



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

QUARTERLY REPORT

Quarterly report on consolidated results for the financial year ended 31 July 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 July 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year
	31.7.2019 RM'000	31.7.2018 RM'000	31.7.2019 RM'000	31.7.2018 RM'000
		(Restated)		(Restated)
Revenue	938,765	720,721	3,247,446	2,602,834
Operating profit	179,229	101,224	461,777	357,386
Interest expense	(4,503)	(4,010)	(15,533)	(10,751)
Investing results	1,847	2,709	4,344	8,049
Profit before tax	176,573	99,923	450,588	354,684
Taxation	(37,956)	(15,990)	(104,680)	(65,950)
Profit for the quarter / year	138,617	83,933	345,908	288,734
Profit attributable to:				
Owners of the Company	133,402	82,987	333,697	284,506
Non-controlling interests	5,215	946	12,211	4,228
Profit for the quarter / year	138,617	83,933	345,908	288,734
Earnings per share attributable to owners of the Company (sen per share)	25.89	16.97	66.66	58.50

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)



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QUARTERLY REPORT

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 July 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.7.2019 RM'000	Preceding year corresponding quarter 31.7.2018 RM'000 (Restated)	Current year to date 31.7.2019 RM'000	Preceding year 31.7.2018 RM'000 (Restated)
Profit for the quarter / year	138,617	83,933	345,908	288,734
Other comprehensive income/(loss), net of income tax:				
Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation of foreign operations	1,632	6,813	4,191	(6,908)
Items that will not be reclassified subsequently to profit or loss:				
- Remeasurement of defined benefit obligations	(1,268)	-	(1,268)	-
Other comprehensive income/(loss) for the quarter / year, net of income tax	364	6,813	2,923	(6,908)
Total comprehensive income for the quarter / year, net of income tax	138,981	90,746	348,831	281,826
Total comprehensive income for the quarter / year attributable to:				
Owners of the Company	133,339	89,147	335,137	278,269
Non-controlling interests	5,642	1,599	13,694	3,557
	138,981	90,746	348,831	281,826

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

SCIENTEX BERHAD
(Company No: 7867-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 July 2019

	AS AT 31.7.2019 RM'000 (Unaudited)	AS AT 31.7.2018 RM'000 (Restated)	AS AT 1.8.2017 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	1,247,750	1,150,608	1,012,570
Investment properties	17,000	17,000	17,000
Land held for property development	721,419	843,946	500,233
Investment in joint venture	28,029	27,173	24,115
Investment in associate	55,605	34,463	31,180
Other investments	20,170	7,508	8,552
Deferred tax assets	25,344	33,337	21,668
Goodwill	293,703	59,030	12,134
	2,409,020	2,173,065	1,627,452
Current assets			
Property development costs	384,759	232,957	165,068
Inventories	321,168	263,561	168,778
Trade and other receivables	734,890	543,391	432,172
Cash and cash equivalents	257,644	172,316	191,898
	1,698,461	1,212,225	957,916
TOTAL ASSETS	4,107,481	3,385,290	2,585,368
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	685,776	453,850	411,843
Reserves	1,539,242	1,295,755	1,114,933
Equity attributable to owners of the Company	2,225,018	1,749,605	1,526,776
Non-controlling interests	173,935	69,973	68,416
Total equity	2,398,953	1,819,578	1,595,192
Non-current liabilities			
Borrowings	269,846	323,941	166,500
Retirement benefits obligations	36,434	31,116	27,803
Deferred tax liabilities	72,525	50,638	35,943
	378,805	405,695	230,246
Current liabilities			
Borrowings	703,968	610,370	301,190
Trade and other payables	597,225	525,870	435,716
Tax liabilities	28,530	23,777	23,024
	1,329,723	1,160,017	759,930
Total liabilities	1,708,528	1,565,712	990,176
TOTAL EQUITY AND LIABILITIES	4,107,481	3,385,290	2,585,368
Net assets per share attributable to owners of the Company (RM)	4.32	3.58	3.16

