiaries.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility to maintain a sound risk management and internal control system as well as reviewing its adequacy and effectiveness, and to put in place sufficient safeguards to manage the Group's risks in order to protect shareholders' interest and the Group's assets. However, due to the inherent limitations in any system of risk management and internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Thus, the internal control system put in place can only provide reasonable but not absolute assurance against material misstatements or loss. The significant areas covered by the Group's internal control system are financial, organisational, operational, compliance and information technology controls.

## RISK MANAGEMENT

The Board understands that all areas of the Group's activities involve some degree of risk and recognises that business decisions involve the taking of appropriate risks, with the ultimate objective of balancing risks involved with potential returns to shareholders. The Board is assisted by the Risk Management Committee ("RMC") and the Audit Committee ("AC") in the oversight of overall risk management and internal control system of the Group, while being supported by the Scientex Executive Committee ("EXCO"), which is chaired by the Managing Director/ Chief Executive Officer and comprises senior management personnel from both Packaging and Property Divisions of the Group, in implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks, and making recommendations designed to manage, control and mitigate such risks, whilst continuously monitoring and reviewing the risks and its impact on the Group's operations on a regular basis.



[Read more](#)

▶ [Key Risks and Mitigation > p. 51](#)

## INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department ("IAD") to support the AC and the Board. The Head of IAD reports to the AC on a quarterly basis. The Group's IAD conducts an audit on the Group's operations as mandated by the AC. IAD checks and monitors compliance with the Group's policies and procedures as well as the adequacy and effectiveness of the internal control system in place. The IAD highlights significant findings in respect of non-compliance to the Board via the AC and undertakes follow-up actions with the Management in respect to the agreed corrective actions to be implemented.

## OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The other key elements of the Group's risk management and internal control system are as follows: -

- The EXCO was established in January 2009 to assist the Board and to look into daily operational matters and the overall management of the principal areas of risk affecting the Group to ensure that the operations are in line with the Group's overall objectives, direction and budget as well as approved policies and business strategies. The EXCO also formulates operational strategies on an ongoing basis to respond to rapid changes in the external business environment whilst ensuring that the Group's overall objectives, policies and procedures are adhered to. Operational issues and significant risks are raised for deliberation and discussion in EXCO meetings and adequate responses and actions are taken thereafter.

## Statement On Risk Management And Internal Control

The EXCO meets at least once a month and as and when required, depending on the urgency and circumstances, in order to take quick proactive actions to ensure that the interests of the Group are protected at all times.

- The RMC was established on 19 June 2014 and led by an Independent Director who is not the Chairman of the Board. The members of the RMC comprise two (2) Independent Directors and the Managing Director/ Chief Executive Officer. The fundamental role of the RMC is to report to the Board and render appropriate advice and recommendations on material risk issues and to review risk management system for timely identification, mitigation and management of significant risks that may have a material impact on the Group. The RMC is assisted by the Risk Management Department to establish and implement an effective risk management framework, policies and processes across the Group as well as to oversee the risk management aspect of the Group so as to identify, assess, evaluate, respond, monitor and report any significant risk to the RMC. The respective business owners are responsible for setting up risks registers in accordance with the Enterprise Risk Management Framework and reporting identified risks and the progress of action plans to the RMC. The RMC meets as and when necessary and works closely with the EXCO to ascertain that there are ongoing monitoring processes to manage significant risks.
- The Managing Director/ Chief Executive Officer conducts regular management meetings with the respective Management teams of the various divisions/business units and reviews financial and operational reports in order to monitor the performance and profitability as well as operational issues including internal control matters and risk management of the respective divisions/business units.
- The Group has clearly defined delegation of responsibilities to the various committees of the Board and to the Management including an effective organisational integrated structure and proper authority matrix. For more details, please refer to the Board Charter and terms of reference of respective board committees at [www.scientex.com.my/corporate-governance/](http://www.scientex.com.my/corporate-governance/).
- Policies and codes have been developed to conduct business in a sustainable manner, in adherence to the applicable laws and regulations and high ethical principles. These documents define the Group's commitments towards the relevant issues and are periodically reviewed to ensure relevance and applicability.
- The functional control framework has been documented in the "Internal Control Guidelines" of the Packaging and Property Divisions respectively which set out various key controls and process requirements across all functions, including but not limited to the main areas of financial risks. It provides management with a reference on the Group's Internal Control Guidelines, policies, procedures and practices, and tools to manage business risks that are significant to the fulfillment of the Group's business objectives. It is updated as and when necessary in order to reflect changing risk profiles as dictated by changes in the business environment, strategies and functional activities from time to time.
- An annual budgeting process has also been established, whereby all key operating subsidiaries of the Group are required to prepare budgets and business plans for the coming year. The Group practices a Quarterly Rolling Budget system which covers all the key divisions/ business units of the Group. For effective monitoring and review of performance, actual monthly and quarterly performance are duly compared with budgets set. Reviews of performances are conducted monthly with major variances being addressed and remedial management actions taken, where necessary. The members of the Board are invited to join the annual Quarterly Rolling Budget Dialogue to stay abreast with and understand the Group's strategies, business plans, risks and opportunities.
- The Board and Management are provided with quarterly performance report that gives comprehensive information on financial performance and key business indicators for monitoring purposes.

### CONCLUSION

During the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. All internal control weaknesses identified and highlighted to the AC have been and/or are being addressed. There were no material losses arising from any inadequacy or failure of the risk management and internal control system which required separate disclosure in this Integrated Annual Report. The Board has received assurance from the Managing Director/ Chief Executive Officer and the officer primarily responsible for the financial management of

## Statement On Risk Management And Internal Control

Scientex Berhad that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. Hence, the Board is of the view that the current risk management practices and internal control system instituted throughout the Group are sufficient to safeguard the shareholders' interest and the Group's assets. Nevertheless, the Board and Management maintain a continuing commitment to strengthen the Group's risk management and internal control environment and processes.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the Group's external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in its review of the adequacy and effectiveness of the Group's risk management and internal control system.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board on 12 October 2022.

## AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 July 2022 ("FY2022").

### AC MEMBERS

The AC is led by the Senior Independent Non-Executive Director who is not the Chairman of the Board. The AC comprises three (3) members, all of whom are Independent Non-Executive Directors, who each satisfy the "independence" requirements contained in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The AC meets the requirements of Paragraph 15.09 of the Listing Requirements.

Members	Position
Wong Chin Mun	Chairman (Senior Independent Non-Executive Director)
Dato' Noorizah Binti Hj Abd Hamid	Member (Independent Non-Executive Director)
Ang Kim Swee	Member (Independent Non-Executive Director)

### AC MEETINGS AND ATTENDANCE

The AC convened a total of five (5) meetings during FY2022. These meetings were held on 29 September 2021, 15 October 2021, 8 December 2021, 16 March 2022 and 13 June 2022 respectively. The details of attendance of each member who served the AC during FY2022 are as follows: -

AC Members	Number of Meetings Attended / Total Number of Meetings Held	Percentage of Attendance (%)
Wong Chin Mun	5/5	100
Dato' Noorizah Binti Hj Abd Hamid	5/5	100
Ang Kim Swee	5/5	100

The Executive Directors, Senior Managements, External Auditors, other Board Members and the Company Secretary were invited to attend the meetings, as and when necessary.

### SUMMARY OF ACTIVITIES OF THE AC

The functions and duties of the AC are set out in its terms of reference and available on the Company's corporate website at [www.scientex.com.my/corporate-governance/](http://www.scientex.com.my/corporate-governance/). In discharging its functions, duties and responsibilities, the AC has undertaken the following activities during FY2022: -

#### (i) Financial Reporting and Regulatory Requirements

The AC monitored the financial reporting processes of the Group, included reviewing and discussing the Group's unaudited quarterly financial results and audited financial statements with the management and external auditors to ensure compliance with the applicable financial reporting standards and relevant regulatory requirements, as well as discussing the performance of the Group, before presentation to the Board for consideration and approval.

The AC reviewed and discussed significant accounting, auditing and regulatory issues and the impact of new accounting standards and other regulatory requirements including but not limited to Malaysian Financial Reporting Standards, the Companies Act 2016, Malaysian Code on Corporate Governance 2021, the Listing Requirements and the additional disclosures and reporting requirements arising thereto.

As part of the financial year end reporting process, the AC reviewed the external auditors' professional services planning memorandum, progress report and final report which disclosed, amongst others, the responsibilities of the external auditors and those charged with governance, audit approach and scope, audit team, audit risk assessment, significant risks and areas of audit focus, independence policies, audit timeline, materiality level and analysis of audit misstatements and responses from management to the findings. There were no significant findings noted from the reports.

During the financial year, the Company Secretary updated the AC on the regulatory/statutory requirements and pronouncements such as amendments to Listing Requirements of Bursa Securities and publications from Securities Commission Malaysia.

#### (ii) External Auditors

In considering the appointment of external auditors, the AC discussed and considered the competency and resource capacity of the external auditors, the

## Audit Committee Report

rotation of audit partners, the audit and service team, the audit work, objectivity, professionalism and the independence of the external auditors. The AC assessed the external auditors annually via questionnaire.

For FY2022, the AC has reviewed the independence and suitability of the external auditors, namely Deloitte PLT, in respect to the provision of non-audit services to the Group and fees paid/payable for such services in accordance with the terms of all relevant professional and regulatory requirements, and was of the opinion that Deloitte PLT's independence is not impaired. Furthermore, Deloitte PLT had established policies, safeguard and procedures to ensure there is no threat to its independence and objectivity. Deloitte PLT has also given their independence assurance for their audit works for FY2022. Pursuant thereto, the AC has recommended to the Board for re-appointment of Deloitte PLT as the external auditors of the Company at the forthcoming Annual General Meeting based on the suitability, performance, objectivity, professionalism and independence of the external auditors.

The AC also had private discussions with the external auditors during the review of the audited financial statements for both FY2021 and FY2022 respectively to discuss any issues arising from the final audit and the assistance given by the management and staff during the course of audit. There were no significant issues highlighted by the external auditors and they received full cooperation from the management and staff, and had unrestricted access to senior management in the performance of the audit. There was neither material disagreement nor significant difficulties encountered while performing the audit works.

### (iii) Internal Auditors

The AC has reviewed and approved the internal audit plan for year 2022 to ensure that the scope and coverage of the internal audit on the operations of the Group is adequate and major risk areas are audited accordingly in line with the latest developments of the Group and the overall business environment.

The internal auditors presented the internal audit reports, covering the reviews of inventory, receivables cycle, project operations, revenue cycle and ad-hoc report during the AC meetings held in FY2022. The AC considered the findings highlighted by the internal auditors and the responses from management. There were no major controls weaknesses noted from the said reports.

The AC assessed the objectivity, independence, competency and resource capacity of the internal auditors annually via questionnaire.

### (iv) Scientex Berhad Share Grant Plan

The eighth batch allocation of shares to the eligible employees of the Company and its subsidiaries under the Scientex Berhad Share Grant Plan ("SGP") was vested on 2 December 2021. The AC reviewed and verified such allocation and concurred that the award of shares under the SGP was in compliance with the criteria determined by the SGP Committee, pursuant to Paragraph 8.17(2) of the Listing Requirements. During FY2022, 319,000 SGP shares have been granted and vested to the eligible employees based on their employment grade and achievement of performance targets for FY2021 as well as their performance and contribution to the Group.

### (v) Others

The AC also: -

- a) Discussed matters related to corporate governance, risk management, internal control, prevention and detection of fraud, including the Group's assessment of risk of fraud, the processes and controls established to mitigate such risk and the framework in place to identify any risk of fraud. There was no risk of fraud detected from the reports presented in the AC meetings.
- b) Reviewed and reported to the Board on any related party transactions, recurrent related party transactions and conflict of interest that may arise.
- c) Reviewed and recommended to the Board for approval, the AC Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the Integrated Annual Report 2021. Subsequent to the financial year end, the AC also reviewed and recommended to the Board for approval, the similar report and statements for inclusion in the Integrated Annual Report 2022 together with the prescribed Corporate Governance Report as required under the Listing Requirements.



## Audit Committee Report

**INTERNAL AUDIT FUNCTION**

The Group's internal audit function is carried out by the Internal Audit Department, which reports directly to the AC on its activities based on the approved internal audit plan. Its principal function is to undertake regular and systematic review of the internal control system within the Group so as to provide independent assurance on the adequacy and effectiveness of governance and internal control processes.

The Internal Audit Department conducted assurance reviews on adequacy and effectiveness of the internal control system on the business units in accordance with the internal audit plan, by interviewing the relevant personnel, observing the working environment and procedures of the business units, reviewing relevant supporting documents and performing sampling verification. The preliminary internal audit reports which were issued together with the recommendations were circulated to the management for their responses and actions. Audit issues addressed and actions taken by the management were recorded in the final internal audit reports before tabling at the AC meetings. The internal auditors tabled the internal audit plan and internal audit reports to the AC for review and deliberation. The AC Chairman then briefed the Board on the internal audit reports and any major findings contained within. The internal auditors also reviewed the Internal Control Guidelines of the Packaging and Property Divisions respectively and made necessary updates to reflect current business practices and environment.

The cost incurred by the Group's internal audit function for FY2022 amounted to RM834,000.

This AC Report is made in accordance with the resolution of the Board on 12 October 2022.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the external auditors and its affiliate corporations for the audit and non-audit services rendered to the Company and the Group for FY2022 are as follows: -

Type of Services / External Auditors		Fees (RM'000)	
		Company	Group
Audit	: Deloitte PLT	42	703
	: Deloitte PLT's Affiliates	-	123
	: Other Auditors	-	331
Total Audit Fees		42	1,157
Non-Audit	: Deloitte PLT	9	71
	: Deloitte PLT's Affiliates	4	526
Total Audit and Non-Audit Fees		55	1,754

The non-audit services include the following :

- i) tax compliance and advisory services; and
- ii) review on the Statements on Risk Management and Internal Control of the Group and a listed subsidiary.

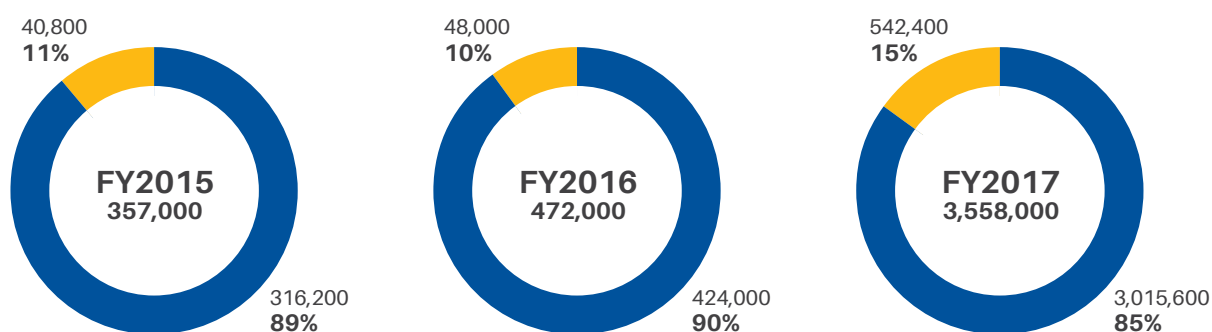
### 2. Material Contracts Involving Directors' and Major Shareholders' Interest

There were no material contracts entered into by or subsisting between the Company and/or its subsidiaries involving Directors' and major shareholders' interests during FY2022.

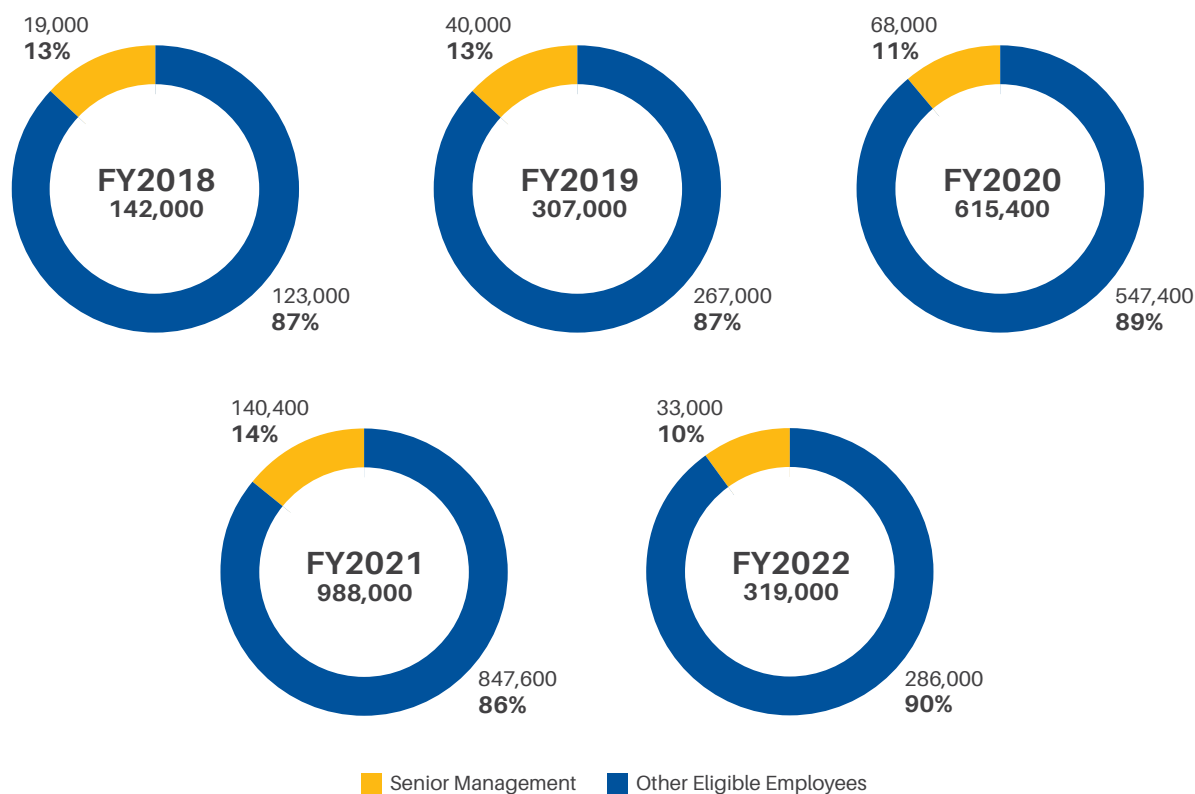
### 3. Scientex Berhad Share Grant Plan

Under the Scientex Berhad Share Grant Plan ("SGP") which is the only share issuance scheme of the Company in FY2022, the Group granted and vested 319,000 new ordinary shares to the eligible employees of the Company and its subsidiaries during FY2022. None of the ordinary shares were granted or vested to the Directors of the Company under the SGP.

Details of the number of SGP ordinary shares granted, vested and outstanding since the commencement of the SGP on 21 January 2014 to FY2022 are set out below: -



## Additional Compliance Information



Based on the By-Laws of the SGP, the total number of ordinary shares that may be awarded under the SGP shall be determined at the sole and absolute discretion of the SGP Committee, subject to the following: -

- i) The total number of ordinary shares which may be awarded to the selected eligible employees under the SGP shall not exceed in aggregate 5% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the SGP;
- ii) The allocation to an eligible employee, who either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued shares of the Company (excluding treasury shares), must not exceed 10% of the total number of ordinary shares to be issued under the SGP; and
- iii) Not more than 50% of the ordinary shares to be issued under the SGP shall be allocated to the eligible employees who are in senior management of the Group.

As at 31 July 2022, 10% and 14% of the SGP ordinary shares have been granted and vested to the senior management during FY2022 and since the commencement of the SGP respectively.

Further information of the SGP is set out in the Report of the Directors and Note 26(b) to the Audited Financial Statements of the Company for FY2022.

