

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

PROPOSED ACQUISITION BY SCIENTEX QUATARI SDN BHD OF 14 PARCELS OF FREEHOLD LAND, ALL SITUATED IN MUKIM OF PULAI, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR, MEASURING IN AGGREGATE AN APPROXIMATE AREA OF 350.2568 ACRES FOR A TOTAL PURCHASE CONSIDERATION OF RM381,429,660.00

1. **INTRODUCTION**

The Board of Directors of Scientex wishes to announce that Scientex Quatari Sdn Bhd [Registration No. 197601002045 (28008-M)] (“**Purchaser**”), a wholly-owned subsidiary of the Company, had on 10 June 2024 entered into a conditional Sale and Purchase Agreement (“**SPA**”) with Lee Pineapple Company (Pte) Limited [Registration No. 193100024D] (“**Vendor**”) for the proposed acquisition of 14 parcels of freehold land, all situated in Mukim of Pulai, District of Johor Bahru, State of Johor, measuring in aggregate an approximate area of 350.2568 acres (hereinafter referred to as “**Lands**” and more particularly described in Appendix I) for a total purchase consideration of RM381,429,660.00 only (“**Purchase Price**”) (“**Proposed Acquisition**”).

2. **DETAILS OF THE PROPOSED ACQUISITION**

2.1 **INFORMATION ON THE VENDOR**

The Vendor is a private limited company incorporated in Singapore on 9 December 1931 and registered as a foreign company in Malaysia on 24 February 1949. The principal activities of the Vendor are investment holding and oil palm planting. The issued share capital of the Vendor is SGD221,652,000 divided into 221,652 ordinary shares; SGD60,000,000 divided into 60,000 preference shares; and 300,000,000 non-voting shares. The Vendor is the registered and beneficial owner of the Lands.

The directors of the Vendor are Pang Ngiap Chiew, Chong Kwok Kian, Lee Shih Hua, Lee Shih Kwei (alternate director to Lee Shih Hua) and Fong Soon Yong. The directors who own 5% or more interest in the Vendor are Lee Shih Hua and Lee Shih Kwei.

The shareholders who own 5% or more interest in the Vendor are Selat (Pte) Limited, Lee Foundation, Lee Shih Hua, Lee Chien Shih, Lee Shih Kwei, Lee Tih Shih and Lee Yuen Shih.

2.2 **INFORMATION ON THE LANDS**

The Lands are surrounded by the existing Sri Pulai Perdana 2 and Bandar Pulai Jaya (due north), Bandar Baru Kangkar Pulai (due north-west) and located adjacent to our existing developments, Taman Pulai Mutiara, Taman Pulai Mutiara 2, and Taman Pulai Duta. The Lands are also located within the local authority area of Majlis Bandaraya Iskandar Puteri (MBIP), and are situated approximately 33 km from Johor Bahru city centre. The Lands are accessible from Johor Bahru city centre via Johor Baru-Senai Expressway (Jalan Skudai) for approximately 18 km and subsequently through Skudai-Pontian Highway and Jalan Kangkar Pulai. Further information on the Lands is set out in Appendix I of this announcement.

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

The Lands will be acquired on an “as-is-where-is” and “en-bloc” basis, free from encumbrances with vacant possession to be delivered in accordance with the terms of the SPA, subject to all conditions of the title, restrictions-in-interests and existing category of land use in the title of the Lands, and upon the terms and conditions set out in the SPA.

2.3 **SALIENT TERMS OF THE SPA**

The salient terms of the SPA are set out in Appendix II of this announcement.

2.4 BASIS AND JUSTIFICATION OF ARRIVING AT THE PURCHASE PRICE

The purchase consideration of RM381,429,660.00 for the Lands was arrived at on a willing-buyer willing-seller basis, after taking into consideration the general market value of similar properties located in the vicinity of the Lands, with adjustment made for differences in location, accessibility, terrain, size and shape of land, tenure, planning status, zoning category, title restriction (if any), other relevant characteristics, existing amenities surrounding the Lands, their immediate development prospects as stated in section 2.2 of this announcement as well as the overall development cost to ensure that the development project remains economic viable and sustainable in the long run. In view of rising property prices and robust demand for affordable homes from the low and middle-income groups, the Proposed Acquisition represents a strategic investment opportunity for Scientex Group of Companies (“**Scientex Group**”) to create greater economic value and increase its earnings potential as it gains a better and stronger foothold in the property market.

The property market has gradually increased in 2023, higher after the downturn in 2020 due to Covid-19 pandemic. A total of 399,008 transactions worth RM196.83 billion were recorded, each showing an increase of 2.5% and 9.9% respectively compared to 2022, which recorded 389,107 transactions worth RM179.07 billion.

Residential sub-sector led the overall property market, with 62.8% contribution in volume. This was followed by agriculture (19.0%), commercial (10.1%), development land and others (6.1%) and industrial (2.0%). Similarly in value, residential took the lead with 51.3% share, followed by commercial (19.5%), industrial (12.2%), agriculture (9.5%) and development land and others (7.5%).