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

SCIENTEX BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019**

	Reserves					Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Non-distributable		Distributable						
	Share capital RM'000	Property revaluation surplus RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Other reserves RM'000				
At 1 August 2018, as previously reported	453,850	55,799	4,905	(1)	461	1,248,579	1,763,593	69,973	1,833,566
Effect of transition of MFRS 9 and 15	-	-	-	-	-	(3,119)	(3,119)	-	(3,119)
At 1 August 2018, as restated	453,850	55,799	4,905	(1)	461	1,245,460	1,760,474	69,973	1,830,447
Profit for the year	-	-	-	-	-	333,697	333,697	12,211	345,908
Other comprehensive income/(loss) for the year	-	-	2,763	-	-	(1,323)	1,440	1,483	2,923
Total comprehensive income for the year	-	-	2,763	-	-	332,374	335,137	13,694	348,831
Issuance of ordinary shares for acquisition of a subsidiary	229,046	-	-	-	-	(2,070)	226,976	-	226,976
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	96,472	96,472
Realisation of revaluation surplus	-	(922)	-	-	-	922	-	-	-
Issuance of ordinary shares pursuant to Share Grant Plan	2,880	-	-	-	-	-	2,880	-	2,880
Dividends	-	-	-	-	-	(100,449)	(100,449)	(6,204)	(106,653)
At 31 July 2019	685,776	54,877	7,668	(1)	461	1,476,237	2,225,018	173,935	2,398,953
At 1 August 2017, as previously reported	411,843	55,799	11,142	(1)	461	1,056,220	1,535,464	68,416	1,603,880
Effect of transition of MFRS 15	-	-	-	-	-	(8,688)	(8,688)	-	(8,688)
At 1 August 2017, as restated	411,843	55,799	11,142	(1)	461	1,047,532	1,526,776	68,416	1,595,192
Profit for the year	-	-	-	-	-	284,506	284,506	4,228	288,734
Other comprehensive loss for the year	-	-	(6,237)	-	-	-	(6,237)	(671)	(6,908)
Total comprehensive income for the year	-	-	(6,237)	-	-	284,506	278,269	3,557	281,826
Issuance of ordinary shares pursuant to Share Grant Plan	1,240	-	-	-	-	-	1,240	-	1,240
Dividend Reinvestment Plan ("DRP")	40,767	-	-	-	-	(184)	40,583	-	40,583
Dividends	-	-	-	-	-	(97,263)	(97,263)	(2,000)	(99,263)
At 31 July 2018, as restated	453,850	55,799	4,905	(1)	461	1,234,591	1,749,605	69,973	1,819,578

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

SCIENTEX BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 July 2019

	12 MONTHS ENDED 31.7.2019 RM'000	12 MONTHS ENDED 31.7.2018 RM'000 (Restated)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	450,588	354,684
Adjustments	109,053	80,015
Operating profits before working capital changes	<u>559,641</u>	<u>434,699</u>
Movement in working capital:		
Decrease/(increase) in inventories	20,771	(41,002)
Decrease in development properties	84,062	102,118
Increase in receivables	(35,378)	(37,131)
Increase in payables	16,990	14,382
Cash generated from operations	<u>646,086</u>	<u>473,066</u>
Taxation paid	(88,168)	(80,076)
Gratuity and retirement benefits paid	(953)	(566)
Net cash from operating activities	<u>556,965</u>	<u>392,424</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents acquired	(80,123)	(147,377)
Reduction in purchase consideration of a subsidiary	1,758	-
Deposit paid for acquisition of a subsidiary	(12,500)	-
Purchase of other investments	(12)	-
Purchase of property, plant and equipment	(48,324)	(64,567)
Deposit paid for purchase of property, plant and equipment	(39,226)	(3,297)
Purchase of land held for development	(97,693)	(495,038)
Deposit paid for purchase of land held for development	(31,594)	(1,379)
Proceeds from disposal of property, plant and equipment	3,440	425
Proceeds from disposal of other investments	-	1,050
Net dividend received	1,729	2,039
Interest received	3,937	5,308
Net cash used in investing activities	<u>(298,608)</u>	<u>(702,836)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividends paid to:		
Shareholders of the Company	(100,449)	(56,496)
Non-controlling shareholders of subsidiaries	(6,204)	(2,000)
Dividend reinvestment plan expenses	-	(184)
Expenses paid for acquisition and mandatory take-over offer of a subsidiary	(2,070)	-
Repayment of Sukuk Murabahah	(50,000)	-
Net (repayment)/drawdown of term loans	(15,059)	163,518
Net drawdown of short term borrowings	30,551	201,353
Interest paid	(29,798)	(15,361)
Net cash (used in)/from financing activities	<u>(173,029)</u>	<u>290,830</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,328	(19,582)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>172,316</u>	<u>191,898</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>257,644</u>	<u>172,316</u>
Cash and cash equivalents in the cash flow statement comprise :		
Cash and bank balances	190,058	136,254
Short term deposits	67,586	36,062
	<u>257,644</u>	<u>172,316</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 July 2018)