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# FINANCIAL STATEMENTS

Report of The Directors	110
Independent Auditors' Report	116
Statements of Profit or Loss	119
Statements of Other Comprehensive Income	120
Statements of Financial Position	121
Statements of Changes In Equity	123
Statements of Cash Flows	125
Notes to The Financial Statements	127
Statement by Directors	191
Declaration by The Officer Primarily Responsible for The Financial Management of The Company	191



# Report of The Directors

The directors of **SCIENTEX BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2022.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries, joint venture and associates are as disclosed in Notes 16, 18 and 19 to the financial statements respectively.

## RESULTS

The results of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit for the year	432,597	268,585
<b>Profit for the year attributable to:</b>		
Owners of the Company	409,874	268,585
Non-controlling interests	22,723	-
	432,597	268,585

In the opinion of the directors, the results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

Dividends paid and declared since the end of the previous financial year were as follows:

	RM'000
<u>In respect of the financial year ended 31 July 2021:</u>	
Single tier final dividend of 5 sen per ordinary share declared on 8 December 2021 and paid on 13 January 2022	77,550
<u>In respect of the financial year ended 31 July 2022:</u>	
Single tier interim dividend of 4 sen per ordinary share declared on 13 June 2022 and paid on 22 July 2022	62,040
	<u>139,590</u>

The directors had on 29 September 2022 proposed a single tier final dividend of 5 sen per ordinary share amounting to approximately RM77,550,000 in respect of the financial year ended 31 July 2022. The proposed single tier final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2023.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES

During the financial year, the Company increased the number of issued shares from 1,550,656,129 ordinary shares to 1,550,999,867 ordinary shares by way of:

- (a) new issue of 319,000 ordinary shares at an issue price of RM4.52 pursuant to the Scientex Berhad Share Grant Plan; and
- (b) new issue of 24,738 ordinary shares pursuant to the exercise of 24,738 warrants at the exercise price of RM4.30 per warrant.

Continued

**ISSUE OF SHARES (CONT'D)**

The new ordinary shares issued rank pari-passu in all respects with the existing ordinary shares of the Company. Further relevant details of the issuance of shares are disclosed in Note 26 to the financial statements.

As at 31 July 2022, the total number of issued shares of the Company was 1,550,999,867 ordinary shares, out of which 100 ordinary shares was held as treasury shares.

**TREASURY SHARES**

The Company did not purchase any of its issued ordinary shares from the open market during the financial year.

As at 31 July 2022, the Company held a total of 100 ordinary shares as treasury shares out of its 1,550,999,867 issued ordinary shares. Such treasury shares are held at a carrying amount of RM720. Further relevant details are disclosed in Note 27(c) to the financial statements.

**ISSUE OF WARRANTS**

The Company has not issued any new warrants during the financial year.

During the financial year, the Company issued 24,738 ordinary shares pursuant to the exercise of 24,738 warrants at the exercise price of RM4.30 per warrant. As at 31 July 2022, the total number of unexercised warrants was 103,286,327. The salient terms and movements of the warrants of the Company are disclosed in Note 26(c) to the financial statements.

**SHARE GRANT PLAN ("SGP")**

The SGP was approved by the shareholders on 17 December 2013 and is administered by the SGP Committee which is appointed by the Board of Directors, in accordance with the SGP By-Laws. The SGP was in force for a period of 5 years from the effective date of 21 January 2014 to 20 January 2019. In financial year 2019, the Company has extended its SGP which expired on 20 January 2019 for another 5 years effective from 21 January 2019 to 20 January 2024 in accordance with the terms and conditions of the SGP By-Laws.

The salient features, terms and conditions, details and vesting conditions of the SGP are as disclosed in Note 26(b) to the financial statements.

During the financial year, the Company granted and vested 319,000 new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP as disclosed in Note 26(b) to the financial statements. The issue share price as at the date of granting was RM4.52 per ordinary share.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

## Continued

### OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

### DIRECTORS

The directors of the Company in office during the period since the beginning of the financial year to the date of this report are as follows:

Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim  
Lim Peng Jin  
Lim Peng Cheong  
Dato' Noorizah Binti Hj Abd Hamid  
Ang Kim Swee  
Wong Chin Mun

The directors of the subsidiaries of the Company in office during the period since the beginning of the financial year to the date of this report are as follows:

Lim Peng Jin  
Koay Teik Chuan  
Choo Seng Hong  
Khaw Giet Thye  
Gan Kok Khye  
Chang Siew Sian  
Goh Tian Chin  
Phang Chi Ming  
Datuk Lim Kok Boon  
Yasuo Nagae  
Frengky  
Tadaaki Koyama  
Takeshi Nishimura  
Tan Lian Kung  
Kaoru Watanabe  
Chih Chien May (Chi Jingmei)  
Tan Chee Seng  
Chang Chee Siong  
U Kyaw Win Tun  
U Myo Min Kyaw  
Tan Chai Koon  
Wong Pei Pei  
Choon Ting Song  
Lim Jian You  
Low Geoff Jin Wei  
Heong Mun Foo  
Beh Chun Chong\*  
Phang Yuen Khang\*  
Low Pei Fhoon\*  
Tang Song Teik\*  
Cham Chean Fong @ Sian Chean Fong\*  
Tan Hong Koon\*  
Saravanan A/L Perumal\*  
Lim Kah Fan\*  
Koh Huey Min\*  
Faris Salim Cassim^  
Tan Yong Hee^  
Heng Fu Joe^  
Caroline Ang Choo Bee^

Continued

**DIRECTORS (CONT'D)**

\* Appointed during the financial year and up to the date of this report.

^ Resigned during the financial year and up to the date of this report.

**DIRECTORS' INTERESTS**

The interests in shares and warrants in the Company and in the related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Balance as at 1.8.2021	Number of ordinary shares		Balance as at 31.7.2022
		Acquired/ Transferred in	Disposed/ Transferred out	
<b>Shares in the Company</b>				
<b>Direct interests</b>				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	256,640	-	(10,000)	246,640
Lim Peng Jin	7,312,032	-	-	7,312,032
Lim Peng Cheong	204,800	1,242,000	-	1,446,800
Ang Kim Swee	480,000	150,000	-	630,000
Wong Chin Mun	243,000	-	-	243,000
<b>Deemed/Indirect interests</b>				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	690,000	-	-	690,000
Lim Peng Jin	865,320,834	11,925,600	-	877,246,434
Lim Peng Cheong	825,694,150	12,293,200	(1,200,000)	836,787,350
Ang Kim Swee	110,000	-	-	110,000
<b>Shares in a subsidiary, Scientex Packaging (Ayer Keroh) Berhad (formerly known as Daibochi Berhad)</b>				
<b>Direct interest</b>				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	17,500	-	(17,500)	-
	Balance as at 1.8.2021	Number of warrants		Balance as at 31.7.2022
		Acquired/ Transferred in	Disposed/ Transferred out	
<b>Warrants in the Company</b>				
<b>Direct interests</b>				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	17,776	-	-	17,776
Lim Peng Jin	482,904	-	-	482,904
Lim Peng Cheong	10,000	-	-	10,000
Ang Kim Swee	27,200	-	-	27,200
Wong Chin Mun	16,200	-	-	16,200
<b>Deemed/Indirect interests</b>				
Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	46,000	-	-	46,000
Lim Peng Jin	57,437,713	-	-	57,437,713
Lim Peng Cheong	54,763,073	-	-	54,763,073
Ang Kim Swee	3,200	-	-	3,200

## Continued

**DIRECTORS' INTERESTS (CONT'D)**

Lim Peng Jin and Lim Peng Cheong by virtue of their interests in shares and warrants in the Company are also deemed to have interests in shares and warrants of all the Company's subsidiaries to the extent the Company has an interest.

The other director in office at the end of the financial year did not have any shares and warrants or beneficial interest in the shares and warrants of the Company or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefits (other than the fees and benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company or its related corporations as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The directors' benefits are as follows:

	<b>The Group 2022 RM'000</b>	<b>The Company 2022 RM'000</b>
<b>Directors of the Company</b>		
Executive:		
Salaries and other emoluments	7,290	-
Defined contribution plan	1,312	-
Fees	120	120
	8,722	120
Non-executive:		
Fees	610	610
	9,332	730

**DIFFERENT FINANCIAL YEAR END OF SUBSIDIARIES**

The Group has been granted approval from Companies Commission of Malaysia pursuant to Section 247(3) of Companies Act, 2016 for Scientex Tsukasa (Vietnam) Co., Ltd. ("STV") and Daibochi Packaging (Myanmar) Company Limited ("DPM") to continue to adopt the financial year end that does not coincide with the Group's financial year end of 31 July. The Group has consolidated the financial position and results of STV and DPM based on the unaudited financial statements made up to the financial year end of the Group.

**INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS**

The Company maintains a directors and officers liability insurance throughout the year, which provides appropriate insurance cover for the directors and officers of the Company and its group of companies. The amount of insurance premium paid during the financial year amounted to RM25,000.

No indemnity was given to or insurance effected for auditors of the Company and of the subsidiaries during the financial year.

**SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END**

In addition to the significant events disclosed elsewhere in this report, other significant and subsequent events are disclosed in Notes 17 and 40 to the financial statements.



Continued

**AUDITORS' REMUNERATION**

The amount paid/payable as remuneration of the auditors of the Group and of the Company for the financial year ended 31 July 2022 amounting to RM1,157,000 and RM42,000 respectively.

**AUDITORS**

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors,

**LIM PENG JIN****LIM PENG CHEONG**

Shah Alam, Selangor Darul Ehsan  
12 October 2022

# Independent Auditors' Report to The Members of Scientex Berhad (Incorporated in Malaysia)

## Report on Audit of the Financial Statements

### Opinion

We have audited the financial statements of **SCIENTEX BERHAD**, which comprise the statements of financial position as at 31 July 2022 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 119 to 190.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit address the key audit matter
<p><b>Revenue of property development activities recognised over time</b></p> <p>The Group recognises revenue from its property development activities over time according to the stage of completion of the properties. Estimated losses are recognised in full when determined. Property development projects and expense estimates are reviewed and revised periodically as work progresses and as variation orders are approved.</p> <p>Significant judgements are required in determining the stage of completion, the extent of the property development projects completed, the estimated total property development revenue and costs as well as the recoverability of the projects undertaken. In making these judgements, the Group has made reference to past experiences and by relying on the work of specialists.</p> <p>Refer to "Key sources of estimation uncertainty" in Note 4 to the financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"><li>• Obtained an understanding of the relevant controls put in place by the Group in respect of revenue recognition for property development activities and performed procedures to evaluate the design and implementation and test operating effectiveness of such controls.</li><li>• Performed site visits for selected ongoing projects to arrive at an overall assessment as to whether information provided by management is reasonable.</li><li>• Reviewed management prepared budgets for property development projects and ensured that budgets are appropriate and reflected cost incurred, cost to complete and current cost of operations.</li><li>• Challenged management assumptions used in the preparation of the respective budgets, and performed a retrospective review to establish the reliability of management-prepared budgets.</li><li>• Performed test of details on actual development costs incurred during the financial year as to whether the development costs recorded are valid and in the correct accounting period.</li><li>• Verified the gross development value by reviewing the sale and purchase agreement entered into between the purchasers and the Group.</li><li>• Checked the mathematical accuracy of the revenue and profit based on percentage of completion calculations.</li></ul>

Continued

***Information Other than the Financial Statements and Auditors' Report Thereon***

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report of the Group, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Directors for the Financial Statements***

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

## Continued

### ***Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)***

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are as disclosed in Note 16 to the financial statements.

### **Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

**DELOITTE PLT (LLP0010145-LCA)**  
**Chartered Accountants (AF0080)**

**TEO SWEE CHUA**  
**Partner - 02846/01/2024 J**  
**Chartered Accountant**

Kuala Lumpur  
12 October 2022

## Statements of Profit or Loss

For the financial year ended 31 July 2022

	Note(s)	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	5	3,985,318	3,655,966	274,258	181,694
Cost of sales	6	(3,140,137)	(2,812,578)	-	-
Gross profit		845,181	843,388	274,258	181,694
Other income		20,372	16,007	250	33,244
Selling and distribution expenses		(138,272)	(105,236)	-	-
Administration expenses		(148,128)	(153,239)	(2,950)	(2,350)
Other expenses		(18,111)	(581)	(1,909)	(42)
Finance costs	7	(20,446)	(11,139)	-	(4)
Share of results of associates and joint venture	18 & 19	7,711	11,761	-	-
<b>Profit before tax</b>	8	548,307	600,961	269,649	212,542
Income tax (expense)/credit	11	(115,710)	(115,185)	(1,064)	88
<b>Profit for the year</b>		432,597	485,776	268,585	212,630
<b>Profit for the year attributable to:</b>					
Owners of the Company		409,874	457,233	268,585	212,630
Non-controlling interests		22,723	28,543	-	-
		432,597	485,776	268,585	212,630
<b>Earnings per share</b>					
Basic and diluted (sen per share)	12	26.43	29.50		

The accompanying Notes form an integral part of the Financial Statements.



## Statements of Other Comprehensive Income

For the financial year ended 31 July 2022

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Profit for the year</b>	432,597	485,776	268,585	212,630
<b>Other comprehensive income/ (loss), net of income tax:</b>				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation of foreign operations	6,126	(11,777)	-	-
<b>Total comprehensive income for the year, net of income tax</b>	438,723	473,999	268,585	212,630
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the Company	417,364	452,446	268,585	212,630
Non-controlling interests	21,359	21,553	-	-
	438,723	473,999	268,585	212,630

The accompanying Notes form an integral part of the Financial Statements.

# Statements of Financial Position

As at 31 July 2022

		The Group		The Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	13	1,463,755	1,382,668	41,870	42,434
Right-of-use assets	14	4,917	5,126	-	-
Investment properties	15	-	16,900	-	-
Investment in subsidiaries	16	-	-	1,013,435	878,202
Land held for property development	17	1,650,472	1,283,660	-	-
Investment in joint venture	18	16,133	14,149	10,000	10,000
Investment in associates	19	86,689	85,224	3,000	3,000
Other investments	20	22,634	24,525	21,801	23,692
Deferred tax assets	31	7,279	15,552	-	-
Goodwill	21	330,423	332,176	-	-
		3,582,302	3,159,980	1,090,106	957,328
<b>Current Assets</b>					
Property development costs	17	379,859	411,533	-	-
Inventories	22	449,350	386,958	-	-
Trade receivables	23	696,522	684,947	-	-
Other receivables, deposits and prepaid expenses	24	162,012	206,048	72	86
Tax recoverable		13,333	7,059	-	-
Cash and cash equivalents	25	191,177	243,308	1,850	2,660
		1,892,253	1,939,853	1,922	2,746
<b>TOTAL ASSETS</b>		5,474,555	5,099,833	1,092,028	960,074

## Statements of Financial Position

As at 31 July 2022 - continued

		The Group		The Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	26	704,799	703,250	704,799	703,250
Reserves	27	2,404,797	2,192,413	369,991	240,996
Equity attributable to owners of the Company		3,109,596	2,895,663	1,074,790	944,246
Non-controlling interests		198,062	201,545	-	-
<b>Total Equity</b>		<b>3,307,658</b>	<b>3,097,208</b>	<b>1,074,790</b>	<b>944,246</b>
<b>Non-Current Liabilities</b>					
Borrowings	28	250,000	300,950	-	-
Lease liabilities	29	3,208	3,363	-	-
Retirement benefits obligations	30	45,943	42,145	8,486	8,155
Deferred tax liabilities	31	85,723	84,905	7,774	6,781
		384,874	431,363	16,260	14,936
<b>Current liabilities</b>					
Borrowings	28	921,475	818,847	-	-
Lease liabilities	29	2,662	4,617	-	-
Trade payables	32	635,403	523,026	-	-
Other payables and accrued expenses	33	184,916	185,183	943	884
Tax liabilities		37,567	39,589	35	8
		1,782,023	1,571,262	978	892
<b>Total Liabilities</b>		<b>2,166,897</b>	<b>2,002,625</b>	<b>17,238</b>	<b>15,828</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,474,555</b>	<b>5,099,833</b>	<b>1,092,028</b>	<b>960,074</b>

The accompanying Notes form an integral part of the Financial Statements.

## For the financial year ended 31 July 2022

		Non-distributable reserves				Distributable reserve			
		Treasury shares RM'000	Property revaluation surplus RM'000	Foreign currency translation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
The Group	<b>As at 1 August 2020</b>								
	Profit for the year	691,782	(1)	90,719	15,465	461	1,762,966	194,260	2,755,652
	Other comprehensive loss for the year	-	-	-	-	457,233	457,233	28,543	485,776
	Total comprehensive income for the year	-	-	-	(4,787)	-	(4,787)	(6,990)	(11,777)
	Exercise of warrants in a subsidiary (Note 16)	-	-	-	(4,787)	-	457,233	21,553	473,999
	Issuance of ordinary shares pursuant to:								
	Share Grant Plan (Note 26)	11,203	-	-	-	-	25	35	60
	Exercise of warrants (Note 26)	265	-	-	-	-	-	-	11,203
	Expenses in relation to bonus issue and issuance of free warrants (Note 26)	-	-	-	-	(449)	(449)	-	265
	Dividends (Note 34)	-	-	-	-	(129,219)	(129,219)	(14,303)	(449)
	<b>As at 31 July 2021</b>	703,250	(1)	90,719	10,678	461	2,090,556	201,545	3,097,208
	<b>As at 1 August 2021</b>								
	Profit for the year	703,250	(1)	90,719	10,678	461	2,090,556	201,545	3,097,208
	Other comprehensive income/(loss) for the year	-	-	-	-	409,874	409,874	22,723	432,597
	Total comprehensive income for the year	-	-	-	7,490	-	-	(1,364)	6,126
	Acquisition of additional interest in an existing subsidiary (Note 16)	-	-	-	7,490	-	409,874	21,359	438,723
	Exercise of warrants in a subsidiary (Note 16)	-	-	-	-	-	(65,450)	(28,057)	(93,507)
	Issuance of ordinary shares pursuant to:								
	Share Grant Plan (Note 26)	1,442	-	-	-	-	27	16,369	16,396
	Exercise of warrants (Note 26)	107	-	-	-	-	-	-	1,442
	Share of other net asset changes in an associate	-	-	-	-	33	(139,590)	(13,154)	107
	<b>As at 31 July 2022</b>	704,799	(1)	90,719	18,168	494	2,295,417	198,062	3,307,658

# Statements of Changes In Equity

For the financial year ended 31 July 2022 - continued

	Share capital RM'000	Treasury shares RM'000	Non-distributable reserves			Distributable reserve	Total equity RM'000
			Property revaluation surplus RM'000	Other reserves RM'000	Retained earnings RM'000		
<b>The Company</b>							
<b>As at 1 August 2020</b>	691,782	(1)	26,089	68	131,878	849,816	
Total comprehensive income for the year	-	-	-	-	212,630	212,630	
Issuance of ordinary shares pursuant to:							
Share Grant Plan (Note 26)	11,203	-	-	-	-	11,203	
Exercise of warrants (Note 26)	265	-	-	-	-	265	
Expenses in relation to bonus issue and issuance of free warrants (Note 26)	-	-	-	-	(449)	(449)	
Dividends (Note 34)	-	-	-	-	(129,219)	(129,219)	
<b>As at 31 July 2021</b>	703,250	(1)	26,089	68	214,840	944,246	
<b>As at 1 August 2021</b>	703,250	(1)	26,089	68	214,840	944,246	
Total comprehensive income for the year	-	-	-	-	268,585	268,585	
Issuance of ordinary shares pursuant to:							
Share Grant Plan (Note 26)	1,442	-	-	-	-	1,442	
Exercise of warrants (Note 26)	107	-	-	-	-	107	
Dividends (Note 34)	-	-	-	-	(139,590)	(139,590)	
<b>As at 31 July 2022</b>	704,799	(1)	26,089	68	343,835	1,074,790	

The accompanying Notes form an integral part of the Financial Statements.