Demand continued to focus on affordable houses. The affordable price range of RM300,000 and below accounted for 52.8% of the total residential transactions, followed by RM300,001 to RM500,000 (24.9%), RM500,001 to RM1 million (17.2%) and more than RM1 million (5.1%).

(Source: Property Market Report 2023, Valuation and Property Services Department Ministry of Finance Malaysia)

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

2.5 SOURCE OF FUNDING

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

2.6 LIABILITIES TO BE ASSUMED

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

3. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

The Proposed Acquisition allows Scientex Group to increase and boost the existing landbank of Scientex Group. The close proximity between Scientex Group’s existing developments and the proposed development of the Lands will enable Scientex Group to generate better operational efficiencies through greater economies of scale to be achieved during project implementation.

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

4. PROSPECTS OF THE PROPOSED ACQUISITION

Since 1995, Scientex Group have steadily built a reputation as a developer of affordable homes in Johor. The Group commenced its first development in Pulai, Johor, namely Taman Pulai Mutiara with 326 acres of prime freehold land, offering a wide selection of residential houses ranging from 2-storey and 3-storey terrace houses, affordable apartments, semi-detached houses and commercial shop offices.

Following the overwhelming response from Taman Pulai Mutiara, the Group continued its expansion in Pulai with the developments of Taman Pulai Mutiara 2 and Taman Pulai Duta. To-date, above 90% of the units launched in Pulai have been sold.

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

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

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

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

6. **EFFECTS OF THE PROPOSED ACQUISITION**

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

6.2 The Proposed Acquisition is not expected to have any material impact on the earnings and net assets of Scientex Group for the current financial year as the Proposed Acquisition is expected to be completed in its entirety in the first half of year 2025. The Proposed Acquisition is expected to enhance the future earnings of Scientex Group when the proposed development of the Lands comes onstream subsequently.

6.3 Scientex Group has been consistently generating strong net operating cash flow and the net gearing ratio was maintained at 0.15 times as at 31 January 2024. The Proposed Acquisition will not have any material impact on the gearing of the Company for the current financial year up to the completion of the Proposed Acquisition as the Group expects the net gearing ratio will be maintained at a healthy level upon the payment of the Balance Sum.

7. **APPROVAL/CONSENT REQUIRED**

The Proposed Acquisition is conditional upon fulfilment of the condition precedent as set out in Appendix II of this announcement. The Proposed Acquisition is not subject to the approval of the shareholders of the Company.

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

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

9. **DIRECTORS' STATEMENT/RECOMMENDATION**

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

10. **ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to fulfilment of the condition precedent as set out in Appendix II hereto, the Proposed Acquisition is expected to be completed in its entirety in the first half of year 2025.

11. **HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 11.24%.

12. **DOCUMENT FOR INSPECTION**

The SPA is available for inspection at the registered office of Scientex at No. 9, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 10 June 2024.

INFORMATION ON THE LANDS

(a) Particulars of the Lands

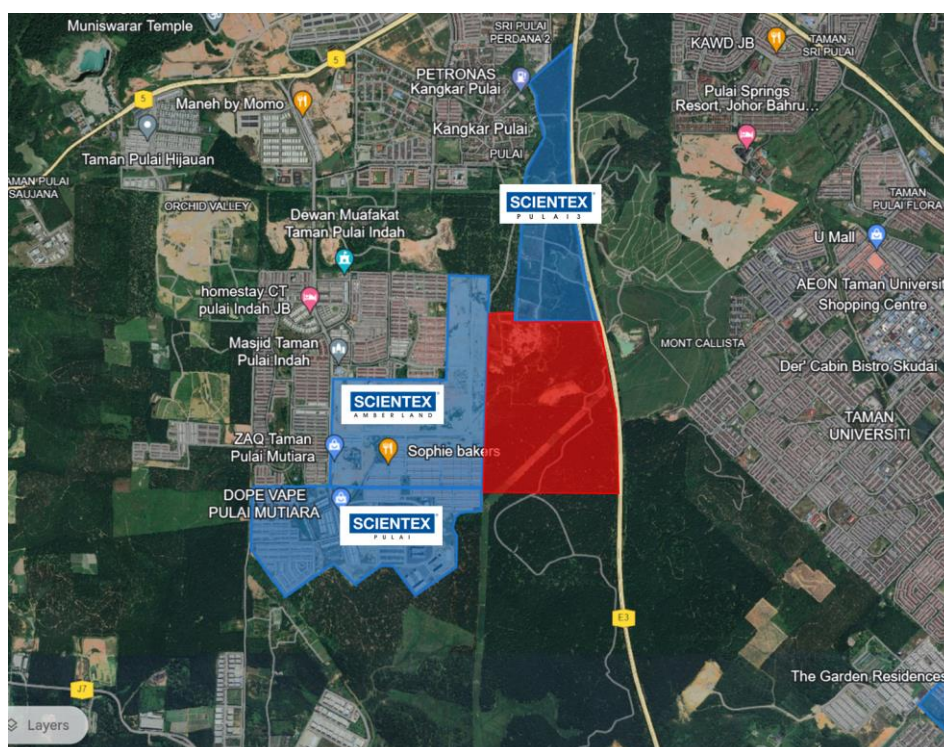
The Lands are freehold lands situated in Mukim of Pulau, District of Johor Bahru, State of Johor as particularly described hereinbelow:

	Title No.	Lot No.	Approximate Areas (hectares)
1	GRN 631049	Lot 208909	93.16
2	GRN 86296	Lot 3019	4.0317
3	GRN 86299	Lot 3020	4.0266
4	GRN 105311	Lot 3021	2.495
5	GRN 87713	Lot 3027	4.0292
6	GRN 87721	Lot 3028	4.0241
7	GRN 87728	Lot 3029	3.515
8	GRN 88024	Lot 3034	4.0393
9	GRN 88039	Lot 3035	4.0494
10	GRN 88047	Lot 3036	3.889
11	GRN 88094	Lot 3041	4.019
12	GRN 88100	Lot 3042	3.9786
13	GRN 88105	Lot 3043	3.976
14	GRN 88114	Lot 3044	2.511
		Total	141.744

The Lands are subject to the category of land use of “Pertanian” and express conditions as follow:

- i) Tanah ini hendaklah ditanam dengan tanaman kelapa sawit.
- ii) Pemilik tanah hendaklah sepanjang masa mengambil langkah-langkah menurut perintah yang dikehendaki oleh Pentadbir Tanah menjaga tanah ini daripada hakisan.

Save for the above, there is no restrictions-in-interest endorsed on the titles of the Lands. The Lands are presently free from encumbrances.

(b) Location map of the Lands

SALIENT TERMS OF THE SPA

1. PURCHASE CONSIDERATION AND PAYMENT TERM

The total purchase consideration for the Proposed Acquisition is RM381,429,660.00.

<u>Payment Term</u>	<u>Timing</u>	<u>Amount (RM)</u>
Earnest Deposit	Prior to execution of the SPA	7,636,423.00
RPGT Retention Sum (7%)	Upon execution of the SPA	26,700,076.20
Balance Deposit	Upon execution of the SPA	<u>3,806,466.80</u>
Deposit (10%)		38,142,966.00
Balance Sum (90%)	Within 3 months from the CP Fulfilment Date (as hereinafter defined) (“ Completion Period ”) with an automatic extension of time of 1 month from the expiry of the Completion Period (“ Extended Completion Period ”), subject to late payment interest at the rate of 8% per annum on the unpaid Balance Sum	343,286,694.00
	Total	<u>381,429,660.00</u>

2. CONDITION PRECEDENT

- 2.1 The SPA is subject to the procurement of the prior written approval of the Estate Lands Board (“**ELB**”) for the transfer of the Lands to the Purchaser (“**ELB Approval**”) (“**Condition Precedent**”) within 6 months from the date of SPA or such extended period as the parties may mutually agree upon (“**CP Period**”).
- 2.2 In the event the Condition Precedent is not fulfilled by the expiry of the CP Period, either party shall be entitled to terminate the SPA by giving notice in writing to the other party’s solicitors and the SPA shall cease to be of any further effect,
- 2.3 If the ELB Approval is granted, the Condition Precedent shall be deemed satisfied and the SPA shall become unconditional on the day upon which the Purchaser’s solicitors are in receipt of a certified true copy of the ELB Approval (“**CP Fulfilment Date**”).
- 2.4 The date when the Purchaser paid in full the Balance Sum together with the late payment interest payable thereunder (if any) shall be the “**Completion Date**”.

3. DEFAULT AND TERMINATION

- 3.1 In the event of default on part of the Purchaser, the Vendor shall be entitled to terminate the SPA by notice in writing to the Purchaser’s solicitors and thereafter the Deposit shall be forfeited by the Vendor as agreed liquidated damages and Vendor shall refund to the Purchaser any other sums of monies paid by the Purchaser to the Vendor towards the Purchase Price under the provisions of the SPA.
- 3.2 In the event of default on part of the Vendor, the Purchaser shall be entitled to the remedy at law for specific performance. Alternatively, at the election of the Purchaser, the Purchaser may at any time thereafter terminate the SPA by notice in writing to the Vendor or the Vendor’s solicitors. If the Purchaser issues a notice of termination, the Vendor shall refund to the Purchaser all monies paid by the Purchaser, free of interest and pay the Purchaser a sum equivalent to the Deposit as the agreed liquidated damages.

4. DELIVERY OF POSSESSION

The vacant possession of the Lands shall be delivered to the Purchaser on an “as-is-where-is” basis, free and clear of tenant, occupiers and squatters within 5 business days from the Completion Date.