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 JULY 2019

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2018 which were prepared under Financial Reporting Standards (“FRS”). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2018.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2018, except for the following:

First time adoption of Malaysian Financial Reporting Standards (“MFRS”) Framework

The Group is a transitioning entity as defined by the MASB and the Group has prepared the interim financial report in accordance with the MFRS, including MFRS 1 First-time Adoption of MFRS.

In previous financial year, the financial statements of the Group were prepared in accordance with FRS in Malaysia. As required by MFRS 1, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 August 2017 and throughout all the financial years presented, as if these policies had always been in effect. Comparative information in this interim financial report has been restated to give effect to these changes and the financial impact on the transition from FRS to MFRS. The Group has assessed the impact of the adoption of MFRS Framework as disclosed below:

(a) MFRS 9 Financial Instruments

Expected Credit Losses (“ECL”)

MFRS 9 introduces the ECL model on impairment that replaces the incurred loss impairment model used in the MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Based on the assessment performed, the Group concluded that the adoption does not have any significant impact on the financial performance or position of the Group.

Financial Assets

The Group has elected the exemption in MFRS 1 which allows the Group not to restate comparative information in the year of initial application of MFRS 9.

The Group has concluded that the new classification requirement does not have material impact on accounting for its financial assets except for the equity instruments in non-listed companies previously measured at costs under FRS 139 are now measured at fair value and designated Fair Value Through Profit or Loss (“FVTPL”). This has increased the retained earnings by RM10,869,000 as at 1 August 2018.

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A1 Basis of preparation (Cont'd)

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related interpretations.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contracts with customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

As a result of adoption of MFRS Framework, the following comparatives figure in the interim financial report have been restated.

The effects to the financial statements from the transition of MFRS Framework are as follows:

**Condensed Consolidated Statement of Profit or Loss
for the 3 months ended 31 July 2018**

	As previously reported RM'000	Effects of transition of MFRS 15 RM'000	As restated RM'000
Revenue	733,154	(12,433)	720,721
Cost of sales	577,955	(5,459)	572,496
Operating profit	108,198	(6,974)	101,224
Interest expense	(4,010)	-	(4,010)
Investing result	2,709	-	2,709
Profit before tax	106,897	(6,974)	99,923
Taxation	(17,664)	1,674	(15,990)
Profit for the quarter	89,233	(5,300)	83,933

**Condensed Consolidated Statement of Profit or Loss
for the 12 months ended 31 July 2018**

	As previously reported RM'000	Effects of transition of MFRS 15 RM'000	As restated RM'000
Revenue	2,626,767	(23,933)	2,602,834
Cost of sales	2,108,516	(16,959)	2,091,557
Operating profit	364,360	(6,974)	357,386
Interest expense	(10,751)	-	(10,751)
Investing result	8,049	-	8,049
Profit before tax	361,658	(6,974)	354,684
Taxation	(67,624)	1,674	(65,950)
Profit for the year	294,034	(5,300)	288,734

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A1 Basis of preparation (Cont'd)

The effects to the financial statements from the transition of MFRS Framework are as follows:

**Condensed Consolidated Statement of Financial Position
as at 31 July 2018**

	As previously reported RM'000	Effects of transition of MFRS 15 RM'000	As restated RM'000
ASSETS			
Non-current assets			
Deferred tax assets	28,920	4,417	33,337
Current assets			
Trade and other receivables	526,599	16,792	543,391
EQUITY AND LIABILITIES			
Capital and reserves			
Reserves	1,309,743	(13,988)	1,295,755
Current liabilities			
Trade and other payables	490,673	35,197	525,870

**Condensed Consolidated Statement of Financial Position
as at 1 August 2017**

	As previously reported RM'000	Effects of transition of MFRS 15 RM'000	As restated RM'000
ASSETS			
Non-current assets			
Deferred tax assets	18,925	2,743	21,668
Current assets			
Trade and other receivables	427,336	4,836	432,172
EQUITY AND LIABILITIES			
Capital and reserves			
Reserves	1,123,621	(8,688)	1,114,933
Current liabilities			
Trade and other payables	419,449	16,267	435,716

A2 Audit report

The Group's preceding annual financial statements for the financial year ended 31 July 2018 was not qualified.

A3 Seasonal or cyclical factors

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

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

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

A5 Material changes in estimates

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

A6 Changes in debts and equity securities

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

(i) Share grant plan

On 19 December 2018, the Company issued and allotted 307,000 new ordinary shares to the eligible employees of Scientex Berhad's group of companies, pursuant to the Scientex Berhad Share Grant Plan.

(ii) Acquisition and mandatory take-over offer ("MGO") of Daibochi Berhad ("Daibochi")

In relation to the corporate exercise as disclosed in Note A12(ii), the Company had on 19 February 2019 issued and allotted 25,124,249 new ordinary shares, being the purchase consideration for the acquisition of 42.48% equity interest in Daibochi (excluding treasury shares) pursuant to the conditional share sale agreement dated 10 December 2018.

Subsequently, the Company issued and allotted 468,702 and 435,021 new ordinary shares on 28 March 2019 and 3 April 2019 respectively, pursuant to the MGO of Daibochi.

As at 31 July 2019, the total number of issued shares of the Company was 515,261,472 ordinary shares, out of which 100 ordinary shares was held as treasury shares.

A7 Dividends paid

The amount of dividend paid by the Company since 31 July 2018 was as follows:

RM'000

In respect of the financial year ended 31 July 2018:

Single tier final dividend of 10 sen per ordinary share declared on 5 December 2018 and paid on 18 January 2019	48,923
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In respect of the financial year ended 31 July 2019:

Single tier interim dividend of 10 sen per ordinary share declared on 26 June 2019 and paid on 23 July 2019	51,526
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100,449

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A8 Segment information

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

12 months ended 31 July 2019

	Manufacturing RM'000	Property Development RM'000	Total RM'000
Revenue	2,357,806	889,640	3,247,446
Results			
Operating profit	175,233	286,544	461,777
Investing results			4,344
Interest expense			(15,533)
Profit before taxation			450,588

12 months ended 31 July 2018

	Manufacturing RM'000	Property Development RM'000 (Restated)	Total RM'000 (Restated)
Revenue	1,904,616	698,218	2,602,834
Results			
Operating profit	126,872	230,514	357,386
Investing results			8,049
Interest expense			(10,751)
Profit before taxation			354,684

A9 Disclosure items

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

	3 months ended		12 months ended	
	31.7.2019 RM'000	31.7.2018 RM'000	31.7.2019 RM'000	31.7.2018 RM'000
(a) Interest income	(1,959)	(1,985)	(3,937)	(5,308)
(b) Other income	(2,299)	(3,629)	(4,958)	(5,329)
(c) Interest expense	4,503	4,010	15,533	10,751
(d) Depreciation	25,212	20,254	92,283	71,711
(e) Net provision of receivables	660	69	602	44
(f) Net provision/(write back) of inventories	277	2,214	(47)	2,623
(g) Loss/(Gain) on disposal of plant and equipment	10	(165)	6	(318)
(h) Gain on disposal of property	-	-	(983)	-
(i) Net foreign exchange loss/(gain)	1,383	12,096	21,213	(2,315)
(j) Fair value gain on other investments	(1,781)	-	(1,781)	-

In the current financial quarter and current financial year ended 31 July 2019, there were no:

- Impairment of assets;
- Gain or loss on disposal of quoted or unquoted investments;
- Gain or loss on derivatives; and
- Any other material items not disclosed above.