# Statements of Cash Flows

For the financial year ended 31 July 2022

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Profit before tax	548,307	600,961	269,649	212,542
Adjustments for:				
Depreciation of property, plant and equipment	110,772	106,833	564	591
Depreciation of right-of-use assets	3,682	3,394	-	-
Finance costs	20,446	11,139	-	4
Unrealised loss on foreign exchange	5,480	12,116	-	-
Increase in liability for defined benefit plan	4,793	5,481	331	335
Write off of inventories	3,110	834	-	-
Fair value loss/(gain) on other investments	1,879	(3,701)	1,879	(3,095)
Share Grant Plan expense	1,442	11,203	-	-
Impairment loss on trade receivables	152	283	-	-
Property, plant and equipment written off	100	1,619	-	29
Write back of bad debts	(5)	(165)	-	-
Gain on lease modification	(7)	(28)	-	-
Dividend income	(311)	(669)	(274,158)	(181,593)
Reversal of impairment loss on trade receivables	(378)	(169)	-	-
Gain on disposal of property, plant and equipment	(1,686)	(257)	-	-
Reversal of contingent consideration with respect to acquisition of associate	(1,881)	-	-	-
Interest income	(2,121)	(3,133)	(198)	(130)
Share of results of associates and joint venture	(7,711)	(11,761)	-	-
Gain on disposal of investment properties	(8,100)	-	-	-
Gain on bargain purchase of associate	-	(2,013)	-	-
Capital reduction in relation to investment in a subsidiary	-	-	-	(30,000)
<b>Operating Profit/(Loss) Before Working Capital Changes</b>	<b>677,963</b>	<b>731,967</b>	<b>(1,933)</b>	<b>(1,317)</b>
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(65,502)	(33,775)	-	-
Property development costs	140,306	196,837	-	-
Receivables	(17,781)	(137,916)	14	(2)
Increase/(Decrease) in payables	119,228	68,781	59	(11)
<b>Cash Generated From/(Used In) Operations</b>	<b>854,214</b>	<b>825,894</b>	<b>(1,860)</b>	<b>(1,330)</b>
Income tax paid	(115,209)	(126,732)	(44)	(25)
Income tax refunded	305	2,791	-	-
Retirement benefits obligations paid	(1,022)	(2,381)	-	-
<b>Net Cash From/(Used In) Operating Activities</b>	<b>738,288</b>	<b>699,572</b>	<b>(1,904)</b>	<b>(1,355)</b>



# Statements of Cash Flows

For the financial year ended 31 July 2022 - continued

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Interest received	2,121	3,133	198	130
Proceeds from disposal of property, plant and equipment	21,541	433	-	-
Proceeds from disposal of investment properties	25,000	-	-	-
Capital reduction in relation to investment in joint venture	-	12,500	-	12,500
Capital reduction in relation to investment in a subsidiary	-	-	-	30,000
Dividend income received	4,606	3,568	274,158	181,593
Additional investment in subsidiaries	(93,507)	-	(93,507)	(104,000)
Exercise of warrants in a subsidiary	-	-	(41,714)	-
Purchase of property, plant and equipment (Note 39 (a))	(172,367)	(81,384)	-	-
Deposit paid for purchase of plant and equipment	(12,152)	(43,259)	-	-
Purchase of land held for property development (Note 39 (b))	(415,512)	(546,423)	-	-
Deposit paid for purchase of land held for property development	(27,442)	(105,036)	-	-
Investment in associates	-	(20,000)	-	-
<b>Net Cash (Used In)/From Investing Activities</b>	<b>(667,712)</b>	<b>(776,468)</b>	<b>139,135</b>	<b>120,223</b>
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Net drawdown of short-term borrowings	102,680	85,662	-	-
Dividends paid to:				
Shareholders of the Company	(139,590)	(129,219)	(139,590)	(129,219)
Non-controlling shareholders of subsidiaries	(13,154)	(14,303)	-	-
Proceeds from exercise of warrants in the Company	107	265	107	265
Proceeds from exercise of warrants in a subsidiary	16,408	60	-	-
Repayment of lease liabilities	(4,538)	(3,144)	-	-
Finance costs paid	(27,157)	(19,512)	-	(4)
Repayment of term loans	(57,463)	(12,400)	-	-
Expenses incurred in relation to bonus issue and issuance of free warrants	-	(449)	-	(449)
Proceeds from subsidiaries in respect of Share Grant Plan	-	-	1,442	11,203
<b>Net Cash Used In Financing Activities</b>	<b>(122,707)</b>	<b>(93,040)</b>	<b>(138,041)</b>	<b>(118,204)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(52,131)</b>	<b>(169,936)</b>	<b>(810)</b>	<b>664</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>243,308</b>	<b>413,244</b>	<b>2,660</b>	<b>1,996</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 25)</b>	<b>191,177</b>	<b>243,308</b>	<b>1,850</b>	<b>2,660</b>

The accompanying Notes form an integral part of the Financial Statements.

# Notes to The Financial Statements

For the financial year ended 31 July 2022

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries, joint venture and associates are as disclosed in Notes 16, 18 and 19 respectively.

The Company's registered office and principal place of business are located at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 12 October 2022.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Adoption of amendments to MFRSs

In the current financial year, the Group has applied a number of amendments to MFRS issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for the financial statements of the Group and the Company for the financial year ended 31 July 2022:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021

The adoption of the above amendments to MFRS does not have any material impact on the financial statements of the Group and of the Company in the period of its initial application.

### New and amendments to MFRS that are issued but not yet effective

As at the date of authorisation of these financial statements, certain new and amendments to MFRS have been published by the MASB but are not yet effective, and have not been adopted by the Group and the Company as are listed below:

MFRS 17	Insurance Contracts <sup>2</sup>
Amendments to MFRS 3	Reference to Conceptual Framework <sup>1</sup>
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 <sup>2</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to MFRS 17	Insurance Contracts <sup>2</sup>
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information <sup>2</sup>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to MFRS 101	Disclosure of Accounting Policies <sup>2</sup>
Amendments to MFRS 108	Disclosure of Accounting Estimates <sup>2</sup>
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use <sup>1</sup>
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract <sup>1</sup>
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

<sup>3</sup> Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The directors anticipate that the abovementioned MFRSs and amendments to MFRS will be adopted in the annual financial statements of the Group and the Company when they become effective. The adoption of these Standards and Amendments are not expected to have significant impact on the financial statements of the Group and the Company in the period of initial application.

## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The financial statements have been prepared on the historical cost basis except as disclosed in the significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transaction that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value-in-use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Subsidiaries and Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Subsidiaries and Basis of Consolidation (cont'd)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

#### Subsidiaries

Investments in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

#### Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interests were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 *Business Combinations* (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Business Combinations (cont'd)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date - and is subject to a maximum of one year.

**Goodwill**

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") that is expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Investment in Associates and Joint Venture**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Investment in Associates and Joint Venture (cont'd)

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9 *Financial Instruments*. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group.

#### Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.



## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Revenue Recognition (cont'd)**

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Sales of goods

Revenue from the sale of goods is recognised at a point in time when the products have been transferred to the customers and coincide with the delivery of products and acceptance by customers.

Rendering of services

Revenue from rendering of management and technical services is recognised over time when the services have been rendered by reference to the contracts entered into.

Property development revenue

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

Revenue from property development projects is accounted for using the percentage of completion method where the outcome of the development activity can be reliably estimated and is in respect of sales where agreements have been finalised by the end of the financial year.

Sale of completed properties

Revenue from sale of completed properties is recognised at a point in time upon the finalisation of sale and purchase agreements by the end of the financial year and when the control of the properties has been passed to the customers.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably).

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Revenue Recognition (cont'd)

##### Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### Rental income

Rental income is recognised on a straight-line basis over the tenure of the rental period of properties.

#### Leases

##### The Group as lessee

The Group assesses whether a contract is or contains a lease, as of the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined based on threshold that determined appropriate). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid as at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liabilities are remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate as at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made as at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Leases (cont'd)**The Group as lessee (cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts as at the commencement date of the lease, based on the average of remaining lease terms, as follows:

Buildings	10% - 50%
Machineries	25% - 50%

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies MFRS 136 *Impairment of Assets* to determine whether right-of-use asset is impaired and account for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statements of profit or loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its land and buildings.

Lease for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant lease.

**Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income;
- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the investment.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Foreign Currencies (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or joint venture not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange difference arising are recognised in other comprehensive income.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Employee Benefits

##### Short-Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

##### Post-Employment Benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices in the countries in which they operate. These benefit plans are either defined contribution or defined benefit plans.

##### (a) Defined Contribution Plans

The Group and the Company make statutory contributions to approved provident funds and the contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

##### (b) Defined Benefit Plan

The Group and the Company operate an unfunded defined benefit lump sum plan covering eligible employees. The retirement benefit accounting cost is assessed using the Projected Unit Credit Method, with actuarial valuation being carried out every five years.

The retirement benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

The Group adopts the option offered by the Amendments to MFRS 119, *Employee Benefits*, to recognise through other comprehensive income all actuarial gains and losses.

## Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statements of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that is measured using the fair value model, the carrying amount of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The directors of the Group have reviewed the Group's investment properties portfolio and concluded that none of the Group's investment properties is held under a business model whose objectives is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to MFRS 112 *Income Taxes* is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of the investment properties based on the expected rate that would apply on disposal of the investment properties.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Taxation (cont'd)

##### Current and Deferred Tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### Impairment of Non-financial Assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts are estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or its cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment, except for land and buildings, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at valuation, which is the fair value at the date of valuation, less impairment loss, if any. Long-term leasehold land and buildings are stated at valuation, which is the fair value at the date of the valuation, less accumulated depreciation and impairment loss, if any.

The Group revalues its land and building every five years from the last date of valuation or at shorter intervals whenever the fair value of the said assets is expected to differ substantially from its carrying amounts.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the property revaluation surplus account, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the property revaluation surplus account.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the property revaluation surplus account in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the cost will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group and the Company are obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.



## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Property, Plant and Equipment (cont'd)**

Depreciation is calculated to write off the cost or valuation of assets (other than freehold land and capital work-in-progress) to their residual values on a straight-line basis over their estimated useful lives. The principal annual depreciation period and rates are as follows:

Long-term leasehold land	24 to 78 years
Buildings	2% - 7%
Staff quarters and apartment	2%
Plants and machinery, tools and equipment	5% - 20%
Office equipment, furniture and fittings	5% - 33%
Motor vehicles	12.5% - 25%

Freehold land is not depreciated. Capital work-in-progress represents factory buildings and machineries under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

The residual values, estimated useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

**Investment Properties**Investment properties carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment properties under construction is not reliably determinable, the investment properties under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the property is derecognised.

Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment properties portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Inventories**Materials and goods

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.
- Completed property units: cost of construction materials and raw materials comprises costs of purchase and other direct charges. The cost of completed properties, determined on specific identification basis, comprise cost of land, construction and appropriate development expenditure.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Inventories (cont'd)**

##### Materials and goods (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### Land Held for Property Development

Land held for property development and costs attributable to the development activities which are held for future development where no significant development has been undertaken, is stated at lower of cost and net realisable value.

Land held for property development is classified as property development costs under current assets when significant development work has been undertaken and is expected to be completed within the normal operating cycle.

##### Property Development Costs

Property development costs are determined on a specific identification basis. Property development costs comprise costs associated with the acquisition of land and all costs directly attributable to development activities or that meet the definition of inventories are recognised as an asset and stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

#### **Contract Assets and Contract Liabilities**

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of cumulative revenue earned over the billings to-date. Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liability is recognised as revenue when the Group performs its obligation under the contracts.

#### **Contract Costs**

The Group recognises the incremental costs of obtaining a contract with a customer, which are expected to be recovered, as an asset. The incremental costs of obtaining a contract are costs incurred to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in profit or loss when the carrying amount of the contract cost asset exceeds the expected revenue less expected costs that will be incurred.

#### **Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### Financial Instruments

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### Financial Assets

##### (i) Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instruments.

At initial recognition, the Group and the Company measure a financial asset (unless it is a trade receivable without significant financing component) or a financial liability at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issuance. Transaction costs of financial assets at FVTPL are recognised immediately in profit or loss.

Trade receivables without a significant financing component are initially measured at transaction price in accordance with MFRS 15 *Revenue from Contracts with Customers*.

Regular way of purchase or sale of a financial asset is recognised on the trade date, the date on which the Group and the Company commit to purchase or sell an asset.

##### (ii) Classification and Subsequent Measurement

The Group classifies its financial assets in the following measurement categories:

- (a) those to be measured at fair value (either through other comprehensive income ("FVTOCI") or through profit or loss ("FVTPL")); and
- (b) those to be measured at amortised cost.

The classification depends on the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gain and losses will be recorded in either profit or loss or other comprehensive income ("OCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial Assets (cont'd)

##### (ii) Classification and Subsequent Measurement (cont'd)

###### (a) Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding are classified as financial assets at amortised cost. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method, less accumulated impairment.

Interest income from these financial assets is calculated using the effective interest rate method and is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. For credit-impaired financial assets the effective interest rate shall be applied to the amortised cost of the financial asset in subsequent reporting periods.

###### (b) Financial assets at fair value through other comprehensive income ("FVTOCI")

This category comprises investment in equity instruments which are not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in fair value of the investments in OCI. The election is made on an investment-by-investment basis. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Dividend income from these investments is recognised in profit or loss when the right to receive payment of the dividend is established.

The Group and the Company subsequently measure all investments in equity instruments at fair value.

###### (c) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. Fair value changes are recognised in profit or loss in the period in which it arises.

##### (iii) Impairment of financial assets and contract assets

An impairment loss is recognised in profit or loss based on expected credit losses ("ECL") at the end of each reporting period. ECL are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represent the portion of lifetime ECL that are expected to result from defaults event on a financial instrument that are possible within 12 months after the end of reporting period.

Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

The Group and the Company apply the simplified approach to measure the impairment of trade receivables, contract assets and lease receivables at lifetime ECL. The ECL are estimated based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

## Continued

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Financial Assets (cont'd)****(iii) Impairment of financial assets and contract assets (cont'd)**

For other financial assets such as other receivables and amount due from intercompany, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the impairment losses for that financial instrument at an amount equal to 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without due cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

At the end of each reporting period, the Group and the Company assess whether the financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, such as debtor who have defaulted on payment, or are in significant financial difficulties, or it is becoming probable that the borrower will enter bankruptcy.

These assets are written off when there is no reasonable expectation of recovery, with case-by-case assessment performed based on indicators such as insolvency or demise. Subsequent recoveries of amounts previously written off are recognised in profit or loss as bad debts recovered.

Deposits and bank balances of the Group and the Company are placed with reputable financial institution with high credit ratings and no history of default. Hence, the Group and the Company do not expect any losses from default or non-performance by the counterparties.

**(iv) Derecognition of financial assets**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss, except for the derecognition of an investment in equity instruments measured at FVTOCI, the cumulative gain or loss is transferred within equity, not recognised in profit or loss.

**Financial Liabilities and Equity Instruments****(i) Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**(ii) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

**(iii) Financial liabilities**

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Continued

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Financial Liabilities and Equity Instruments (cont'd)

##### (iii) Financial liabilities (cont'd)

##### Financial liabilities at FVTPL (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 *Financial Instruments* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of profit or loss.

##### Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### (iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### (v) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the impairment loss determined in accordance with MFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

#### Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, term deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which bank overdrafts, if any, are deducted.



## Continued

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and of the Company within the next financial year is disclosed below.

Depreciation of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Details are disclosed in Note 13.

Impairment losses of trade receivables

The Group recognises impairment loss for financial assets based on assumption about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and impairment loss in the period in which such estimate has been changed. Details are disclosed in Note 23.

Property development projects

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the development based on actual costs incurred to date over the estimated total property development costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a project is completed, but would recognise a loss as soon as the loss becomes evident.

Adjustments based on the progress towards satisfaction of performance obligations are reflected in property development and contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported property development and contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

Note 3 describes the Group's policy to recognise revenue from sales of properties by reference to the progress towards satisfaction of performance obligations. Property development revenue is recognised in respect of all development units that have been sold.

Continued

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)****Key sources of estimation uncertainty (cont'd)**Property development projects (cont'd)

As at 31 July 2022, the Group recognised revenue of RM1,031,434,000 (2021: RM1,086,875,000) and cost of RM662,402,000 (2021: RM685,286,000), arising from the property development activities recognised over time using the stage of completion method.

Valuation of land and buildings

The valuation of land and buildings performed by the Group and the Company are based on independent professional valuations with reference to direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and when necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, and the cost method of valuation, being assumed to have a direct relationship with its cost of construction, is then adjusted to allow for cost of finance and profit to reflect its profitable present market value. The directors are of the opinion that the chosen valuation techniques and assumptions are appropriate in determining the valuation of the Group's and of the Company's land and buildings. Details are disclosed in Note 13.

Impairment of goodwill

The determination of the recoverable amount of the CGU assessed in the annual goodwill impairment test requires an estimate of the fair value net of disposal costs and the value-in-use. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the CGU as well as the discount rate. The CGUs for the purpose of impairment of goodwill mainly arose from the Group's packaging segment as a result of previous year acquisitions.

Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international sectors, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted by the discount rates and perpetual growth rate used.

The carrying amount of the goodwill at the end of the reporting period is disclosed in Note 21.

Net realisable value of completed property units

Inventories of completed property units are stated at the lower of cost and net realisable value. The Group determines net realisable value based on historical trends and management estimates of future products demand and related pricing. Possible changes in these estimates could result in revisions to the valuation of inventories. Details are disclosed in Note 22.

## Continued

## 5. REVENUE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers:				
Sale of goods	2,861,375	2,491,481	-	-
Property development:				
Sale of properties under development	1,031,434	1,086,875	-	-
Sale of completed properties	91,691	76,205	-	-
Management fees from associate	120	120	120	120
	3,984,620	3,654,681	120	120
Revenue from other sources:				
Rental income	452	639	-	-
Gross dividends from:				
Subsidiaries	-	-	270,794	179,026
Associate	-	-	3,098	1,902
Unquoted shares outside Malaysia	246	646	246	646
	698	1,285	274,138	181,574
	3,985,318	3,655,966	274,258	181,694
<u>Timing of revenue recognition</u>				
Revenue from contracts with customers:				
At a point in time	2,953,066	2,567,686	-	-
Over time	1,031,554	1,086,995	120	120
	3,984,620	3,654,681	120	120

## 6. COST OF SALES

	The Group	
	2022 RM'000	2021 RM'000
Cost of inventories sold:		
Manufacturing	2,422,266	2,082,614
Completed properties	55,469	44,678
Property development costs (Note 17(b))	662,402	685,286
	3,140,137	2,812,578

Continued

**7. FINANCE COSTS**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expenses on:				
Sukuk Murabahah	9,881	10,475	-	-
Revolving credits	15,337	7,448	-	4
Bankers acceptances	1,044	611	-	-
Onshore foreign currency loans	488	293	-	-
Term loans	64	229	-	-
Lease interest	343	456	-	-
	27,157	19,512	-	4
Less: Amount capitalised in land held for property development	(6,711)	(8,373)	-	-
Total finance costs	20,446	11,139	-	4

**8. PROFIT BEFORE TAX**

Profit before tax is arrived at after charging/(crediting) the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loss/(Gain) on foreign exchange:				
Realised	10,752	(11,535)	30	42
Unrealised	5,480	12,116	-	-
Rental of:				
Buildings	1,037	1,222	-	-
Machinery and equipment	939	953	-	-
Auditors' remuneration:				
Statutory audit	1,157	1,026	42	42
Other services	71	247	9	8
Remuneration of other professional services rendered by affiliates of auditors	526	1,255	4	5
Write back of bad debts	(5)	(165)	-	-
Property, plant and equipment written off	100	1,619	-	29
Write off of inventories	3,110	834	-	-
Interest income	(2,121)	(3,133)	(198)	(130)
Rental income	(3,207)	(3,378)	-	-
Dividend income	(65)	(23)	(20)	(19)
Fair value loss/(gain) on other investments	1,879	(3,701)	1,879	(3,095)
Fair value gain on money market deposits	(297)	-	(22)	-
Gain on bargain purchase of associate (Note 19)	-	(2,013)	-	-
Gain on disposal of investment properties	(8,100)	-	-	-
Gain on disposal of property, plant and equipment	(1,686)	(257)	-	-
Gain on lease modification	(7)	(28)	-	-
Reversal of contingent consideration with respect to acquisition of associate	(1,881)	-	-	-
Capital reduction in relation to investment in a subsidiary	-	-	-	(30,000)

## Continued

**9. EMPLOYEE BENEFITS EXPENSE**

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Wages, salaries and other emoluments	237,835	224,985
Contributions to defined contribution plan	20,033	19,810
Increase in liability for defined benefit plan (Note 30)	4,793	5,481
Share Grant Plan	1,442	11,203
Social security contributions	2,334	2,180
	<b>266,437</b>	<b>263,659</b>

The Company does not have any employees since it is an investment holding company and the directors' remuneration is disclosed in Note 10.

