THIS INDEPENDENT ADVICE CIRCULAR ("IAC") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 4 MARCH 2019 ISSUED BY RHB INVESTMENT BANK BERHAD ON BEHALF OF SCIENTEX BERHAD WHICH HAS BEEN SENT TO YOU.

You should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately if you have any doubt as to the action to be taken in relation to the Offer (as defined herein).

If you have sold or transferred all your Offer Securities (as defined herein), you should hand this IAC to the purchaser or transferee or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

Pursuant to Rule 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Securities Commission Malaysia ("**SC**") has notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

Daibochi

DAIBOCHI BERHAD
(Formerly known as Daibochi Plastic And Packaging Industry Berhad)
(Company No. 12994-W)
(Incorporated in Malaysia)

INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS OF THE OFFER SECURITIES IN RELATION TO THE CONDITIONAL MANDATORY TAKE-OVER OFFER

BY

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

("OFFEROR")

THROUGH

RHB INVESTMENT BANK BERHAD
(Company No. 19663-P)
(A Participation Organisation of Bursa Malaysia Securities Berhad)

TO ACQUIRE

(I) ALL THE REMAINING ORDINARY SHARES IN DAIBOCHI BERHAD *(FORMERLY KNOWN AS DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BERHAD)* ("DAIBOCHI") ("DAIBOCHI SHARE(S)") NOT ALREADY OWNED BY THE OFFEROR AND SUCH NUMBER OF NEW DAIBOCHI SHARES THAT MAY BE ISSUED AND ALLOTTED PRIOR TO THE CLOSING DATE OF THE OFFER (AS DEFINED HEREIN) ARISING FROM THE EXERCISE OF THE OUTSTANDING WARRANTS ISSUED BY DAIBOCHI ("WARRANT(S)"), COLLECTIVELY ("OFFER SHARE(S)"); AND

(II) ALL THE REMAINING WARRANTS IN DAIBOCHI NOT ALREADY OWNED BY THE OFFEROR ("OFFER WARRANT(S)"),

WHICH SHALL BE SATISFIED BY THE FOLLOWING WAYS:

(I) IN THE CASE OF THE OFFER SHARES, A CONSIDERATION OF RM1.59 PER OFFER SHARE, TO BE SATISFIED BY EITHER:
- **(A) A CASH OFFER PRICE OF RM1.59 FOR EVERY OFFER SHARE SURRENDERED; OR**
- **(B) A SHARE EXCHANGE OFFER OF NEW ORDINARY SHARES IN SCIENTEX ("SCIENTEX SHARE(S)") TO BE ISSUED AT AN ISSUE PRICE OF RM8.80 PER SCIENTEX SHARE BASED ON AN EXCHANGE RATIO OF 1 SCIENTEX SHARE FOR EVERY 5.535 OFFER SHARES SURRENDERED; AND**

(II) IN THE CASE OF THE OFFER WARRANTS, A CASH OFFER PRICE OF RM0.01 FOR EVERY OFFER WARRANT SURRENDERED.

("OFFER")

Independent Adviser

UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD
(Company No.: 194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Independent Advice Circular is dated 14 March 2019

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, words and expressions defined in the Rules, shall have the same meaning when used herein and the following definitions shall apply throughout this IAC:-

"Acceptance Condition"	:	The condition that Scientex, being the Offeror, would have received before the close of the Offer, valid acceptances in respect of the Offer Shares (provided that such acceptances are not, where permitted, subsequently withdrawn), which would result in the Offeror, Ultimate Offerors and the persons acting in concert with them holding in aggregate together with such Daibochi Shares that have been acquired, held, or entitled to be acquired or held, if any, more than 50% of the voting shares in Daibochi
"Acceptance(s)"	:	Acceptance of the Offer by a Holder in accordance with the terms and conditions of the Offer Document, which acceptance is deemed by the Offeror to be valid and complete in all aspects
"Accepting Holder(s)"	:	Holder who accepts the Offer in accordance with the terms and conditions of the Offer Document
"Acquisition"	:	Acquisition by Scientex of 139,062,766 Daibochi Shares, representing approximately 42.48% of the equity interest in Daibochi (excluding treasury shares) from the Vendors, for a total Purchase Consideration which was satisfied entirely by the issuance of the Consideration Shares. The Acquisition became unconditional on 11 February 2019 and was completed on 19 February 2019
"Act"	:	Companies Act 2016
"Board"	:	The Board of Directors of Daibochi
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"Cash Option"	:	Option to receive the cash consideration of RM1.59 for every Offer Share surrendered pursuant to the Offer, subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules
"Closing Date"	:	5.00 p.m. (Malaysian time) on Monday, 25 March 2019, being 21 days from the Posting Date or such later date as RHB Investment Bank may announce on behalf of the Offeror, at least 2 days before the closing date
"CMSA"	:	Capital Markets and Services Act, 2007
"Consideration Share(s)"	:	25,124,249 Scientex Shares issued for the purpose of satisfying the Purchase Consideration
"CSSA"	:	Conditional share sale agreement dated 10 December 2018 entered into between Scientex and the Vendors in relation to the Acquisition for a total purchase consideration of RM222,500,425.60 (equivalent to RM1.60 per Daibochi Share), subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules
"Daibochi" or the "Offeree"	:	Daibochi Berhad *(formerly known as Daibochi Plastic And Packaging Industry Berhad)* (12994-W)