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A10 Valuation of property, plant and equipment and investment properties

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

A11 Events subsequent to the end of the reporting period

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

A12 Changes in the composition of the Group

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

(i) Completion of purchase price allocation for Klang Hock Plastic Industries Sdn Bhd

During the financial year under review, the Company completed the purchase price allocation exercise with the assistance of an external professional advisor to determine the fair values assigned to the subsidiary's identifiable assets and liabilities acquired in the previous financial year pursuant to the requirement of MFRS 3 Business Combinations. Upon finalisation of this exercise, the resulting goodwill on consolidation was adjusted accordingly as follows:

	Fair value recognised on acquisition RM'000	Provisional fair value recognised on acquisition RM'000	Fair value adjustment RM'000
Assets			
Property, plant and equipment	148,037	151,722	(3,685)
Other investments	6	6	-
Inventories	56,404	56,404	-
Trade and other receivables	84,938	81,682	3,256
Tax recoverable	310	310	-
Cash and bank balance	42,623	42,623	-
	<u>332,318</u>	<u>332,747</u>	<u>(429)</u>
Liabilities			
Trade and other payables	(70,376)	(70,376)	-
Borrowings	(101,856)	(101,856)	-
Provision of taxation	(782)	-	(782)
Deferred tax liabilities	(19,686)	(17,411)	(2,275)
	<u>(192,700)</u>	<u>(189,643)</u>	<u>(3,057)</u>
Net identifiable assets	<u>139,618</u>	<u>143,104</u>	<u>(3,486)</u>
Fair value of net identifiable assets	139,618	143,104	(3,486)
Goodwill on consolidation	48,624	46,896	1,728
Cost of business combination	<u>188,242</u>	<u>190,000</u>	<u>(1,758)</u>
Cash outflow on acquisition was as follows:			
Purchase consideration satisfied by cash	188,242	190,000	(1,758)
Cash and cash equivalents of subsidiary acquired	(42,623)	(42,623)	-
Net cash outflow of the Group	<u>145,619</u>	<u>147,377</u>	<u>(1,758)</u>

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

(ii) Acquisition and MGO of Daibochi

During the current financial year, the Company had on 19 February 2019 completed the proposed acquisition of 139,062,766 ordinary shares in Daibochi, representing approximately 42.48% of the total number of issued shares in Daibochi (excluding treasury shares). On the even date, the Company became the single largest shareholder of Daibochi and has control over Daibochi. Hence, Daibochi and its group of companies became subsidiaries of the Company. Subsequent to the completion of the MGO on 5 April 2019, the Company had acquired in total 61.89% equity interest in Daibochi for a total purchase consideration of RM322.1 million satisfied by the issuance of 26,027,972 shares amounting to RM229.0 million and cash consideration of RM93.1 million.

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

	Provisional fair value recognised on acquisition RM'000
Assets	
Property, plant and equipment	142,628
Investment in an associate	18,269
Inventories	78,331
Trade and other receivables	72,190
Tax recoverable	2,951
Cash and bank balance	12,927
	327,296
Liabilities	
Trade and other payables	(56,721)
Borrowings	(68,231)
Deferred tax liabilities	(15,703)
	(140,655)
Net identifiable assets	186,641
Fair value of net identifiable assets	186,641
Non-controlling interest	(96,472)
Goodwill on consolidation	231,927
Cost of business combination	322,096
Cash outflow on acquisition was as follows:	
Total purchase consideration	322,096
Purchase consideration satisfied by issuance of new Scientex Shares	(229,046)
Cash and cash equivalents of subsidiary acquired	(12,927)
Net cash outflow of the Group	80,123

Provisional accounting of acquisition

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

From the date of acquisition, Daibochi has contributed approximately RM187,236,000 of revenue and net profit of RM6,828,000 to the Group.