During the current financial year, the Company granted and vested 319,000 (2021: 988,000) new ordinary shares to eligible employees of the Group under the Scientex Berhad Share Grant Plan (Note 26(b)).

**10. DIRECTORS' REMUNERATION**

The details of remuneration receivable by directors of the Company during the financial year are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	7,290	9,875	-	-
Defined contribution plan	1,312	1,778	-	-
Fees	120	120	120	120
	<b>8,722</b>	<b>11,773</b>	<b>120</b>	<b>120</b>
Non-executive:				
Fees	610	610	610	610
	<b>9,332</b>	<b>12,383</b>	<b>730</b>	<b>730</b>

Continued

**11. INCOME TAX EXPENSE/(CREDIT)**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax expense:				
Malaysian income tax	97,195	102,784	71	29
Foreign tax	7,622	7,375	-	-
Real property gain tax	1,980	2,518	-	-
Withholding tax	694	1,829	-	-
(Over)/Underprovision in prior years	(872)	2,249	-	(1)
	106,619	116,755	71	28
Deferred tax (Note 31):				
Current year	6,223	8,984	(104)	(116)
Under/(Over)provision in prior years	2,868	(10,554)	1,097	-
	9,091	(1,570)	993	(116)
	115,710	115,185	1,064	(88)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The below reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax to income tax expense/(credit) at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	548,307	600,961	269,649	212,542
Tax at statutory tax rate of 24% (2021: 24%)	131,594	144,231	64,716	51,010
Tax effects of:				
Non-taxable income	(3,863)	(4,458)	(65,804)	(51,546)
Different tax rates in other countries	(4,492)	(4,664)	-	-
Share of results of associates and joint venture	(1,851)	(2,823)	-	-
Non-deductible expenses	7,361	7,251	1,055	449
Recognition of deferred tax arising from reinvestment allowances	(13,899)	(6,876)	-	-
Utilisation of capital allowances and other deductible temporary differences previously not recognised	-	(57)	-	-
Utilisation of reinvestment allowances	(2,575)	(6,821)	-	-
Reversal of deferred tax due to disposal of lands	(1,249)	(6,640)	-	-
Deferred tax assets not recognised	14	-	-	-
Real property gain tax	1,980	2,518	-	-
Withholding tax	694	1,829	-	-
Under/(Over)provision in prior years:				
Income tax	(872)	2,249	-	(1)
Deferred tax	2,868	(10,554)	1,097	-
	115,710	115,185	1,064	(88)



## Continued

**12. EARNINGS PER SHARE****Basic earnings per share**

The calculation of basic earnings per share ("EPS") is based on the consolidated profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year as follows:

	The Group	
	2022 RM'000	2021 RM'000
Profit for the year attributable to owners of the Company	409,874	457,233

	The Group	
	2022 Units '000	2021 Units '000
Weighted average number of ordinary shares in issue	1,550,882	1,550,039

	The Group	
	2022	2021
Basic EPS (sen)	26.43	29.50

**Diluted earnings per share**

Diluted earnings per share are not presented as the warrants are anti-dilutive where the average market price of ordinary shares during the financial year does not exceed the exercise price of the warrants.

Continued

## 13. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Valuation/Cost</b>									
As at 1 August 2020	158,814	154,144	284,486	1,968	1,626,585	77,295	19,762	29,265	2,352,319
Additions	1,287	4,816	19,722	-	132,725	2,060	813	8,687	170,110
Disposals	-	-	(16)	-	(4,386)	(27)	(1,164)	-	(5,593)
Written off	-	-	(960)	-	(32,386)	(1,766)	-	-	(35,112)
Reclassification	-	-	989	-	8,131	366	-	(9,486)	-
Exchange differences	4	(21)	(135)	-	(1,512)	(312)	(11)	(241)	(2,228)
<b>As at 31 July 2021</b>	<b>160,105</b>	<b>158,939</b>	<b>304,086</b>	<b>1,968</b>	<b>1,729,157</b>	<b>77,616</b>	<b>19,400</b>	<b>28,225</b>	<b>2,479,496</b>
<b>Accumulated depreciation</b>									
As at 1 August 2020	-	2,163	8,843	407	946,806	56,202	15,319	-	1,029,740
Charge for the year	-	2,196	8,964	39	89,276	4,827	1,531	-	106,833
Disposals	-	-	(7)	-	(4,249)	(22)	(1,139)	-	(5,417)
Written off	-	-	(259)	-	(31,506)	(1,728)	-	-	(33,493)
Exchange differences	-	105	(150)	-	(673)	(105)	(12)	-	(835)
<b>As at 31 July 2021</b>	<b>-</b>	<b>4,464</b>	<b>17,391</b>	<b>446</b>	<b>999,654</b>	<b>59,174</b>	<b>15,699</b>	<b>-</b>	<b>1,096,828</b>

## Continued

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold land RM'000	Long-term leasehold land RM'000	Buildings RM'000	Staff quarters and apartment RM'000	Plants and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Valuation/Cost</b>									
As at 1 August 2021	160,105	158,939	304,086	1,968	1,729,157	77,616	19,400	28,225	2,479,496
Additions	-	-	14,191	-	107,882	3,763	1,873	78,150	205,859
Disposals	(1,302)	-	(18,753)	-	(70)	(14)	(581)	-	(20,720)
Written off	-	-	-	-	(7,965)	(2,479)	(7)	-	(10,451)
Reclassification	-	-	4,799	-	23,023	-	-	(27,822)	-
Exchange differences	194	242	1,461	-	6,094	63	16	874	8,944
<b>As at 31 July 2022</b>	<b>158,997</b>	<b>159,181</b>	<b>305,784</b>	<b>1,968</b>	<b>1,858,121</b>	<b>78,949</b>	<b>20,701</b>	<b>79,427</b>	<b>2,663,128</b>
<b>Accumulated depreciation</b>									
As at 1 August 2021	-	4,464	17,391	446	999,654	59,174	15,699	-	1,096,828
Charge for the year	-	2,296	8,479	40	92,864	5,553	1,540	-	110,772
Disposals	-	-	(216)	-	(58)	(10)	(581)	-	(865)
Written off	-	-	-	-	(7,954)	(2,390)	(7)	-	(10,351)
Exchange differences	-	106	326	-	2,518	20	19	-	2,989
<b>As at 31 July 2022</b>	<b>-</b>	<b>6,866</b>	<b>25,980</b>	<b>486</b>	<b>1,087,024</b>	<b>62,347</b>	<b>16,670</b>	<b>-</b>	<b>1,199,373</b>
<b>Net book value</b>									
<b>As at 31 July 2021</b>	<b>160,105</b>	<b>154,475</b>	<b>286,695</b>	<b>1,522</b>	<b>729,503</b>	<b>18,442</b>	<b>3,701</b>	<b>28,225</b>	<b>1,382,668</b>
<b>As at 31 July 2022</b>	<b>158,997</b>	<b>152,315</b>	<b>279,804</b>	<b>1,482</b>	<b>771,097</b>	<b>16,602</b>	<b>4,031</b>	<b>79,427</b>	<b>1,463,755</b>

Continued

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Long-term leasehold land RM'000	Staff quarters and apartment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<b>Valuation/Cost</b>					
As at 1 August 2020	42,700	481	2,815	1,013	47,009
Written off	-	-	(2,815)	-	(2,815)
<b>As at 31 July 2021</b>	<b>42,700</b>	<b>481</b>	<b>-</b>	<b>1,013</b>	<b>44,194</b>
<b>Accumulated depreciation</b>					
As at 1 August 2020	-	185	2,757	1,013	3,955
Charge for the year	554	8	29	-	591
Written off	-	-	(2,786)	-	(2,786)
<b>As at 31 July 2021</b>	<b>554</b>	<b>193</b>	<b>-</b>	<b>1,013</b>	<b>1,760</b>
<b>Valuation/Cost</b>					
As at 1 August 2021	42,700	481	-	1,013	44,194
Written off	-	-	-	(7)	(7)
<b>As at 31 July 2022</b>	<b>42,700</b>	<b>481</b>	<b>-</b>	<b>1,006</b>	<b>44,187</b>
<b>Accumulated depreciation</b>					
As at 1 August 2021	554	193	-	1,013	1,760
Charge for the year	555	9	-	-	564
Written off	-	-	-	(7)	(7)
<b>As at 31 July 2022</b>	<b>1,109</b>	<b>202</b>	<b>-</b>	<b>1,006</b>	<b>2,317</b>
<b>Net book value</b>					
<b>As at 31 July 2021</b>	<b>42,146</b>	<b>288</b>	<b>-</b>	<b>-</b>	<b>42,434</b>
<b>As at 31 July 2022</b>	<b>41,591</b>	<b>279</b>	<b>-</b>	<b>-</b>	<b>41,870</b>

If the land and buildings were measured using the cost model, the carrying amounts would have been as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Freehold land	154,266	155,374	-	-
Long-term leasehold land	49,971	50,739	713	728
Buildings	279,332	286,231	-	-
	<b>483,569</b>	<b>492,344</b>	<b>713</b>	<b>728</b>

## Continued

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Freehold land, long-term leasehold land and buildings of the Group and the Company were revalued in July 2020 by accredited independent professional valuers, based on the comparison and cost methods. The fair value is categorised as Level 3 of the fair value hierarchy with no transfer between Levels 1 and 2 during the year.

Qualitative information about fair value measurement of freehold land, long-term leasehold land and buildings performed using significant unobservable inputs (Level 3) as at 31 July 2020 are as follows:

Valuation Technique	Significant Unobservable Inputs
Comparison method	Difference in size, location, timing of transaction, freehold/leasehold tenure and improvement on land
Cost method	Construction price per square feet

**Comparison method**

Under comparison method, a property's fair value is estimated based on comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for size, location, timing of transaction, freehold/leasehold tenure and improvement on land and other differences. Fair value of properties derived using the comparison method have been generally included in Level 3 fair value hierarchy due to the adjustments mentioned above. The most significant input into this valuation approach is price per square feet of comparable properties.

**Cost method**

In the cost method of valuation, the market value of the building is assumed to have a direct relationship with its cost of construction. The cost of construction is then adjusted to allow for cost of finance and profit to reflect its present market value.

**14. RIGHT-OF-USE ASSETS**

The Group	Buildings RM'000	Machineries RM'000	Total RM'000
<b>Cost</b>			
At 1 August 2020	7,228	3,505	10,733
Additions	1,239	1,291	2,530
Modification of lease contract	(1,167)	(457)	(1,624)
Written off	-	(136)	(136)
Exchange differences	(541)	-	(541)
At 31 July 2021/1 August 2021	6,759	4,203	10,962
Additions	1,669	2,205	3,874
Modification of lease contract	(552)	(192)	(744)
Written off	(749)	(562)	(1,311)
Exchange differences	(161)	-	(161)
<b>As at 31 July 2022</b>	<b>6,966</b>	<b>5,654</b>	<b>12,620</b>
<b>Accumulated Depreciation</b>			
At 1 August 2020	1,874	1,382	3,256
Depreciation for the year	1,967	1,427	3,394
Modification of lease contract	(432)	(132)	(564)
Written off	-	(136)	(136)
Exchange differences	(114)	-	(114)
At 31 July 2021/1 August 2021	3,295	2,541	5,836
Depreciation for the year	1,953	1,729	3,682
Modification of lease contract	(326)	(133)	(459)
Written off	(749)	(562)	(1,311)
Exchange differences	(45)	-	(45)
<b>As at 31 July 2022</b>	<b>4,128</b>	<b>3,575</b>	<b>7,703</b>

Continued

**14. RIGHT-OF-USE ASSETS (CONT'D)**

The Group	Buildings RM'000	Machineries RM'000	Total RM'000
Carrying amounts As at 31 July 2021	3,464	1,662	5,126
As at 31 July 2022	2,838	2,079	4,917

**15. INVESTMENT PROPERTIES**

The Group	Freehold land RM'000	Building RM'000	Total RM'000
At fair value:			
As at 31 July 2021/1 August 2021	12,000	4,900	16,900
Disposal	(12,000)	(4,900)	(16,900)
As at 31 July 2022	-	-	-

The property rental income earned by the Group from its investment properties amounted to RM453,000 (2021: RM639,000). Direct operating expenses arising from the investment properties amounted to RM385,000 (2021: RM136,000).

**16. INVESTMENT IN SUBSIDIARIES**

	The Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost:		
At beginning of year	556,106	452,106
Additions	-	104,000
At end of year	556,106	556,106
Quoted shares, at cost:		
At beginning of year	322,096	322,096
Additions	93,507	-
Exercise of warrants in a subsidiary	41,714	-
Transfer from other investments	12	-
At end of year	457,329	322,096
	1,013,435	878,202
Market value of quoted shares	531,872	437,589



## Continued

**16. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activities
		2022 %	2021 %	
Scientex Quatari Sdn. Bhd. ("SQSB")	Malaysia	100	100	Investment holding, property investment and development
Scientex Packaging Film Sdn. Bhd. ("SPF")	Malaysia	100	100	Manufacturing of stretch film and investment holding
Scientex Industries Group Sdn. Bhd. ("SIG")	Malaysia	100	100	Sales and marketing of laminating polyurethane adhesives and packaging related materials
Scientex Management Sdn. Bhd. ("SMSB")	Malaysia	100	100	Investment holding
Scientex Polymer Sdn. Bhd.	Malaysia	100	100	Investment holding
Scientex Tsukasa (Vietnam) Co., Ltd. ("STV") <sup>3*</sup>	Vietnam	60	60	Manufacturing of polypropylene ("PP") woven bags, fabrics, bulk bags and polyethylene tying tapes
Scientex Packaging (Ayer Keroh) Berhad (formerly known as Daibochi Berhad) ("SPAK") <sup>1,2</sup>	Malaysia	71.89	61.88	Manufacturing and marketing of flexible packaging materials
<b>Subsidiaries of SQSB</b>				
Scientex Heights Sdn. Bhd. ("SHSB")	Malaysia	100	100	Property development
Scientex Park (M) Sdn. Bhd. ("SPSB")	Malaysia	100	100	Property investment and development
Texland Sdn. Bhd.	Malaysia	90	90	Property development
Scientex (Skudai) Sdn. Bhd. ("SKSB")	Malaysia	100	100	Property development
Amber Land Berhad ("ALB")	Malaysia	100	100	Property development
<b>Subsidiary of SIG</b>				
PT. Scientex Indonesia ("PTSI") <sup>*</sup>	Indonesia	100	100	Sales and marketing of laminating polyurethane adhesives
<b>Subsidiaries of SPF</b>				
Scientex Tsukasa Strapping Sdn. Bhd. ("STS")	Malaysia	70	70	Manufacturing of PP strapping band

Continued

**16. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activities
		2022 %	2021 %	
Subsidiaries of SPF (cont'd)				
Scientex Great Wall Sdn. Bhd. ("SGW")	Malaysia	90	90	Manufacturing of plastic packaging products
Scientex Great Wall (Ipoh) Sdn. Bhd. ("SGWI")	Malaysia	100	100	Manufacturing of plastic packaging products
Scientex International (S) Pte. Ltd.**	Singapore	100	100	Procurement, distribution and trading of resins, chemicals, films and other packaging related products
Scientex Phoenix, LLC ("SPLLC")*	United States of America	100	100	Manufacturing and sales of industrial stretch film products
Scientex Great Wall (Klang) Sdn. Bhd. ("SGWK")	Malaysia	100	100	Manufacturing of plastic packaging products
Subsidiaries of SMSB				
KC Contract Sdn. Bhd.	Malaysia	65	65	Property construction
Scientex Distribution Sdn. Bhd. ("SDSB")	Malaysia	100	100	Dormant
Subsidiaries of SPAK				
Scientex Packaging (Teluk Emas) Sdn. Bhd. (formerly known as Mega Printing & Packaging Sdn. Bhd.) ("SPTE")*	Malaysia	71.89	61.88	Manufacturing and marketing of flexible packaging materials
Scientex Land Sdn. Bhd. (formerly known as Daibochi Land Sdn. Bhd.) ("SLSB")	Malaysia	71.89	61.88	Dormant
Scientex Packaging Management Sdn. Bhd. (formerly known as Daibochi Flexibles Sdn. Bhd. ("SPMSB")	Malaysia	71.89	61.88	Investment holding
Scientex Packaging (Australia) Pty. Ltd. (formerly known as Daibochi Australia Pty. Ltd.) ("SPAU")*	Australia	71.89	61.88	Marketing of flexible packaging materials

## Continued

**16. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activities
		2022 %	2021 %	
Subsidiaries of SPAK (cont'd)				
Scientex Packaging (New Zealand) Limited. (formerly known as Daibochi New Zealand Limited) ("SPNZ")***	New Zealand	71.89	61.88	Marketing of flexible packaging materials
Subsidiary of SPMSB				
Daibochi Packaging (Myanmar) Company Limited ("DPM")3*	Myanmar	43.13	37.13	Manufacturing and marketing of flexible packaging materials

\* Audited by other auditors.

\*\* Audited by member firm of the auditors of the Company.

\*\*\* Exempted for statutory audit under Section 45 of Financial Reporting Act 2013 in New Zealand.

<sup>1</sup> During the financial year 2022, the Company acquired additional interest in SPAK by way of:

(i) Acquisition of 16,183,230 ordinary shares and 13,523,178 warrants arising from the acceptance of unconditional voluntary take-over offer amounted to RM48,026,000;

(ii) Acquisition of 16,615,200 ordinary shares and 2,003,800 warrants in open market amounted to RM45,481,000; and

(iii) Exercise of 16,685,945 warrants at the exercise price of RM2.50 per warrant amounted to RM41,714,000.

<sup>2</sup> During the financial year 2022, SPAK issued 23,248,973 new ordinary shares pursuant to the exercise of 23,248,973 warrants at the exercise price of RM2.50 per warrant.

<sup>3</sup> The Group has been granted approval from Companies Commission of Malaysia pursuant to Section 247(3) of Companies Act, 2016 for STV and DPM to continue to adopt the financial year end that does not coincide with the Group's financial year end of 31 July. The Group has consolidated the financial position and results of STV and DPM based on the unaudited financial statements made up to the financial year end of the Group.

#### Non-controlling interests in subsidiaries

The table below shows details on non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of Subsidiaries	Proportion of ownership interest and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests for the year		Non-controlling interests	
	2022 %	2021 %	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
SPAK	28.11	38.12	9,775	10,612	121,443	125,656
SGW	10	10	5,142	4,725	49,292	49,150
Others			6,442	6,216	27,327	26,739
			21,359	21,553	198,062	201,545

Continued

**16. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Summarised information of subsidiaries with non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intragroup eliminations. The non-controlling interests of the other subsidiaries are not material to the Group.

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>SPAK</b>		
<b>Summarised statement of financial position</b>		
Non-current assets	358,270	304,927
Current assets	280,434	219,203
Non-current liabilities	(24,196)	(29,134)
Current liabilities	(228,169)	(197,780)
Net assets	386,339	297,216
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	774,049	601,869
Profit for the financial year	42,317	46,573
Total comprehensive income for the financial year	39,184	35,826
Total comprehensive loss for the financial year attributable to non-controlling interests	(2,106)	(4,912)
<b>Summarised cash flows information</b>		
Net cash from operating activities	22,338	80,503
Net cash used in investing activities	(63,294)	(63,884)
Net cash from/(used in) financing activities	39,155	(18,636)
Net cash outflows	(1,801)	(2,017)
<b>SGW</b>		
<b>Summarised statement of financial position</b>		
Non-current assets	515,787	544,849
Current assets	207,709	187,087
Non-current liabilities	(9,915)	(6,526)
Current liabilities	(220,657)	(233,907)
Net assets	492,924	491,503
<b>Summarised statement of profit or loss and other comprehensive income</b>		
Revenue	776,233	683,193
Profit for the financial year	51,421	47,245
Total comprehensive income for the financial year	51,421	47,245

## Continued

## 16. INVESTMENT IN SUBSIDIARIES (CONT'D)

	2022 RM'000	2021 RM'000
<b>SGW (cont'd)</b>		
<b>Summarised cash flows information</b>		
Net cash from operating activities	91,158	105,042
Net cash used in investing activities	(24,715)	(46,450)
Net cash used in financing activities	(56,891)	(80,065)
Net cash inflows/(outflows)	9,552	(21,473)

## 17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

## (a) Land held for property development

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>Cost</b>				
As at 1 August 2020	876,082	96,891	-	972,973
Acquisition of land	570,268	-	-	570,268
Costs incurred during the year	126,497	3,438	-	129,935
Transfer to property development costs (Note 17 (b))	(380,333)	(9,183)	-	(389,516)
<b>As at 31 July 2021</b>	<b>1,192,514</b>	<b>91,146</b>	<b>-</b>	<b>1,283,660</b>
As at 1 August 2021	1,192,514	91,146	-	1,283,660
Acquisition of land	468,733	-	-	468,733
Costs incurred during the year	142,654	9,245	26,738	178,637
Transfer to property development costs (Note 17 (b))	(267,996)	(12,562)	-	(280,558)
<b>As at 31 July 2022</b>	<b>1,535,905</b>	<b>87,829</b>	<b>26,738</b>	<b>1,650,472</b>

During the financial year 2022, the Group acquired the following freehold land through its subsidiaries:

- (i) SQSB acquired a piece of land measuring approximately 205 acres in Mukim 12, District of Seberang Perai Utara, State of Pulau Pinang for a total purchase consideration of RM153,848,000.
- (ii) SKSB acquired 2 pieces of land measuring approximately 138 acres in Mukim 12, District of Seberang Perai Utara, State of Pulau Pinang for a total purchase consideration of RM104,096,000.
- (iii) SQSB acquired 8 pieces of land measuring approximately 202 acres in Mukim of Pulai, District of Johor Bahru, State of Johor for a total purchase consideration of RM192,686,000.
- (iv) SPSB acquired 2 pieces of land measuring approximately 22 acres in Mukim Rawang, District of Gombak, State of Selangor for a total cash purchase consideration of RM18,103,000.

Continued

## 17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

## (b) Property development costs

The Group	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>Cumulative property development costs</b>				
As at 1 August 2020	526,368	14,263	713,981	1,254,612
Costs incurred during the year	-	-	409,776	409,776
Transfer from land held for property development (Note 17 (a))	380,333	9,183	-	389,516
Reversal of completed projects	(332,816)	(33)	(590,558)	(923,407)
Unsold units transferred to inventories	(13,592)	-	(29,297)	(42,889)
<b>As at 31 July 2021</b>	<b>560,293</b>	<b>23,413</b>	<b>503,902</b>	<b>1,087,608</b>
<b>Cumulative costs recognised in profit or loss</b>				
As at 1 August 2020	(347,933)	(14,263)	(552,000)	(914,196)
Recognised during the year (Note 6)	(257,702)	(3,136)	(424,448)	(685,286)
Reversal of completed projects	332,816	33	590,558	923,407
<b>As at 31 July 2021</b>	<b>(272,819)</b>	<b>(17,366)</b>	<b>(385,890)</b>	<b>(676,075)</b>
<b>Property development costs as at 31 July 2021</b>	<b>287,474</b>	<b>6,047</b>	<b>118,012</b>	<b>411,533</b>
<b>Cumulative property development costs</b>				
As at 1 August 2021	560,293	23,413	503,902	1,087,608
Costs incurred during the year	-	-	393,383	393,383
Transfer from land held for property development (Note 17 (a))	267,996	12,562	-	280,558
Reversal of completed projects	(170,464)	-	(248,720)	(419,184)
Unsold units transferred to inventories	(20,470)	-	(22,743)	(43,213)
<b>As at 31 July 2022</b>	<b>637,355</b>	<b>35,975</b>	<b>625,822</b>	<b>1,299,152</b>
<b>Cumulative costs recognised in profit or loss</b>				
As at 1 August 2021	(272,819)	(17,366)	(385,890)	(676,075)
Recognised during the year (Note 6)	(407,318)	(15,155)	(239,929)	(662,402)
Reversal of completed projects	170,464	-	248,720	419,184
<b>As at 31 July 2022</b>	<b>(509,673)</b>	<b>(32,521)</b>	<b>(377,099)</b>	<b>(919,293)</b>
<b>Property development costs as at 31 July 2022</b>	<b>127,682</b>	<b>3,454</b>	<b>248,723</b>	<b>379,859</b>



## Continued

**17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)****(b) Property development costs (cont'd)**

The freehold and leasehold lands under land held for property development with a carrying amount of RM112,000,000 (2021: RM113,000,000) have been charged as a security for borrowings (Note 28(b)(i)).

Included in the land held for development is interest capitalised of RM6,711,000 (2021: RM8,373,000) (Note 7).

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 July 2022 is RM1,255,000,000 (2021: RM927,000,000), where the Group expects to recognise it as revenue over the next 1 to 3 years.

**18. INVESTMENT IN JOINT VENTURE**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
In Malaysia:				
Unquoted shares, at cost	10,000	10,000	10,000	10,000
Share of post-acquisition reserves	6,133	4,149	-	-
	16,133	14,149	10,000	10,000
Share of post-acquisition reserves:				
At beginning of year	4,149	2,102	-	-
Share of results	1,984	2,047	-	-
At end of year	6,133	4,149	-	-

Details of the joint venture are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activities
		2022 %	2021 %	
MCTI Scientex Solar Sdn. Bhd. ("MSS")	Malaysia	50	50	Manufacturing and distribution of ethylene-vinyl acetate (EVA) and polyolefin (ASCE) encapsulating materials for photovoltaic solar modules

MSS has a financial year end of 30 June. For the purpose of applying the equity method of accounting, the unaudited financial statements of MSS for the year ended 31 July 2022 have been used.

Continued

**18. INVESTMENT IN JOINT VENTURE (CONT'D)**

At the Group level, the carrying value of joint venture represents its share of net assets in the joint venture at end of the reporting period. Summarised financial information in respect of the Group's joint venture is as follows:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Assets and Liabilities</b>		
Current assets	47,192	37,446
Non-current assets	5,572	1,923
<b>Total assets</b>	<b>52,764</b>	<b>39,369</b>
Current liabilities	(20,498)	(11,072)
<b>Total liabilities</b>	<b>(20,498)</b>	<b>(11,072)</b>
<b>Results</b>		
Revenue	70,265	56,612
Profit for the year	3,968	4,093

**19. INVESTMENT IN ASSOCIATES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
In Malaysia:				
Unquoted shares, at cost	32,848	32,848	3,000	3,000
Share of post-acquisition reserves	53,841	52,376	-	-
	<b>86,689</b>	<b>85,224</b>	<b>3,000</b>	<b>3,000</b>
Share of post-acquisition reserves:				
At beginning of year	52,376	43,548	-	-
Share of results	5,727	9,714	-	-
Share of reserves	33	-	-	-
Bargain purchase	-	2,013	-	-
Dividend received	(4,295)	(2,899)	-	-
<b>At end of year</b>	<b>53,841</b>	<b>52,376</b>	<b>-</b>	<b>-</b>

## Continued

**19. INVESTMENT IN ASSOCIATES (CONT'D)**

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Proportion of ownership interest and voting power held by the Group		Principal Activities
		2022 %	2021 %	
Mitsui Chemicals Scientex Sdn. Bhd. ("MCS")*	Malaysia	30	30	Manufacturing and trading of polyurethane adhesive for flexible packaging applications
OPS Paper Products Sdn. Bhd. ("OPS")*	Malaysia	24.60	24.60	Manufacturing and trading of paper products
Hiro Food Packages Manufacturing Sdn. Bhd. ("HIRO")*	Malaysia	30	30	Manufacturing of food packages of all types, mould, packaging materials, crates, boxes and containers

\* Audited by other auditors.

MCS and HIRO have a financial year end of 31 December. For the purpose of applying the equity method of accounting, the unaudited financial statements of MCS and HIRO for the year ended 31 July 2022 have been used.

At the Group level, the carrying value of associates represents the share of net assets in the associates at end of the reporting period. Summarised financial information in respect of the Group's associates are as follows:

	The Group	
	2022 RM'000	2021 RM'000
<b>Assets and Liabilities</b>		
Current assets	268,914	266,914
Non-current assets	162,368	160,635
<b>Total assets</b>	<b>431,282</b>	<b>427,549</b>
Current liabilities	(91,495)	(94,096)
Non-current liabilities	(38,635)	(38,390)
<b>Total liabilities</b>	<b>(130,130)</b>	<b>(132,486)</b>
<b>Results</b>		
Revenue	475,810	380,027
Profit for the year	21,148	34,008

Continued

**20. OTHER INVESTMENTS**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>At fair value:</b>				
Unquoted equity instruments outside Malaysia	21,664	23,543	21,664	23,543
Quoted equity instruments in Malaysia	591	603	-	12
Corporate memberships	379	379	137	137
	22,634	24,525	21,801	23,692

The fair value of the unquoted equity instruments is categorised as Level 3 in the fair value hierarchy and are determined using the adjusted net assets method. The unquoted equity instruments are classified as financial assets at fair value through profit or loss.

The fair value of quoted equity instruments is determined by reference to the exchange quoted market prices at the close of the business on the reporting date and categorised as Level 1 in the fair value hierarchy. The quoted equity instruments are classified as financial assets at fair value through other comprehensive income.

The fair value of corporate memberships of the Group and of the Company is categorised as Level 2 in the fair value hierarchy and classified as financial assets at fair value through profit or loss.

**21. GOODWILL**

	The Group	
	2022 RM'000	2021 RM'000
<b>At cost:</b>		
At beginning of year	332,176	338,077
Foreign exchange differences	(1,753)	(5,901)
At end of year	330,423	332,176

The carrying amount of goodwill allocated by CGUs with indefinite useful life allocated are as follows:

	The Group	
	2022 RM'000	2021 RM'000
SPAK	201,478	201,478
DPM	25,401	27,154
SPTE	42,786	42,786
SGWK	48,624	48,624
SGWI	12,134	12,134
	330,423	332,176

Goodwill arising from the business combination for other subsidiaries are allocated to the CGU of the Group that is expected to benefit from the business combination. The Group's methodology to test goodwill for impairment is described in Note 3.

## Continued

**21. GOODWILL (CONT'D)****Key assumptions used**

The recoverable amount of the CGU is determined based on the higher of fair value less costs to sell or value-in-use. The impairment test for goodwill relating to the CGU was assessed using value-in-use method. Estimating a value-in-use amount requires management to make an estimate of expected future cash flows from the CGU and determine a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period.

The following key assumptions have been applied in the VIU calculation for the five CGUs:

	<b>2022</b> (%)	<b>2021</b> (%)
<b>Key assumptions</b>		
Revenue Compounded Annual Growth Rate ("CAGR")	2.4 - 20.0	2.0 - 23.0
Pre-tax discount rate	10.0 - 29.0	9.4 - 28.2
Long-term inflation rate	2.0 - 11.0	2.0 - 10.2

The directors are of the opinion that a 1% change in the above key assumptions would not cause the recoverable amount of the CGU to be lower than its carrying amount.

**22. INVENTORIES**

	<b>The Group</b>	
	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
At cost:		
Raw materials and consumables	252,689	183,306
Unsold completed property units	78,341	90,597
Finished products	83,701	83,447
Work-in-progress	30,179	25,605
	<b>444,910</b>	<b>382,955</b>
At net realisable value:		
Unsold completed property units	1,795	1,795
Raw materials	1,818	1,099
Finished products	827	1,109
	<b>4,440</b>	<b>4,003</b>
	<b>449,350</b>	<b>386,958</b>

For the current financial year, the amount of inventories recognised as expenses in the cost of sales of the Group was RM2,020,508,000 (2021: RM1,686,583,000).

Continued

**23. TRADE RECEIVABLES**

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Third parties	697,704	686,273
Associates and joint venture	143	210
	697,847	686,483
Less: Impairment losses	(1,325)	(1,536)
Trade receivables, net	696,522	684,947

Trade receivables are non-interest bearing. The average credit terms for trade receivables of the Group range from 7 to 120 days (2021: 14 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from the associates and joint venture are unsecured, non-interest bearing and have credit terms of 60 days (2021: 60 days).

Included in trade receivables are retention sums on property development activities amounting to RM53,057,000 (2021: RM78,266,000).

The table below is an analysis of trade receivables at the end of the reporting period:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Neither past due nor impaired	664,203	646,293
Past due but not impaired	32,319	38,654
Past due and impaired	1,325	1,536
	697,847	686,483
<u>Ageing of past due but not impaired</u>		
1 to 30 days	26,167	30,248
31 to 60 days	3,963	5,247
61 to 90 days	987	1,559
More than 90 days	1,202	1,600
	32,319	38,654
<u>Ageing of past due and impaired</u>		
More than 120 days	1,325	1,536



## Continued

**23. TRADE RECEIVABLES (CONT'D)**

Movement in allowance for impairment loss

The trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
At beginning of year	1,536	1,410
Impairment loss	152	283
Reversal of impairment loss	(378)	(169)
Foreign exchange differences	15	12
At end of year	1,325	1,536

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM32,319,000 (2021: RM38,654,000) that are past due at the reporting date but not impaired. The Group does not hold any collateral over these balances. These relate to creditworthy customers that the Group continues to trade actively with.

Receivables that are impaired

Trade receivables that are impaired at the reporting date relate to debtors that are in financial difficulties or in dispute and have defaulted on payments. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The currency profile of trade receivables of the Group is as follows:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Ringgit Malaysia	485,508	509,468
United States Dollar	137,596	107,175
Other currencies	74,743	69,840
	697,847	686,483

Continued

**24. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	3,721	4,363	-	-
Deposit on purchase of land held for property development	79,257	105,036	-	-
Deposit on purchase of property, plant and equipment	17,093	43,619	-	-
Other refundable deposits	15,597	19,787	10	29
Other assets	33,171	24,581	-	-
Prepaid expenses	13,130	8,566	62	57
Amounts due from associates and joint venture	43	96	-	-
	162,012	206,048	72	86

Other assets of the Group represent consideration payable to customers to be accounted for as a reduction of property development revenue when the Group recognises revenue for the transfer of the related goods or services to the customers.

**25. CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	158,697	231,352	142	768
Short-term deposits with:				
Other financial institutions	27,129	6,681	1,708	1,892
Licensed banks	5,351	5,275	-	-
	191,177	243,308	1,850	2,660

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled. Included in cash and bank balances of the Group is an amount of RM7,842,000 (2021: RM35,802,000) held in the Housing Development Accounts.

Short-term deposits with other financial institutions refer to licensed fund management companies in Malaysia. These deposits have redemption period of one working day upon notification of withdrawal. The weighted average effective interest rate as at 31 July 2022 for the Group and the Company is 1.99% (2021: 1.66%) per annum.

Short-term deposits with licensed banks for the Group have weighted average effective interest rate of 2.10% (2021: 1.65%) per annum. The average maturities of short-term deposits with licensed banks of the Group as at the end of the reporting date were 89 days (2021: 92 days).

The fair value of the money market deposits is categorised as Level 1 in the fair value hierarchy and are determined using their quoted closing prices at the end of the reporting period. The money market deposits are classified as financial assets at fair value through profit or loss.

## Continued

**25. CASH AND CASH EQUIVALENTS (CONT'D)**

The currency profile of cash and cash equivalents is as follows:

	The Group	
	2022 RM'000	2021 RM'000
Ringgit Malaysia	94,361	196,535
United States Dollar	84,142	27,972
Other currencies	12,674	18,801
	191,177	243,308

Cash and cash equivalents of the Company are denominated in Ringgit Malaysia.

**26. SHARE CAPITAL**

	The Group and The Company			
	Number of ordinary shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
<b>Issued and fully paid up shares with no par value classified as equity instrument:</b>				
At beginning of year	1,550,656	515,877	703,250	691,782
Issued pursuant to the SGP	319	988	1,442	11,203
Issued pursuant to exercise of warrants	25	62	107	265
Issued pursuant to the bonus issue	-	1,033,729	-	-
At end of year	1,551,000	1,550,656	704,799	703,250

**(a) Share capital**

During the financial year 2022, the Company:-

- Issued and allotted 319,000 (2021: 988,000) new ordinary shares to eligible employees of Scientex Berhad group of companies, with the issue share price as at the date of granting of RM4.52 (2021: RM11.34) per ordinary share, pursuant to the Scientex Berhad Share Grant Plan ("SGP"); and
- Issued and allotted 24,738 new ordinary shares pursuant to the exercise of 24,738 warrants at the exercise price of RM4.30 per warrant.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

As at 31 July 2022, the total number of issued shares of the Company was 1,550,999,867 (2021: 1,550,656,129) ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company as prescribed in the Constitution of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

**(b) Share Grant Plan**

The SGP was approved by the shareholders on 17 December 2013 and is administered by the SGP Committee which is appointed by the Board of Directors, in accordance with the SGP By-Laws. The SGP shall be in force for a period of 5 years from the effective date of 21 January 2014 to 20 January 2019. During the financial year ended 31 July 2019, the Company has extended its SGP which expired on 20 January 2019 for another 5 years from 21 January 2019 to 20 January 2024 in accordance with the terms and conditions of the SGP By-Laws.

Continued

**26. SHARE CAPITAL (CONT'D)****(b) Share Grant Plan (cont'd)**

The salient features, terms and conditions of the SGP are as follows:

- (i) The total number of shares which may be awarded to the selected eligible employees under the SGP shall not exceed in aggregate 5% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the SGP.
- (ii) The total number of shares that may be awarded under the SGP shall be determined at the sole and absolute discretion of the SGP Committee after taking into consideration the employees performance, contribution, employment grade and the fulfilment of the yearly performance targets or such other matters as the SGP Committee may deem fit and shall be subject to the following:
  - the number of new shares made available under SGP shall not exceed the amount stipulated in (i) above;
  - the allocation to an eligible employee, who either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued shares of the Company (excluding treasury shares), must not exceed 10% of the total number of shares to be issued under the SGP; and
  - not more than 50% of the shares to be issued under the SGP shall be allocated to the eligible employees who are the senior management of the Group.
- (iii) The SGP Committee has the discretion in determining whether the shares available for vesting under the SGP shall be staggered over the duration of the SGP.
- (iv) The shares will be vested with the grantee at no cost to the grantee on the vesting date(s).

During the current financial year, the Group granted and vested 319,000 (2021: 988,000) new ordinary shares to the eligible employees of the Company and its subsidiaries under the SGP. The issue share price as at the date of granting was RM4.52 (2021: RM11.34) per ordinary share.

**(c) Warrants**

On 15 January 2021, the Company issued 103,372,778 free warrants on the basis of 1 free warrant for every 5 existing ordinary shares held. The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 20 January 2021.