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A13 Contingent liabilities

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

A14 Capital commitments

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

	As at 31.7.2019 RM'000	As at 31.7.2018 RM'000
Approved and contracted for:		
Purchase of plant and machinery	53,456	22,928
Balance payment for purchase of land held for development	282,967	-
	336,423	22,928

A15 Related party transactions

The Group's related party transactions in the current financial quarter and current financial year ended 31 July 2019 were as follows:

	3 months ended		12 months ended	
	31.7.2019	31.7.2018	31.7.2019	31.7.2018
	RM'000	RM'000	RM'000	RM'000
Purchase of goods from associated company	23,227	24,850	90,843	89,329
Rental income from jointly controlled entity	(232)	(232)	(926)	(926)

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD
INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 JULY 2019

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

B1 Review of performance

	INDIVIDUAL QUARTER		Changes %	CUMULATIVE QUARTER		Changes %
	Current year quarter	Preceding year corresponding quarter (Restated)		Current financial year	Preceding financial year (Restated)	
	31.7.2019 RM'000	31.7.2018 RM'000		31.7.2019 RM'000	31.7.2018 RM'000	
Revenue	938,765	720,721	30.3%	3,247,446	2,602,834	24.8%
Operating profit	179,229	101,224	77.1%	461,777	357,386	29.2%
Profit attributable to owners of the Company	133,402	82,987	60.8%	333,697	284,506	17.3%

(i) Current quarter review

For the current financial quarter ended 31 July 2019, the Group achieved another record revenue of RM938.8 million, an increase of 30.3% compared to RM720.7 million recorded in the preceding year corresponding quarter. The increase was mainly due to better sales performance achieved from both the manufacturing and property divisions. In line with the higher sales recorded in the current financial quarter under review, the Group's operating profit was RM179.2 million, an increase of 77.1% compared to RM101.2 million recorded in the preceding year corresponding quarter.

Manufacturing revenue was RM630.3 million, an increase of 19.6% compared to RM527.0 million in the preceding year corresponding quarter. The increase was mainly due to the higher utilisation rate of the manufacturing plants as well as the contribution from newly acquired subsidiaries. In line with the higher sales recorded in current financial quarter under review, operating profit increased from RM26.3 million to RM67.1 million mainly contributed by sales mix and better product margins as a result of the softening of raw material prices. In addition, the performance in the corresponding quarter of the previous financial year was impacted by the foreign exchange loss of RM12.1 million as compared to the foreign exchange loss of RM1.4 million recorded in the current financial quarter.

Property revenue was RM308.5 million, an increase of 59.2% compared to RM193.8 million recorded in the preceding year corresponding quarter. Operating profit increased from RM74.9 million to RM112.1 million accordingly. The better performance in revenue and operating profit were mainly contributed by the progressive billings from our new development projects, namely Taman Scientex Utama in Senai, Scientex Durian Tunggal in Melaka and Taman Scientex in Rawang. Meanwhile, the completion of the projects in Taman Pulau Mutiara in Pulau and Taman Scientex Pasir Gudang have further increased the revenue and profit during the financial quarter under review.

(ii) 12-month review

For the financial year ended 31 July 2019, the Group recorded its highest revenue of RM3.25 billion, an increase of 24.8% compared to the preceding financial year of RM2.60 billion. The increase in revenue was contributed by better sales performance from both the manufacturing and property divisions. In line with the higher sales recorded in current financial year under review, the operating profit has also increased from RM357.4 million to RM461.8 million.

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B1 Review of performance (Cont'd)

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

Manufacturing revenue was RM2.36 billion for the current financial year, an increase of 23.8% compared to the preceding financial year of RM1.90 billion. The increase in revenue was mainly contributed by the Group's expansion in stretch film, custom film as well as its newly acquired converting business. In line with the higher sales achieved in the current financial year, operating profit increased from RM126.9 million to RM175.2 million despite a foreign exchange loss of RM21.2 million recorded in the current financial year. The increase in operating profit was mainly due to sales mix and better product margins. In addition, the better utilisation rate achieved by the manufacturing plants has further boosted the revenue and the operating profits.