The warrants are constituted by the deed poll dated 17 December 2020.

The salient terms of the warrants are as follows:

	<b>Tenure (Years)</b>	<b>Exercise Period Issue date</b>	<b>Expiry date</b>	<b>Exercise Price (RM)</b>
Warrants	5	15 January 2021	14 January 2026	4.30

- (i) The warrants may be exercised at any time during the tenure of the warrants of five (5) years commencing from the issue date of the warrants and ending on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and ceased to be valid;
- (ii) Each warrant carries the entitlement to subscribe for one (1) new ordinary share at the exercise price of RM4.30 and subject to the adjustments in accordance with the deed poll constituting the warrants;
- (iii) The new shares to be issued upon the exercise of the warrants shall, upon issuance and allotment, rank pari-passu in all respects with the existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other forms of distribution which may be declared, made or paid by the Company for which the entitlement date for the distribution precedes the date of allotment and issuance of the new shares; and
- (iv) The exercise price and number of unexercised warrants are subject to adjustments in accordance with the provisions as set out in the deed poll.

During the financial year, the Company issued 24,738 (2021: 61,713) ordinary shares pursuant to the exercise of 24,738 (2021: 61,713) warrants at the exercise price of RM4.30 (2021: RM4.30) per warrant. As at 31 July 2022, the total number of unexercised warrants was 103,286,327 (2021: 103,311,065).

## Continued

## 27. RESERVES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-distributable reserves:</b>				
Property revaluation surplus	90,719	90,719	26,089	26,089
Foreign currency translation reserve	18,168	10,678	-	-
Other reserves	494	461	68	68
	109,381	101,858	26,157	26,157
<b>Distributable reserve:</b>				
Retained earnings	2,295,417	2,090,556	343,835	214,840
Treasury shares	(1)	(1)	(1)	(1)
	2,295,416	2,090,555	343,834	214,839
	2,404,797	2,192,413	369,991	240,996

**(a) Property revaluation surplus**

Property revaluation surplus represents increases in the fair value of land and buildings, net of tax and non-controlling interests, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

**(b) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**(c) Treasury shares**

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of the treasury shares.

During the financial year 2022, the Company did not purchase any of its ordinary shares from the open market.

As at 31 July 2022, the Company held 100 (2021: 100) ordinary shares as treasury shares. Such treasury shares are recorded at a carrying amount of RM720 (2021: RM720).

**(d) Retained earnings**

The Company is able to distribute dividends out of its entire retained earnings as at 31 July 2022 under the single tier system.

Continued

**28. BORROWINGS**

	The Group	
	2022 RM'000	2021 RM'000
<b>Current - at amortised cost</b>		
Secured:		
Sukuk Murabahah	50,000	50,000
Unsecured:		
Foreign currency revolving credits	559,487	412,487
Onshore foreign currency loan	10,910	25,235
Revolving credits	293,800	307,100
Bankers acceptances	7,278	17,665
Term loans	-	6,360
	921,475	818,847
<b>Non-current - at amortised cost</b>		
Secured:		
Sukuk Murabahah	250,000	300,000
Unsecured:		
Term loans	-	950
	250,000	300,950
	1,171,475	1,119,797

**Borrowings are repayable as follows:**

	The Group	
	2022 RM'000	2021 RM'000
Current	921,475	818,847
Non-current:		
More than 1 year and less than 2 years	100,000	50,950
More than 2 years and less than 5 years	-	100,000
More than 5 years	150,000	150,000
	250,000	300,950
	1,171,475	1,119,797

The weighted average interest/profit rates per annum of the borrowings at the reporting date are as follows:

	The Group	
	2022 %	2021 %
Sukuk Murabahah	3.28	2.94
Revolving credits	2.85	2.44
Bankers acceptances	2.42	2.22
Onshore foreign currency loan	2.69	0.51
Foreign currency revolving credits	2.32	0.66
Term loans	-	1.57



## Continued

**28. BORROWINGS (CONT'D)**

## (a) Sukuk Murabahah Programme

During the financial year 2016, SQSB, a wholly-owned subsidiary of the Company, had established a Sukuk Murabahah Programme ("Sukuk Murabahah") for the issuance of up to RM500,000,000 in nominal value of Sukuk Murabahah. It provides SQSB the flexibility to raise funds from time to time which can be utilised to finance and/or reimbursement of the acquisition of land(s)/property(ies)/investments, to fund working capital requirements and to refinance existing bank borrowings of SQSB and/or its subsidiaries. The Sukuk Murabahah is unrated and has a tenure of fifteen (15) years from the date of first issuance.

As at 31 July 2022, the total amount of Sukuk Murabahah issued stood at RM300,000,000 in nominal value. The redeemable Sukuk Murabahah are due on 10 July 2023 for RM50,000,000, 10 July 2024 for RM100,000,000, 29 December 2028 for RM70,000,000 and lastly 28 December 2029 for the remaining balance of RM80,000,000, and bear profit based on cost of fund plus margin, payable quarterly.

## (b) The term loans and other banking facilities are secured by the following:

- i) First and third party charge over the freehold and leasehold lands under land held for property development of subsidiaries with carrying value of RM112,000,000 (2021: RM113,000,000) as disclosed in Note 17.
- (ii) Negative pledges on all the other assets held by the Company and certain subsidiaries.

## (c) The currency profile of borrowings is as follows:

	The Group	
	2022 RM'000	2021 RM'000
Ringgit Malaysia	601,078	677,110
United States Dollar	510,784	364,695
Japanese Yen	52,025	57,026
Other currencies	7,588	20,966
	1,171,475	1,119,797

**29. LEASE LIABILITIES**

	The Group	
	2022 RM'000	2021 RM'000
Non-current	3,208	3,363
Current	2,662	4,617
	5,870	7,980
Minimum lease payment:		
Not later than 1 year	3,050	4,914
Later than 1 year but not later than 5 years	3,475	3,404
Later than 5 years	-	515
	6,525	8,833
Less: Unexpired finance charges	(655)	(853)
	5,870	7,980
Present value of lease liabilities:		
Not later than 1 year	2,662	4,617
Later than 1 year but not later than 5 years	3,208	2,870
Later than 5 years	-	493
	5,870	7,980

Continued

**29. LEASE LIABILITIES (CONT'D)**

The Group discounted the lease liabilities by using the Group's incremental borrowing rates ranging from 3.0% to 14% (2021: 3.0% to 14%).

During the year, the Group recognised RM1,643,000 and RM333,000 (2021: RM1,858,000 and RM317,000) respectively of short-term leases and leases of low value assets on a straight-line basis as expenses.

**30. RETIREMENT BENEFITS OBLIGATIONS**

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of year	42,145	39,032	8,155	7,820
Current and past service cost (Note 9)	4,793	5,481	331	335
Foreign exchange differences	27	13	-	-
Paid during the year	(1,022)	(2,381)	-	-
At end of year	45,943	42,145	8,486	8,155

The present value of the pension obligation is determined using actuarial valuations. The actuarial valuations were recomputed during the financial year ended 31 July 2019 by Actuarial Partners Consulting Sdn. Bhd., an independent professional actuary.

The Group operates an unfunded defined benefit lump sum plan. A lump sum benefit is payable to the employees at the normal retirement age of 60 (2021: 60). The plan is applicable to employees who have a minimum 5 years of service to the Group.

The amounts recognised in the statements of profit or loss are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost of sales	1,661	1,698	-	-
Administrative expenses	2,610	3,329	331	335
Selling and distribution expenses	522	454	-	-
	4,793	5,481	331	335

The principal assumptions are as follows:

	The Group and The Company	
	2022 %	2021 %
Discount rate	5.00	5.00
Future salary increases	7.00	7.00

No sensitivity analysis on the principal assumptions is prepared as the Group does not expect any material effect on the statements of profit or loss arising from the effect of reasonably possible changes to the above principal actuarial assumptions at the end of the reporting period.

## Continued

**31. DEFERRED TAX (ASSETS)/LIABILITIES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
At beginning of year	69,353	70,923	6,781	6,897
Recognised in profit or loss (Note 11)	9,091	(1,570)	993	(116)
At end of year	78,444	69,353	7,774	6,781
Deferred tax assets	(7,279)	(15,552)	-	-
Deferred tax liabilities	85,723	84,905	7,774	6,781
	78,444	69,353	7,774	6,781

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.

The deferred tax (assets)/liabilities provided in the financial statements represents the tax effects of the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Deferred tax assets (before offsetting):</b>				
Unabsorbed reinvestment allowances	(80,926)	(72,358)	-	-
Unutilised tax losses and unabsorbed capital allowances	(3)	(4,577)	-	-
Others	(22,063)	(23,261)	-	(1,096)
	(102,992)	(100,196)	-	(1,096)
Offsetting	95,713	84,644	-	1,096
<b>Deferred tax assets (after offsetting)</b>	(7,279)	(15,552)	-	-
<b>Deferred tax liabilities (before offsetting):</b>				
Temporary differences arising from:				
Property, plant and equipment	146,399	133,113	629	641
Revaluation of land and buildings	34,892	36,362	7,145	7,236
Others	145	74	-	-
	181,436	169,549	7,774	7,877
Offsetting	(95,713)	(84,644)	-	(1,096)
<b>Deferred tax liabilities (after offsetting)</b>	85,723	84,905	7,774	6,781

Continued

**31. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)**

As mentioned in Note 3, the tax effects of unutilised tax losses, unabsorbed capital allowances, unused tax credit and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax losses, unabsorbed capital allowances, unabsorbed reinvestment allowances and deductible temporary differences can be utilised. As at 31 July 2022, the amount of unutilised tax losses, unabsorbed capital allowances and deductible temporary differences of certain subsidiaries for which deferred tax assets are not recognised in the financial statements due to uncertainty of realisation are as follows:

	The Group	
	2022 RM'000	2021 RM'000
Unutilised tax losses	494	464
Unabsorbed capital allowances	8	8
Deductible temporary differences	920	892
	1,422	1,364

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses will be imposed with a time limit of utilisation. Effective from year of assessment 2018, unutilised tax losses in a year of assessment can only be carried forward for a maximum period of seven consecutive years of assessment.

Under the Malaysia Finance Act 2021 which was gazetted on 31 December 2021, the time frame to carry forward unused tax losses for year of assessment 2019 and subsequent years of assessment will be extended from seven to ten consecutive years of assessment. Unutilised tax losses accumulated up to year of assessment 2018 can now be carried forward for ten consecutive years of assessment until year of assessment 2028.

Expiry date of the Group's tax losses is summarised below:

	The Group	
	2022 RM'000	2021 RM'000
Year of assessment 2028	464	-
Year of assessment 2025	-	464

**32. TRADE PAYABLES**

	The Group	
	2022 RM'000	2021 RM'000
Third parties	600,016	485,888
Associates	35,387	37,138
	635,403	523,026

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 7 to 120 days (2021: 30 to 120 days). The amount due to associates is unsecured, non-interest bearing and has credit terms of 30 to 120 days (2021: 30 to 120 days). Included in the trade payables of the Group is an amount of RM25,836,000 (2021: RM22,171,000) representing retention amount.

## Continued

**32. TRADE PAYABLES (CONT'D)**

The currency profile of trade payables is as follows:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Ringgit Malaysia	341,192	333,297
United States Dollar	290,866	186,155
Other currencies	3,345	3,574
	<b>635,403</b>	<b>523,026</b>

**33. OTHER PAYABLES AND ACCRUED EXPENSES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Accrued expenses	71,923	79,839	943	883
Other payables	65,376	64,612	-	-
Other liabilities	46,370	39,229	-	-
Deposits	1,247	1,503	-	1
	<b>184,916</b>	<b>185,183</b>	<b>943</b>	<b>884</b>

Other liabilities of the Group represent the obligation for the Group to repay the solicitors in relation to the legal fees on Sales and Purchase agreement signed between the Group and the purchasers in property development segment.

**34. DIVIDENDS**

	<b>The Group and The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>In respect of the financial year ended 31 July 2020:</b>		
Single tier final dividend of 13 sen per ordinary share on 516,864,772 ordinary shares*	-	67,192
<b>In respect of the financial year ended 31 July 2021:</b>		
Single tier interim dividend of 4 sen per ordinary share on 1,550,656,029 ordinary shares	-	62,027
Single tier final dividend of 5 sen per ordinary share on 1,550,999,767 ordinary shares	77,550	-
<b>In respect of the financial year ended 31 July 2022:</b>		
Single tier interim dividend of 4 sen per ordinary share on 1,550,999,767 ordinary shares	62,040	-
	<b>139,590</b>	<b>129,219</b>

\* Before the 2 for 1 bonus issue which was completed on 15 January 2021.

On 29 September 2022, the directors proposed a single tier final dividend of 5 sen per ordinary share amounting to approximately RM77,550,000 in respect of the financial year ended 31 July 2022. The proposed single tier final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2023.

Continued

**35. CAPITAL COMMITMENTS**

At the end of reporting period, the Group has the following capital commitments in respect of the acquisition of land held for property development and plant and machinery.

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Approved and contracted for:		
Balance payment for purchase of land held for property development	713,305	870,220
Purchase of plant and machinery	105,331	167,793
	<b>818,636</b>	<b>1,038,013</b>

**36. RELATED PARTY TRANSACTIONS**

Amounts owing by/(to) associates and joint venture which arose mainly from trade transactions and expenses paid on behalf have a credit period range from 30 to 120 days (2021: 30 to 120 days).

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

- (a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

		<b>The Group</b>		<b>The Company</b>	
		<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Associates:					
Sales	(i)	(545)	(437)	-	-
Purchases	(ii)	179,981	148,282	-	-
Management fees income	(iii)	(120)	(120)	(120)	(120)
Rental income	(iv)	(557)	(418)	-	-
Dividend income		-	-	(3,098)	(1,902)
Joint venture:					
Sales	(i)	(307)	(208)	-	-
Rental income	(iv)	(926)	(926)	-	-
Subsidiaries:					
Dividend income		-	-	(270,794)	(179,026)

(i) The sales were determined on terms not more favourable to the related parties than to third parties and have credit terms of 60 days (2021: 60 days).

(ii) The purchase of products from associate were made according to the published prices and conditions offered by the related party to their major customers and have credit terms of 30 to 120 days (2021: 30 to 120 days)

(iii) The rendering of services to associate was determined on terms not more favourable to the related parties than to third parties and have credit terms of 30 days (2021: 30 days).

(iv) The rental payable by the associate and joint venture were determined on terms not more favourable to the related parties than to third parties and have credit terms of 30 days (2021: 30 days).



## Continued

**36. RELATED PARTY TRANSACTIONS (CONT'D)**

(b) Compensation of key management personnel is as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and other emoluments	22,591	24,649	-	-
Contribution to defined contribution plans	4,053	4,433	-	-
Share Grant Plan	294	2,418	-	-
Fees	120	120	120	120
	27,058	31,620	120	120

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly.

Included in compensation of key management personnel of the Group and of the Company is directors' remuneration amounting to RM8,722,000 and RM120,000 (2021: RM11,773,000 and RM120,000) respectively.

**37. SEGMENTAL INFORMATION**

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are within the Group.

**(a) Business segments**

The Group's activities are classified into two major business segments:

- Packaging - mainly in the business of manufacturing, selling, and marketing of various flexible plastic packaging products, which can be further categorised into industrial and consumer-based packaging products.
- Property development - in the business of constructing and developing mainly affordable housing in Peninsular Malaysia.

Management monitors the operating results of its business units separately for the purpose of decision making on resource allocation and performance assessment. Transactions between operating segments are conducted under terms, conditions and prices not materially different from transactions with non-related parties.

Continued

## 37. SEGMENTAL INFORMATION (CONT'D)

## (b) Analysis by activity

	Note	Packaging RM'000	Property development RM'000	Consolidated RM'000
<b>2022</b>				
<b>Revenue</b>		2,861,375	1,123,943	3,985,318
<b>Results</b>				
Interest income		331	1,790	2,121
Finance costs		7,906	12,540	20,446
Depreciation of property, plant and equipment		106,934	3,838	110,772
Depreciation of right-of-use assets		3,340	342	3,682
Share of results of associates and joint venture		7,711	-	7,711
Other non-cash expenses	(ii)	10,281	(5,382)	4,899
Segment profit	(i)	238,043	322,999	561,042
<b>Assets</b>				
Segment assets		2,688,297	2,662,824	5,351,121
Investment in associates		86,689	-	86,689
Investment in joint venture		16,133	-	16,133
Tax recoverable		12,652	681	13,333
Deferred tax assets		924	6,355	7,279
Consolidated total assets				5,474,555
<b>Liabilities</b>				
Segment liabilities		1,158,145	885,462	2,043,607
Tax liabilities		15,750	21,817	37,567
Deferred tax liabilities		83,355	2,368	85,723
Consolidated total liabilities				2,166,897
<b>2021</b>				
<b>Revenue</b>		2,491,481	1,164,485	3,655,966
<b>Results</b>				
Interest income		485	2,648	3,133
Finance costs		5,314	5,825	11,139
Depreciation of property, plant and equipment		103,464	3,369	106,833
Depreciation of right-of-use assets		3,129	265	3,394
Share of results of associates and joint venture		11,761	-	11,761
Other non-cash expenses	(ii)	18,155	7,048	25,203
Segment profit	(i)	253,558	346,781	600,339

## Continued

**37. SEGMENTAL INFORMATION (CONT'D)****(b) Analysis by activity (cont'd)**

	Note	Packaging RM'000	Property development RM'000	Consolidated RM'000
<b>Assets</b>				
Segment assets		2,436,369	2,541,480	4,977,849
Investment in associates		85,224	-	85,224
Investment in joint venture		14,149	-	14,149
Tax recoverable		7,059	-	7,059
Deferred tax assets		7,355	8,197	15,552
Consolidated total assets				5,099,833
<b>Liabilities</b>				
Segment liabilities		943,075	935,056	1,878,131
Tax liabilities		10,036	29,553	39,589
Deferred tax liabilities		81,695	3,210	84,905
Consolidated total liabilities				2,002,625

## Notes

- (i) The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the statements of profit or loss:

	2022 RM'000	2021 RM'000
Segment profit	561,042	600,339
Finance costs (Note 7)	(20,446)	(11,139)
Share of results of associates and joint venture	7,711	11,761
Profit before tax	548,307	600,961

- (ii) Other material non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	2022 RM'000	2021 RM'000
Increase in liability for defined benefit plan	4,793	5,481
Net unrealised loss on foreign exchange	5,480	12,116
Share Grant Plan expense	1,442	11,203
Impairment loss on trade receivables	152	283
Write back of bad debts	(5)	(165)
Property, plant and equipment written off	100	1,619
Fair value loss/(gain) on other investments	1,879	(3,701)
Reversal of contingent consideration with respect to acquisition of associate	(1,881)	-
Reversal of impairment loss on trade receivables	(378)	(169)
Gain on disposal of investment properties	(8,100)	-
Gain on disposal of property, plant and equipment	(1,686)	(257)
Gain on bargain purchase of associate	-	(2,013)
Gain on lease modification	(7)	(28)
Write off of inventories	3,110	834
	4,899	25,203

Continued

**37. SEGMENTAL INFORMATION (CONT'D)****(b) Analysis by activity (cont'd)**

(iii) Included in segment assets is addition to non-current assets of:

	Packaging RM'000	Property development RM'000	Consolidated RM'000
<b>2022</b>			
Property, plant and equipment	202,642	3,217	205,859
Right-of-use assets	3,649	225	3,874
Land held for property development	-	468,733	468,733
<b>2021</b>			
Property, plant and equipment	168,123	1,987	170,110
Right-of-use assets	2,077	453	2,530
Land held for property development	-	570,268	570,268

**(c) Geographical information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-Current Assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysia	2,006,108	1,955,460	3,425,107	2,977,847
Japan	480,384	414,569	-	-
Australia	299,736	254,269	616	506
Korea	235,092	193,687	-	-
Indonesia	214,147	193,830	713	951
Singapore	149,712	133,733	28	10
Thailand	147,563	155,624	-	-
United States of America	111,675	82,233	108,680	131,130
Philippines	107,935	76,306	-	-
Europe	45,866	42,669	-	-
Myanmar	37,013	32,299	32,387	35,990
The Socialist Republic of Vietnam	24,820	27,419	14,771	13,546
Others	125,267	93,868	-	-
Consolidated	3,985,318	3,655,966	3,582,302	3,159,980

Revenue from one major customer amounting to RM338,069,000 (2021: RM301,532,000), arising from sales by the packaging segment.