Property revenue was RM889.6 million for the current financial year, an increase of 27.4% compared to the preceding financial year of RM698.2 million. Operating profit increased from RM230.5 million in the preceding financial year to RM286.5 million in the current financial year. The better performance in both the revenue and operating profit were mainly contributed by the good take up rate recorded for our new affordable residential property launches in all development projects and steady construction progress at site.

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

	Current quarter	Preceding quarter	Changes %
	31.7.2019 RM'000	30.4.2019 RM'000	
Revenue	938,765	828,457	13.3%
Profit before tax	176,573	101,433	74.1%
Profit attributable to owners of the Company	133,402	72,884	83.0%

The Group's revenue for the current financial quarter was RM938.8 million compared to the preceding financial quarter of RM828.5 million. Profit before taxation for the current financial quarter was RM176.6 million compared to the preceding financial quarter of RM101.4 million. The increase was contributed by better sales performance from both the manufacturing and property divisions.

B3 Current financial year prospects

Manufacturing

The recent inclusion of Daiboichi group of companies has further enlarged the Group's capacity and product portfolio which now range from base film manufacturing to specialised film converting. The recent completion of the acquisition of Mega Printing & Packaging Sdn Bhd by Daiboichi has further consolidated the Group's position in the flexible plastic packaging ("FPP") converting segment in Malaysia. The demand for sustainable packaging by international brand owners and multinationals is another area of collaboration which is expected to see the Group growing rapidly with the unique skills, technical expertise and combined strengths possessed by the Group's converting business segment. For the coming financial year, the Group expects its FPP segment to play an increasingly important role as it continues to expand with rising global demand for its products including niche and customised products which fetch higher margins.

The Group's move to enter the United States ("US") market with the setting up of its production facility in Phoenix, Arizona was timely as the Group has an opportunity to serve and gain market access in the US in an effort to capture the relatively untapped North American stretch film market by ramping up production at its facility to gain market share. To boost its competitiveness, the US facility is presently undergoing upgrading via automation as part of its overall long-term strategy to enhance production efficiency.

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B3 Current financial year prospects (Cont'd)

Manufacturing (Cont'd)

Notwithstanding global risks and uncertainties, the Group remains cautiously optimistic that demand for its products remain resilient, especially for its FPP market segment which includes multinationals and international brand owners in the F&B related industries. The Group remains focused on its global market expansion and hopes to penetrate more markets for both its FPP customised products as well as its stretch film. Overall, and barring any unforeseen circumstances, the Group expects the coming financial year to be a relatively resilient year for the manufacturing division.

Property

For the quarter under review, the Group saw an increase in its sales and billings, reflecting the resilient demand for affordable homes in its multiple on-going projects in Johor, Melaka, Selangor and Perak. Driven by the resilient demand for such affordable products, the Group remains focused on providing more affordable homes in strategic locations throughout Peninsular Malaysia to cater to the demands of the masses for such homes in line with the various initiatives and support given by both the Federal and State Governments to provide more affordable housing. Accordingly, the Group expects demand for this housing segment to remain relatively resilient for the coming financial year. Pursuant thereto, the Group's freshly acquired landbanks located in Kundang, Rawang in Selangor, Jasin in Melaka and Tasek Gelugor in Penang respectively which are expected to be completed in the coming financial year 2020, would provide a boost to the Group's ability to build more of such affordable housing in the coming years. Details of the land acquisitions are set out in note B6 below.

B4 Variations of actual profit from forecast profit

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

B5 Taxation

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

	3 months ended		12 months ended	
	31.7.2019 RM'000	31.7.2018 RM'000 (Restated)	31.7.2019 RM'000	31.7.2018 RM'000 (Restated)
In respect of current quarter/year:				
- Income tax	26,368	32,696	93,092	82,656
- Deferred taxation	12,224	(10,751)	12,224	(10,751)
In respect of prior year:				
- Income tax	(308)	(2,313)	(308)	(2,313)
- Deferred taxation	(328)	(3,642)	(328)	(3,642)
	<u>37,956</u>	<u>15,990</u>	<u>104,680</u>	<u>65,950</u>

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B6 Status of corporate proposals