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	2022 RM'000	2021 RM'000
Property, plant and equipment	1,463,755	1,382,668
Right-of-use assets	4,917	5,126
Investment properties	-	16,900
Land held for property development	1,650,472	1,283,660
Investment in joint venture	16,133	14,149
Investment in associates	86,689	85,224
Other investments	22,634	24,525
Deferred tax assets	7,279	15,552
Goodwill	330,423	332,176
	3,582,302	3,159,980

## Continued

**38. FINANCIAL INSTRUMENTS****Capital management**

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business operations and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2022 and 31 July 2021.

**Gearing Ratio**

The gearing ratio at end of the reporting period was as follows:

		<b>The Group</b>	
		<b>2022 RM'000</b>	<b>2021 RM'000</b>
Debt	(i)	1,171,475	1,119,797
Less: Cash and cash equivalents		(191,177)	(243,308)
Net debt		980,298	876,489
Equity attributable to owners of the Company	(ii)	3,109,596	2,895,663
Net debt to equity ratio		0.32	0.30

(i) Debt is defined as long-term and short-term borrowings as disclosed in Note 28.

(ii) Equity includes issued capital and reserves.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

**Categories of financial instruments**

	<b>The Group</b>		<b>The Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Financial assets</b>				
At amortised cost:				
Trade receivables	696,522	684,947	-	-
Other receivables and deposits	19,361	24,246	10	29
Deposits, cash and bank balances	164,048	243,308	142	2,660
At fair value:				
Other investments	22,634	24,525	21,801	23,692
Short-term deposits with other financial institutions	27,129	-	1,708	-
	929,694	977,026	23,661	26,381
<b>Financial liabilities</b>				
At amortised cost:				
Trade payables	635,403	523,026	-	-
Other payables and accrued expenses	184,916	185,183	943	884
Borrowings	1,171,475	1,119,797	-	-
Lease liabilities	5,870	7,980	-	-
	1,997,664	1,835,986	943	884

Continued

**38. FINANCIAL INSTRUMENTS (CONT'D)****Financial Risk Management Objectives and Policies**

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

**Foreign currency risk management**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign exchange rate risk on certain transactions entered into by subsidiaries in currencies other than its functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Assets The Group</b>		<b>Liabilities The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
United States Dollar	147,992	104,567	746,320	527,818
Japanese Yen	7,470	7,433	54,115	59,059

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the foreign currency of United States Dollar ("USD") and Japanese Yen ("JPY").

The following table details the Group's sensitivity to a 3% increase and decrease in the Ringgit Malaysia against USD and JPY. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis below includes:

- (i) Outstanding foreign currency denominated monetary items and adjusts their translation at the year end and for a 3% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 3% against the USD and JPY. For a 3% weakening of the Ringgit Malaysia against USD and JPY, there would be a comparable impact on profit or loss and the balances below would be negative.

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
United States Dollar	17,950	12,697
Japanese Yen	1,399	1,549

- (ii) The Group's sales less cost of sales and other items of expenses denominated in USD and JPY during the financial year ended 31 July 2022 for a 3% change in foreign currency rates. A positive number below indicates profit where the Ringgit Malaysia weakens 3% against USD and JPY. For a 3% strengthening of the Ringgit Malaysia against USD and JPY, there would be a comparable impact on profit or loss, the balances below would be negative.

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
United States Dollar	4,195	6,786
Japanese Yen	2,411	1,496



## Continued

**38. FINANCIAL INSTRUMENTS (CONT'D)****Foreign currency risk management (cont'd)**Foreign currency sensitivity analysis (cont'd)

- (iii) The Group's sales less cost of sales and other items of expenses denominated in USD and JPY during the financial year ended 31 July 2022, offset against the Group's exposure in USD and JPY in the statements of financial position at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 3% against the USD and JPY. For a 3% weakening of the Ringgit Malaysia against USD and JPY, a positive number below indicates a loss.

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
United States Dollar	13,755	5,911
Japanese Yen	(1,012)	53
	<b>12,743</b>	<b>5,964</b>

**Interest rate risk management**

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 28.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analyses below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 July 2022 would decrease or increase by RM2,441,000 (2021: RM1,850,000).

**Credit risk management**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Company monitors on an ongoing basis the results of the subsidiaries and related parties, and repayments made by the subsidiaries and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as at 31 July 2022, is the carrying amount of these receivables as disclosed in the statements of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 23. Deposits and short-term placements with licensed banks and financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 23.

Credit risk concentration profile

As at the reporting date, the Group does not have any significant exposure to any individual customer or counterparty.

Continued

**38. FINANCIAL INSTRUMENTS (CONT'D)****Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group and the Company practice prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

The Group	Effective interest rate per annum	Less than 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2022</b>					
<b>Financial liabilities</b>					
Non-interest bearing:					
Trade payables		635,403	-	-	635,403
Other payables and accrued expenses		184,916	-	-	184,916
		820,319	-	-	820,319
Interest bearing:					
Borrowings	2.3% - 3.3%	931,179	122,687	159,184	1,213,050
Lease liabilities	3.0% - 14.0%	3,050	3,475	-	6,525
		934,229	126,162	159,184	1,219,575
Total undiscounted financial liabilities		1,754,548	126,162	159,184	2,039,894
<b>2021</b>					
<b>Financial liabilities</b>					
Non-interest bearing:					
Trade payables		523,026	-	-	523,026
Other payables and accrued expenses		185,183	-	-	185,183
		708,209	-	-	708,209
Interest bearing:					
Borrowings	0.5% - 2.9%	829,094	175,581	162,642	1,167,317
Lease liabilities	3.0% - 14.0%	4,914	3,404	515	8,833
		834,008	178,985	163,157	1,176,150
Total undiscounted financial liabilities		1,542,217	178,985	163,157	1,884,359

## Continued

**38. FINANCIAL INSTRUMENTS (CONT'D)****Liquidity risk management (cont'd)**

The Company	Carrying Amount RM'000	Less than 1 year RM'000	Total RM'000
<b>2022</b>			
<b>Financial liabilities</b>			
Non-interest bearing:			
Other payables and accrued expenses	943	943	943
Total undiscounted financial liabilities	943	943	943
Financial guarantees	Nil	1,576,448	1,576,448
<b>2021</b>			
<b>Financial liabilities</b>			
Non-interest bearing:			
Other payables and accrued expenses	884	884	884
Total undiscounted financial liabilities	884	884	884
Financial guarantees	Nil	1,459,708	1,459,708

**Financial guarantees**

Corporate guarantees are provided by the Company to certain financial institutions and suppliers to secure banking facilities and credit facilities for the subsidiaries. The directors are of the opinion that the corporate guarantees are not likely to be called upon and regard the value of the credit enhancement provided by the corporate guarantees as minimal.

The maximum exposure to credit risk in relation to the financial corporate guarantees given amounts to RM1,576,448,000 (2021: 1,459,708,000) as at the end of the reporting period representing the outstanding banking facilities and supplier credit facilities of the subsidiaries as at the end of financial year.

**Fair values of financial instruments**

The carrying amounts of the short-term financial assets and financial liabilities recognised at amortised cost in financial statements approximate their fair values.

The fair value of long-term financial liabilities have been determined by the present value of future cash flow estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between fair value and carrying values of these financial liabilities as at the end of the reporting period.

Fair value hierarchy

The assets and liabilities carried at fair value are categorised into different levels of fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair measurement in its entirety. Details of the fair value hierarchy of the Group's property, plant and equipment, other investments and money market deposits are disclosed in Notes 13, 20 and 25 respectively.

Continued

**39. NOTE TO THE STATEMENTS OF CASH FLOWS****(a) Cash outflows on purchase of property, plant and equipment**

Purchase of property, plant and equipment during the financial year is financed by the following means:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Additions to property, plant and equipment	205,859	170,110
Less: Deposits paid in prior year	(38,678)	(87,234)
Less: Amount outstanding as other payables	-	(1,492)
Add: Amount paid in current year from other payables	5,186	-
<b>Cash outflows</b>	<b>172,367</b>	<b>81,384</b>

**(b) Cash outflows on purchase of land held for property development**

Purchase of land held for property development during the financial year is financed by the following means:

	<b>The Group</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Additions to land held for property development	468,733	570,268
Less: Deposits paid in prior year	(53,221)	(23,845)
<b>Cash outflows</b>	<b>415,512</b>	<b>546,423</b>

**(c) Reconciliation of liabilities arising from financing activities**

The table below details the reconciliation of the opening and closing balances in the statements of financial position for the liabilities arising from the financing activities in the statements of cash flows of the Group and the Company:

<b>The Group 2022</b>	<b>Note</b>	<b>As at 1 August RM'000</b>	<b>Non-cash changes movement RM'000</b>	<b>Cash flows</b>		<b>As at 31 July RM'000</b>
				<b>Drawdown RM'000</b>	<b>Repayment RM'000</b>	
Borrowings	28	1,119,797	6,461	102,680	(57,463)	1,171,475
Lease liabilities	29	7,980	2,428	-	(4,538)	5,870
		<b>1,127,777</b>	<b>8,889</b>	<b>102,680</b>	<b>(62,001)</b>	<b>1,177,345</b>
<b>2021</b>						
Borrowings	28	1,041,060	5,475	85,662	(12,400)	1,119,797
Lease liabilities	29	9,424	1,700	-	(3,144)	7,980
		<b>1,050,484</b>	<b>7,175</b>	<b>85,662</b>	<b>(15,544)</b>	<b>1,127,777</b>

## Continued

**40. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR END**

- (i) On 30 August 2021, the Company announced that SPSB, a wholly-owned subsidiary of SQSB which in turn is a wholly-owned subsidiary of the Company, has entered into a SPA with Seriemas Development Sdn Bhd for the proposed acquisition of five (5) pieces of freehold agricultural lands, all situated in the State of Selangor, measuring an aggregate area of approximately 250.8 acres for a total purchase consideration of RM207,600,000. On 15 June 2022, the Vendor and SPSB have entered into a Supplemental Agreement to extend the conditional period to 24 November 2022 to enable the Vendor to obtain the approvals of Estate Land Board, subdivision of Lot 4567 into four (4) subdivided titles and issuance of four (4) separate titles for Lot 4567 in accordance with the revised subdivisional plan; and for SPSB to obtain the outcome of appeal to Economic Planning Unit. The proposed acquisition is expected to be completed in the second half of year 2022.
- (ii) On 13 September 2021, the Company announced that it has through its principal adviser served a notice of unconditional take-over offer to the board of directors of SPAK, informing the Company's intention to undertake an unconditional voluntary take-over offer ("Offer") to acquire:
  - (a) all the remaining 124,784,759 ordinary shares in SPAK ("SPAK Shares"), representing 38.12% of the total issued shares of SPAK (excluding treasury shares) not already held by the Company, as well as such number of new SPAK Shares that may be issued prior to the closing date of the Offer arising from the exercise of the outstanding warrants 2017/2022 in SPAK ("SPAK Warrant(s)") ("Offer Share(s)") for a cash offer price of RM2.70 per Offer Share; and
  - (b) all the remaining 26,137,985 SPAK Warrants, representing 95.75% of the outstanding SPAK Warrants not already held by the Company ("Offer Warrant(s)"), for a cash offer price of RM0.32 per Offer Warrant.

The offer document dated 4 October 2021 was dispatched to the shareholders and warrant holders of SPAK on even date. The offer is open for acceptance until 25 October 2021 and subsequently extended to 8 November 2021 in accordance with terms and conditions stated in the offer document. The offer has been closed as of 8 November 2021 with the Company holding a 71.90% stake in SPAK.

- (iii) On 2 September 2022, the Company announced that SPF, a wholly-owned subsidiary of the Company, has entered into a Share Sale Agreement ("SSA") with Taisei Lamick Co. Ltd ("Vendor") for the proposed acquisition of 8,100 ordinary shares in Taisei Lamick Malaysia Sdn Bhd ("TLM"), representing approximately 80.2% equity interest in TLM for a total purchase consideration of RM63,780,000 to be satisfied entirely via cash, subject to the terms and conditions contained in the SSA. The SSA has become unconditional on 23 September 2022 and the completion of the proposed acquisition took place on 30 September 2022 in accordance with the terms and conditions of the SSA. Pursuant thereto, TLM has become a subsidiary of SPF, which in turn is a subsidiary of the Company.

## Statement by Directors

The directors of **SCIENTEX BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2022 and of the financial performance and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board in accordance  
with a resolution of the directors,

**LIM PENG JIN**

**LIM PENG CHEONG**

Shah Alam, Selangor Darul Ehsan  
12 October 2022

## Declaration by The Officer Primarily Responsible for The Financial Management of The Company

I, **CHOO SENG HONG**, being the officer primarily responsible for the financial management of **SCIENTEX BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHOO SENG HONG**  
(MIA MEMBERSHIP NO. 11057)

Subscribed and solemnly declared by the abovenamed  
**CHOO SENG HONG** at **KUALA LUMPUR, WILAYAH PERSEKUTUAN**  
on this 12th day of October 2022.

Before me,  
KHATIJAH BINTI KAMARUDDIN (W739)  
Commissioner for Oaths  
Kuala Lumpur  
Wilayah Persekutuan



## List of Properties Held by The Group

As at 31 July 2022

Location	Description/ Existing Use/ Age of Building	Tenure	Land Area (Acres)	Built-up Area (sq.ft.)	Net Book Value (RM'000)	Year of Acquisition/ Revaluation*
H. S. (D) 17394 P.T. No. 7209 H. S. (D) 17395 P.T. No. 7210 GRN 60084 Lot 7561 Mukim and Daerah Jasin, Melaka	Mixed development	Freehold	1,293.1	-	266,224	2021
GRN 57798 Lot 4358 GRN 19398 Lot 249 GM 288 Lot 248 Mukim 12, Daerah Seberang Perai Utara, Pulau Pinang	Mixed development	Freehold	343.2	-	260,412	2022
GRN 86246 Lot 3002 GRN 86248 Lot 3003 GRN 86256 Lot 3010 GRN 86257 Lot 3011 GRN 553849 Lot 166152 GRN 555512 Lot 166154 GRN 553845 Lot 166156 GRN 553847 Lot 166158 Mukim Pulau, Daerah Johor Bahru, Johor Darul Takzim	Mixed development	Freehold	202.2	-	195,282	2022
GRN 488391 Lot 64189 Mukim Pulau, Daerah Johor Bahru, Johor Darul Takzim	Mixed development	Freehold	137.1	-	193,149	2018
GRN 38309 Lot 1608 Mukim Rawang, Daerah Gombak, Selangor Darul Ehsan	Factory, office and warehouse for industrial use (Age: 11 - 24 years)	Freehold	28.7	508,452	122,420	2020 *
Mukim and Daerah Ulu Langat, Selangor Darul Ehsan	Mixed development	Freehold	140.6	-	102,924	2021
Bandar Kundang and Mukim Rawang, Daerah Gombak, Selangor Darul Ehsan	Mixed development	Freehold	75.8	-	98,631	2020/2021
H.S. (D) 135841 P.T. No. 129324 Mukim and Daerah Klang, Selangor Darul Ehsan	Factory, office and warehouse for industrial use (Age: 7 - 10 years)	Leasehold for 99 years expiring on 24.02.2097	12.5	282,243	86,942	2020 *
GRN 61299 Lot 27069 Mukim Ayer Panas, Daerah Jasin, Melaka	Mixed development	Freehold	110.8	-	83,947	2021
Lot 215, Seksyen 15 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Corporate office building (Age: 6 years)	Leasehold for 99 years expiring on 27.07.2097	8.2	131,194	65,468	2020 *

# Analysis of Shareholdings

As at 17 October 2022

Type of Shares	-	Ordinary Shares
Voting Rights	-	One vote per ordinary share
No. of Shareholders	-	14,314

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held *	% *
Less than 100	211	1.47	5,559	0.00 <sup>^</sup>
100 - 1,000	3,767	26.32	2,467,539	0.16
1,001 - 10,000	6,628	46.30	26,789,679	1.73
10,001 - 100,000	2,988	20.88	92,514,758	5.96
100,001 to less than 5% of issued shares	716	5.00	728,367,610	46.96
5% and above of issued shares	4	0.03	700,854,622	45.19
<b>Total</b>	<b>14,314</b>	<b>100.00</b>	<b>1,550,999,767</b>	<b>100.00</b>

Notes:-

\* Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.

<sup>^</sup> Less than 0.01%.

## SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

Name	Direct Interest	No. of Shares Held		
		% *	Deemed Interest	% *
1 Lim Peng Jin	7,312,032	0.47	877,746,634 <sup>A</sup>	56.59
2 Lim Peng Cheong	1,446,800	0.09	831,361,502 <sup>B</sup>	53.60
3 Scientex Holdings Sdn Berhad	325,546,872	20.99	141,477,612 <sup>C</sup>	9.12
4 Scientex Infinity Sdn Bhd	154,777,768	9.98	546,076,854 <sup>D</sup>	35.21
5 Scientex Leasing Sdn Bhd	141,477,612	9.12	-	-
6 TM Lim Sdn Bhd	79,052,370	5.10	-	-
7 Sim Swee Tin Sdn Bhd	72,930,600	4.70	79,052,370 <sup>E</sup>	5.10

Notes:-

\* Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.

<sup>A</sup> Deemed interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Progress Innovations Sdn Bhd.

<sup>B</sup> Deemed interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd and Paradox Corporation Sdn Bhd.

<sup>C</sup> Deemed interest through Scientex Leasing Sdn Bhd.

<sup>D</sup> Deemed interests through Scientex Holdings Sdn Berhad, Scientex Leasing Sdn Bhd and TM Lim Sdn Bhd.

<sup>E</sup> Deemed interest through TM Lim Sdn Bhd.

## DIRECTORS' SHAREHOLDINGS (as per Register of Directors' Shareholdings)

Name	Direct Interest	No. of Shares Held		
		% *	Deemed/ Indirect Interest	% *
1 Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	238,640	0.02	690,000 <sup>a</sup>	0.04
2 Lim Peng Jin	7,312,032	0.47	877,838,434 <sup>b</sup>	56.60
3 Lim Peng Cheong	1,446,800	0.09	837,379,350 <sup>c</sup>	53.99
4 Wong Chin Mun	243,000	0.02	-	-
5 Dato' Noorizah Binti Hj Abd Hamid	-	-	-	-
6 Ang Kim Swee	630,000 <sup>d</sup>	0.04	110,000 <sup>e</sup>	0.01

## Analysis of Shareholdings

Lim Peng Jin and Lim Peng Cheong by virtue of their interests in the shares of the Company are also deemed to have interest in the shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, the Directors in office did not have any other interest in the shares of the Company and its related corporations as at the date of the Analysis of Shareholdings.

*Notes:-*

- \* Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.*
- <sup>a</sup> Indirect interests through Shareena Binti Mohd Sheriff and Mohd Ridzal Bin Mohd Sheriff.*
- <sup>b</sup> Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Progress Innovations Sdn Bhd and Lee Chung Yau.*
- <sup>c</sup> Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Paradox Corporation Sdn Bhd, Yong Sook Lan, Lim Jian You, Lim Chia Wei and Lim Jian Yen.*
- <sup>d</sup> Held through nominee company.*
- <sup>e</sup> Indirect interests through Ang Ying Fen and Ang Huang Yao.*

## Analysis of Shareholdings

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS**

(Without Aggregating Securities from Different Securities Accounts Belonging to the Same Person)

No.	Names	No. of Shares Held	% *
1	Scientex Holdings Sdn Berhad	325,546,872	20.99
2	Scientex Infinity Sdn Bhd	154,777,768	9.98
3	Scientex Leasing Sdn Bhd	141,477,612	9.12
4	TM Lim Sdn Bhd	79,052,370	5.10
5	Sim Swee Tin Sdn Bhd	72,930,600	4.70
6	Progress Innovations Sdn Bhd	48,615,300	3.13
7	Lembaga Tabung Haji	28,900,000	1.86
8	LG & L Pty Ltd	18,119,696	1.17
9	Lim Koy Peng	15,048,913	0.97
10	UOBM Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Malacca Securities Sdn Bhd</i>	13,621,000	0.88
11	Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Pledged Securities Account for Malacca Securities Sdn Bhd (35-00334-000)</i>	12,900,000	0.83
12	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board (Nomura)</i>	11,867,100	0.77
13	Saw Soon Lin	11,801,064	0.76
14	Hong Leong Assurance Berhad - <i>As beneficial owner (Life Par)</i>	11,460,600	0.74
15	Cartaban Nominees (Asing) Sdn Bhd - <i>Exempt an for State Street Bank &amp; Trust Company (West CLT OD67)</i>	9,256,900	0.60
16	Citigroup Nominees (Asing) Sdn Bhd - <i>Exempt An for Citibank New York (Norges Bank 19)</i>	8,778,000	0.57
17	Wong Mook Weng @ Wong Tsap Loy	8,579,728	0.55
18	CIMB Group Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Malacca Securities Sdn Bhd (NBFI-FIG)</i>	8,000,000	0.52
19	HSBC Nominees (Asing) Sdn Bhd - <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	7,935,900	0.51
20	Cartaban Nominees (Tempatan) Sdn Bhd - <i>PAMB for Prulink Equity Fund</i>	7,850,500	0.51
21	HSBC Nominees (Asing) Sdn Bhd - <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	7,720,724	0.50
22	Yatee & Sons Sdn Bhd	7,444,698	0.48
23	Lim Peng Jin	7,312,032	0.47
24	ABB Nominee (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Malacca Securities Sdn Bhd</i>	7,000,000	0.45
25	Chua Ah Nee	6,748,849	0.44
26	HLB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Malacca Securities Sdn Bhd (PJCAC)</i>	6,579,000	0.42
27	Loh Hoay Chye & Sons Sdn Bhd	5,376,000	0.35
28	Cartaban Nominees (Asing) Sdn Bhd - <i>BBH (LUX) SCA for Fidelity Funds Asean</i>	5,295,100	0.34
29	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board (AsianIslamic)</i>	5,109,800	0.33
30	HLB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account For Mplusonline Sdn Bhd</i>	4,984,500	0.32
<b>Total</b>		<b>1,060,090,626</b>	<b>68.35</b>

Notes:-

\* Excluding a total of 100 ordinary shares purchased by the Company and retained as treasury shares.

# Analysis of Warrantholdings

As at 17 October 2022

Exercise price per warrant	-	RM4.30
Expiry date of warrant	-	14 January 2026

## DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants Held	%
Less than 100	1,286	21.15	45,544	0.04
100 - 1,000	2,581	42.45	1,088,072	1.05
1,001 - 10,000	1,680	27.64	5,747,142	5.56
10,001 - 100,000	443	7.29	13,592,239	13.16
100,001 to less than 5% of issued warrants	85	1.40	37,149,837	35.98
5% and above of issued warrants	4	0.07	45,663,493	44.21
<b>Total</b>	<b>6,079</b>	<b>100.00</b>	<b>103,286,327</b>	<b>100.00</b>

## DIRECTORS' WARRANTHOLDINGS

Name	No. of Warrants Held			
	Direct Interest	%	Deemed/ Indirect Interest	%
1 Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim	17,776	0.02	46,000 <sup>a</sup>	0.04
2 Lim Peng Jin	482,904	0.47	57,437,713 <sup>b</sup>	55.61
3 Lim Peng Cheong	10,000	0.01	54,763,073 <sup>c</sup>	53.02
4 Wong Chin Mun	16,200	0.02	-	-
5 Dato' Noorizah Binti Hj Abd Hamid	-	-	-	-
6 Ang Kim Swee	27,200 <sup>d</sup>	0.03	3,200 <sup>e</sup>	0.00 <sup>^</sup>

Lim Peng Jin and Lim Peng Cheong by virtue of their interests in the warrants of the Company are also deemed to have interests in the warrants of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, the Directors in office did not have any other interest in the warrants of the Company and its related corporations as at the date of the Analysis of Warrantholdings.

Notes:-

<sup>^</sup> Less than 0.01%.

<sup>a</sup> Indirect interests through Shareena Binti Mohd Sheriff and Mohd Ridzal Bin Mohd Sheriff.

<sup>b</sup> Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Progress Innovations Sdn Bhd and Lee Chung Yau.

<sup>c</sup> Deemed/indirect interests through Scientex Holdings Sdn Berhad, Scientex Infinity Sdn Bhd, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Mplusonline Sdn Bhd, Paradox Corporation Sdn Bhd, Yong Sook Lan, Lim Jian You, Lim Chia Wei and Lim Jian Yen.

<sup>d</sup> Held through nominee company.

<sup>e</sup> Indirect interests through Ang Ying Fen and Ang Huang Yao.

## Analysis of Warrantholdings

**LIST OF THIRTY (30) LARGEST WARRANTHOLDERS**

(Without Aggregating Warrants from Different Securities Accounts Belonging to the Same Person)

No.	Names	No. of Warrants Held	%
1	Scientex Holdings Sdn Berhad	21,703,124	21.01
2	Scientex Leasing Sdn Bhd	9,431,840	9.13
3	Scientex Infinity Sdn Bhd	9,258,371	8.96
4	TM Lim Sdn Bhd	5,270,158	5.10
5	Sim Swee Tin Sdn Bhd	4,832,000	4.68
6	Malacca Securities Sdn Bhd - IVT(001)	3,303,080	3.20
7	Progress Innovations Sdn Bhd	3,241,020	3.14
8	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	2,037,900	1.97
9	Siau Kon Lin	1,400,000	1.36
10	LG & L Pty Ltd	1,274,646	1.23
11	Lim Koy Peng	1,002,594	0.97
12	CGS-CIMB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chai Hwee Lin (MY0985)	982,500	0.95
13	Cartaban Nominees (Asing) Sdn Bhd - BBH and Co Boston for Fidelity Puritan Trust: Fidelity Series Intrinsic Opportunities Fund	810,240	0.78
14	Saw Soon Lin	781,737	0.76
15	Lee Rong Sean	769,000	0.74
16	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ong Kok Yon	577,620	0.56
17	Wong Mook Weng @ Wong Tsap Loy	564,315	0.55
18	Chang Siew Sian	546,640	0.53
19	Yatee & Sons Sdn Bhd	496,313	0.48
20	Lim Peng Jin	482,904	0.47
21	Chua Ah Nee	465,256	0.45
22	Pang Tse Ming	450,000	0.44
23	Lam Chee Wei	430,000	0.42
24	Chang Siew Yen	416,100	0.40
25	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	412,100	0.40
26	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Kok Kong Chin (PB)	400,800	0.39
27	Loh Hoay Chye & Sons Sdn Bhd	358,400	0.35
28	Yong Sook Lan	339,134	0.33
29	Wong Soon Lim	312,195	0.30
30	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mplonline Sdn Bhd	292,000	0.28
<b>Total</b>		<b>72,641,987</b>	<b>70.33</b>

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifty-Fourth Annual General Meeting ("54<sup>th</sup> AGM") of the Company will be held virtually through live streaming from the broadcast venue at Auditorium, Bangunan Scientex, No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan and via the TIIH Online website at <https://tiih.online> on **Thursday, 8 December 2022 at 11.30 a.m.** for the following purposes: -

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2022 together with the Reports of the Directors and Auditors thereon.
2. To declare a single tier final dividend of 5 sen per ordinary share in respect of the financial year ended 31 July 2022. **(Resolution 1)**
3. To re-elect the following Directors who retire by rotation in accordance with Regulation 81 of the Company's Constitution and being eligible, have offered themselves for re-election: -
  - (a) Wong Chin Mun **(Resolution 2)**
  - (b) Ang Kim Swee **(Resolution 3)**
4. To approve the payment of Directors' fees of RM730,000 for the financial year ended 31 July 2022. **(Resolution 4)**
5. To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

#### 6. Ordinary Resolution I

##### **Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016**

"THAT subject to the Companies Act 2016, the Constitution of the Company and the approvals and/or requirements of the relevant governmental and/or regulatory authorities, where necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company from time to time at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided the aggregate number of shares to be allotted and issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**(Resolution 6)**

#### 7. Ordinary Resolution II

##### **Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company ("New Scientex Shares"), for the Purpose of the Company's Dividend Reinvestment Plan ("DRP") that Provides the Shareholders of the Company ("Shareholders") the Option to Elect to Reinvest Their Cash Dividend in New Scientex Shares**

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 6 December 2017 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of New Scientex Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting of the Company upon terms and conditions and to such persons as the Directors of the Company may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said New Scientex Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of New Scientex Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of New Scientex Shares.

AND THAT the Directors and the Secretaries of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they may, in their absolute discretion, deem fit and in the best interest of the Company."

**(Resolution 7)**



## Notice of Annual General Meeting

### 8. Ordinary Resolution III

#### Proposed Renewal of Share Buy-Back Authority

"THAT subject to the rules, regulations, orders and guidelines made pursuant to the Companies Act 2016 ("Act"), provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase on the market and/or hold such number of the Company's issued ordinary shares ("Scientex Shares") through Bursa Securities ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company subject to the following:-

- (a) The maximum number of Scientex Shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;
- (b) The maximum fund to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the retained earnings of the Company based on its latest audited financial statements. As at 31 July 2022, the audited retained earnings of the Company was RM343,835,000; and
- (c) The authority conferred by this resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next Annual General Meeting after the date is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authorities.

THAT the Directors be and are hereby authorised to deal with the shares purchased by the Company pursuant to the Proposed Share Buy-Back in their absolute discretion and that the shares so purchased may be retained as treasury shares, distributed as share dividends to the shareholders, resold on the market of Bursa Securities, transferred and/or cancelled in accordance with the Act and/or be dealt with in such other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force, as may be selected and determined by the Directors from time to time.

AND THAT the Directors be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and to do all such acts and things as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

**(Resolution 8)**

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of the shareholders, the proposed single tier final dividend will be paid on 9 January 2023 to shareholders whose names appeared in the Record of Depositors of the Company on 27 December 2022.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.30 p.m. on 27 December 2022;
- (b) Shares deposited into the depositor's securities account before 12.30 p.m. on 23 December 2022 (in respect of shares which are exempted from mandatory deposit); and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to Rules of Bursa Malaysia Securities Berhad.

By Order Of The Board

**TUNG WEI YEN** (MAICSA 7062671) (SSM Practising Certificate No. 201908003813)

**ONG LING HUI** (MAICSA 7065599) (SSM Practising Certificate No. 202008000555)

Secretaries

Shah Alam

9 November 2022

## Notice of Annual General Meeting

Notes:-

### 1. Remote Participation and Online Voting

- (i) The 54<sup>th</sup> AGM will be held virtually through live streaming and online voting via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>. **Please follow the procedures provided in the Administrative Guide of the 54<sup>th</sup> AGM which is accessible at [www.scientex.com.my/investors-relations/agm-egm/](http://www.scientex.com.my/investors-relations/agm-egm/) in order to register, participate and vote remotely via the RPV facilities.**
- (ii) The broadcast venue of the 54<sup>th</sup> AGM is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. **No member(s) or proxy(ies) or corporate representative(s) or attorney(s) shall be physically present or allowed to enter the broadcast venue on the day of the 54<sup>th</sup> AGM.**

### 2. Appointment of Proxies and Entitlement of Attendance

- (i) A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one proxy to attend, participate, speak and vote in his/her stead and where a member appoints two or more proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy need not be a member of our Company. There is no restriction as to the qualification of the proxy.
- (ii) Every member of our Company including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), and Exempt Authorised Nominees who holds ordinary shares in our Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint at least one person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote instead of him/her at our 54<sup>th</sup> AGM, and that such proxy(ies) need not be a member(s) of our Company. The appointment of more than one proxy in respect of any particular securities account or omnibus account shall specify the proportion of the member's shareholding to be represented by each proxy.
- (iii) The appointment of a proxy may be made via hard copy form or by electronic means in the following manner:
  - (a) In hard copy form  
Please ensure that the duly executed original Form of Proxy is deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not later than Tuesday, 6 December 2022 at 11.30 a.m.
  - (b) By electronic form  
The Form of Proxy can also be lodged electronically via TIIH Online website at <https://tiih.online> before the submission cut-off time as mentioned in note 2(iii)(a). Please refer to the Administrative Guide of the 54<sup>th</sup> AGM on the Procedure for Electronic Submission of Form of Proxy.
- (iv) In respect of deposited securities, only members whose names appear in our Record of Depositors as at 30 November 2022 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.

### 3. Audited Financial Statements

Agenda 1 is for discussion at the 54<sup>th</sup> AGM and no voting is required.

### 4. Re-election of Directors

The Directors who are subject to re-election have been assessed by the Board of Directors of the Company through the Nomination and Remuneration Committee.

### 5. Directors' Fees

The basis of fees payable to Directors remains unchanged for the financial year 2022. Further information of the Directors' Fees/Remuneration is set out in the Corporate Governance Overview Statement of the Company's Integrated Annual Report 2022.

### 6. Explanatory Notes on Special Business:-

#### (i) Authority to Directors to Allot and Issue Shares Pursuant to the Companies Act 2016

Resolution 6, if passed, will empower the Directors to allot and issue shares up to a maximum of ten percent (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 8 December 2021 and which will lapse at the conclusion of the 54<sup>th</sup> AGM.

This renewal of general mandate, if approved, will provide flexibility to the Company to avoid any delay and cost in convening a general meeting for such issuance of shares for any possible fund raising exercise(s), including but not limited to placing of shares for the purpose of funding future expansion(s), investment project(s), working capital and/or acquisition(s) and/or for general corporate purposes and/or any strategic reasons.

## Notice of Annual General Meeting

Notes:- (cont'd)

### 6. Explanatory Notes on Special Business:- (cont'd)

- (ii) **Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company ("New Scientex Shares"), for the Purpose of the Company's Dividend Reinvestment Plan ("DRP") that Provides the Shareholders of the Company the Option to Elect to Reinvest Their Cash Dividend in New Scientex Shares**

Resolution 7, if approved, will renew the authority given to the Directors to allot and issue New Scientex Shares pursuant to the DRP under the resolution passed at the last AGM held on 8 December 2021, the authority of which will lapse at the conclusion of the 54<sup>th</sup> AGM.

- (iii) **Proposed Renewal of Share Buy-Back Authority**

Resolution 8, if passed, will empower the Company to purchase and/or hold the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. This authority, unless renewed, revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Share Buy-Back Statement dated 9 November 2022.

### 7. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

## Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements")

### 1. Details of individuals who are standing for election as Directors

No individual is seeking election as Director at the forthcoming Fifty-Fourth Annual General Meeting of the Company.

### 2. Statement relating to the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements

The details of the general mandate are set out in the Notice of Annual General Meeting dated 9 November 2022 under item (i) of the Explanatory Notes on Special Business.

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# FORM OF PROXY



## SCIENTEX BERHAD

Company No. 196801000264 (7867-P)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_ NRIC No./Passport No./Registration No. \_\_\_\_\_

Number of Shares Held \_\_\_\_\_ CDS Account No. \_\_\_\_\_

of \_\_\_\_\_

Contact/Mobile Phone No. \_\_\_\_\_ Email Address \_\_\_\_\_

being a member(s) of Scientex Berhad, hereby appoint:

Full Name		Proportion of Shareholdings
NRIC No./Passport No.		
Full Address		
Contact/Mobile Phone No.	Email Address	
		%

And/or failing him/her

Full Name		Proportion of Shareholdings
NRIC No./Passport No.		
Full Address		
Contact/Mobile Phone No.	Email Address	
		%

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us and on my/our behalf at the Fifty-Fourth Annual General Meeting ("54<sup>th</sup> AGM") of the Company to be held virtually through live streaming from the broadcast venue at Auditorium, Bangunan Scientex, No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan and via the TIH Online website at <https://tthh.online> on **Thursday, 8 December 2022 at 11.30 a.m.** or at any adjournment thereof, in the manner indicated below:-

NO.	RESOLUTIONS	PROXY A		PROXY B	
		FOR	AGAINST	FOR	AGAINST
1.	To approve the declaration of a single tier final dividend of 5 sen per ordinary share.				
2.	To re-elect Wong Chin Mun as Director of the Company.				
3.	To re-elect Ang Kim Swee as Director of the Company.				
4.	To approve the payment of Directors' fees of RM730,000.				
5.	To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.				
6.	To authorise the Directors to allot and issue shares pursuant to the Companies Act 2016.				
7.	To approve the Proposed Renewal of Authority to allot and issue new ordinary shares under the Company's Dividend Reinvestment Plan.				
8.	To approve the Proposed Renewal of Share Buy-Back Authority.				

Please indicate with ( X ) how you wish your vote to be cast. In the absence of specific instruction, your proxy/proxies will vote or abstain from voting at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

Signature of Member(s)

### Notes:-

#### 1. Remote Participation and Online Voting

- The 54<sup>th</sup> AGM will be held virtually through live streaming and online voting via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tthh.online>. **Please follow the procedures provided in the Administrative Guide of the 54<sup>th</sup> AGM which is accessible at [www.scientex.com.my/investors-relations/agg-egm/](https://www.scientex.com.my/investors-relations/agg-egm/) in order to register, participate and vote remotely via the RPV facilities.**
- The broadcast venue of the 54<sup>th</sup> AGM is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. **No member(s) or proxy(ies) or corporate representative(s) or attorney(s) shall be physically present or allowed to enter the broadcast venue on the day of the 54<sup>th</sup> AGM.**

#### 2. Appointment of Proxies and Entitlement of Attendance

- A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint at least one proxy to attend, participate, speak and vote in his/her stead and where a member appoints two or more proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy need not be a member of our Company. There is no restriction as to the qualification of the proxy.
- Every member of our Company including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), and Exempt Authorised Nominees who holds ordinary shares in our Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint at least one person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote instead of him/her at our 54<sup>th</sup> AGM, and that such proxy(ies) need not be a member(s) of our Company. The appointment of more than one proxy in respect of any particular securities account or omnibus account shall specify the proportion of the member's shareholding to be represented by each proxy.
- The appointment of a proxy may be made via hard copy form or by electronic means in the following manner:
  - In hard copy form**  
Please ensure that the duly executed original Form of Proxy is deposited at the registered office of the Company at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not later than Tuesday, 6 December 2022 at 11.30 a.m.
  - By electronic form**  
The Form of Proxy can also lodged electronically via TIH Online at <https://tthh.online> before the submission cut-off time as mentioned in note 2(iii)(a). Please refer to the Administrative Guide of the 54<sup>th</sup> AGM on the Procedure for Electronic Submission of Form of Proxy.
- In respect of deposited securities, only members whose names appear in our Record of Depositors as at 30 November 2022 shall be regarded as a member and entitled to attend, participate, speak and vote at the meeting or appoint proxy to attend, participate, speak and/or vote on his/her behalf.

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COMPANY SECRETARY

**SCIENTEX BERHAD**  
Company No. 196801000264 (7867-P)

No. 9, Persiaran Selangor  
Seksyen 15, 40200 Shah Alam  
Selangor Darul Ehsan, Malaysia

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**SCIENTEX BERHAD** 196801000264 (7867-P)

No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

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Website: [www.scientex.com.my](http://www.scientex.com.my)