The were no material corporate proposals announced and not completed as at the date of this report, except for the followings:-

(i) Proposed acquisition of lands in the State of Selangor

On 13 May 2019, the Company announced that Scientex Park (M) Sdn Bhd, a wholly-owned subsidiary of SQSB which in turn is a wholly-owned subsidiary of the Company had entered into two (2) conditional sale and purchase agreements in relation to the proposed acquisition with the following vendors:

- (a) a sale and purchase agreement with Swan Lake City Sdn Bhd for the acquisition of three (3) parcels of freehold land held under GRN 40178 Lot 1758, GRN 49322 Lot 3503 and GRN 49323 Lot 3504, all situated in Mukim Rawang, Daerah Gombak, State of Selangor measuring in aggregate of approximately 607,735.7 square meters for a purchase consideration of RM111.2 million (“SPA 1”); and
- (b) a sale and purchase agreement with Fair City Sdn Bhd for the acquisition of two (2) parcels of freehold land held under GRN 84115 Lot 18886 and GRN 84116 Lot 18887, all situated in Bandar Kundang, Daerah Gombak, State of Selangor measuring in aggregate of 65,893.0 square meters for a purchase consideration of RM12.1 million (“SPA 2”).

The total purchase consideration for the SPA 1 and SPA 2 is RM123.3 million.

(ii) Proposed acquisition of lands in the State of Pulau Pinang

On 10 June 2019, the Company announced that Scientex (Skudai) Sdn Bhd, a wholly-owned subsidiary of SQSB which in turn is a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement with Palma Indah Sdn Bhd for the proposed acquisition of the following six (6) parcels of freehold land held under:

- (a) Geran (1st Grade) No. Hakmilik 131904 Lot 5688;
- (b) Geran No. Hakmilik 5762 Lot 535;
- (c) Geran (1st Grade) No. Hakmilik 5764 Lot 568;
- (d) Geran (1st Grade) No. Hakmilik 115348 Lot 3262;
- (e) Geran No. Hakmilik 115349 Lot 3263; and
- (f) Geran Mukim (1st Grade) No. Hakmilik 7 Lot 567,

all situated in Mukim 12, Daerah Seberang Perai Utara, State of Pulau Pinang measuring in aggregate area of approximately 7,827,534.83 square feet for a total purchase consideration of RM109.6 million only.

The above proposed acquisitions (i) and (ii) are subject to the fulfilment of conditions precedent as set out in the respective sale and purchase agreements. All are expected to be completed in the first half of year 2020.

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B7 Borrowings and debt securities

As at 31 July 2019	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Denominated in RM			
- Sukuk Murabahah	250,000	-	250,000
- Trade financing	440	10,784	11,224
Unsecured			
Denominated in USD			
- Term loan	14,577	18,611	33,188
- Trade financing	-	340,770	340,770
Denominated in JPY			
- Trade financing	-	302,738	302,738
Denominated in RM			
- Term loan	4,829	2,660	7,489
- Trade financing	-	28,405	28,405
Total	269,846	703,968	973,814

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

B8 Material litigation

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

B9 Dividend

In respect of the financial year ended 31 July 2019, the Board of Directors recommended a single tier final dividend of 10 sen per ordinary share (single tier final dividend for financial year 2018 of 10 sen per ordinary share). The dividend will be payable on 10 January 2020, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

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B10 Earnings per share

		3 months ended		12 months ended	
		31.7.2019	31.7.2018 (Restated)	31.7.2019	31.7.2018 (Restated)
(i) Basic earnings per share					
Profit attributable to equity holders of the Company	(RM'000)	133,402	82,987	333,697	284,506
Weighted average number of ordinary shares in issue	('000)	515,261	488,926	500,572	486,336
Basic earnings per share	(sen)	25.89	16.97	66.66	58.50

(ii) Fully diluted earnings per share

There was no dilution in earnings per share as there were no dilutive potential ordinary shares as at 31 July 2019.

By Order of the Board

Tung Wei Yen (MAICSA 7062671)

Ong Ling Hui (MAICSA 7065599)

Company Secretaries

26 September 2019