"Daibochi Group" or the "Group"	:	Daibochi and its subsidiaries, collectively
"Daibochi Myanmar"	:	Daibochi Packaging (Myanmar) Company Limited
"Daibochi Share(s)"	:	Ordinary share(s) in Daibochi
"DCF"	:	Discounted cash flow
"Director(s)"	:	Has the meaning given in Section 2(1) of the CMSA
"Dissenting Holder(s)"	:	Any Holder who does not accept the Offer and/ or any Holder who has failed or refused to transfer the Offer Securities to the Offeror in accordance with the terms and conditions as set out in the Offer Document
"Distribution(s)"	:	Any dividends and/ or other distributions of any nature whatsoever declared, made and/ or paid by Scientex or Daibochi to their respective shareholders
"EPS"	:	Earnings per share
"EV/EBITDA"	:	Enterprise value divided by earnings before interest, taxes, depreciation and amortisation
"Exchange Ratio"	:	1 Scientex Share for every 5.535 Daibochi Shares, subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules. The Exchange Ratio is illustrated as follows: $\text{Exchange Ratio} = \frac{\text{Issue Price}}{\text{Share Offer Price}}$
"FCFE"	:	Free cash flows to equity
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending
"HOA"	:	Heads of agreement dated 14 November 2018 entered into between Scientex and the Vendors in relation to the Acquisition for a total purchase consideration of RM222,500,425.60 (equivalent to RM1.60 per Daibochi Share), subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules
"HOA LTD"	:	13 November 2018, being the last trading day prior to the date of the HOA
"Holder(s)"	:	Holder(s) of the Offer Shares and/ or Offer Warrants, as the case may be
"IAC"	:	This independent advice circular dated 14 March 2019
"IAL"	:	The independent advice letter dated 14 March 2019 issued by UOBKH which forms Part B of this IAC
"Interested Director"	:	Low Geoff Jin Wei, who is deemed interested in the Offer (by virtue of being one of the Vendors pursuant to the Acquisition) and has abstained and will continue to abstain from deliberating and voting at all relevant board meeting(s) of Daibochi in relation to the Offer

"Issue Price"	:	Issue price of RM8.80 per Scientex Share, subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	7 March 2019, being the latest practicable date which is not more than 7 days prior to the issuance of this IAC
"LTD"	:	8 February 2019, being the last trading day prior to the date of the Notice
"Market Day"	:	Any day on which Bursa Securities is open for trading of securities
"NA"	:	Net assets
"NAV"	:	Net asset value
"NBV"	:	Net book value
"Non-Interested Directors"	:	Collectively, Heng Fu Joe, Lim Soo Koon, Caroline Ang Choo Bee and Faris Salim Cassim
"Non-Resident Holder(s)"	:	Holders (including without limitation, any custodians, nominees and trustees) who are citizens or nationals of, or residents in, or have registered addresses in jurisdictions outside Malaysia, or is incorporated or registered with, or approved by any authority outside Malaysia, or non-residents within the definition prescribed under the Financial Services Act 2013
"Notice"	:	Notice of the Offer dated 11 February 2019 issued by RHB Investment Bank, on behalf of the Offeror, and served on the Board
"Offer"	:	Conditional mandatory take-over offer by the Offeror, through RHB Investment Bank, to acquire the Offer Securities at the Offer Price subject to and in accordance with the terms and conditions as set out in the Offer Document, including any revision thereof
"Offer Document"	:	The offer document dated 4 March 2019 which sets out the details, terms and conditions of the Offer, together with the form of acceptance and transfer as enclosed therein
"Offer Document LPD"	:	25 February 2019, being the latest practicable date prior to the Posting Date
"Offer Period"	:	Period commencing from 14 November 2018, being the date of the HOA and ending on:- (a) the Closing Date; or (b) the date on which the Offer lapses or is withdrawn with the prior written consent of the SC, whichever is earlier
"Offer Price"	:	The Share Offer Price and/ or the Warrant Offer Price, collectively
"Offer Securities"	:	The Offer Shares and/ or the Offer Warrants, collectively

"Offer Share(s)"	:	188,285,617 Daibochi Shares not already owned by the Offeror as at the Offer Document LPD and such number of new Daibochi Shares that may be issued and allotted arising from the exercise of Warrants and Daibochi's treasury shares that may be resold in the market by Daibochi, prior to the Closing Date
"Offer Warrant(s)"	:	27,320,788 Warrants not already owned by the Offeror as at the Offer Document LPD
"Official List of Bursa Securities"	:	A list specifying all securities listed on Bursa Securities
"PAT"	:	Profit after taxation
"PATANCI"	:	Profit after taxation and non-controlling interest
"PBT"	:	Profit before taxation
"PER"	:	Price-to-earnings multiple
"Posting Date"	:	4 March 2019, being the date of posting of the Offer Document
"Public Spread Requirement"	:	The requirement pursuant to Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
"Purchase Consideration"	:	RM221,109,797.94 equivalent to RM1.59 per Daibochi Share for the Acquisition
"RHB Investment Bank" or the "Principal Adviser"	:	RHB Investment Bank Berhad (19663-P), being the Principal Adviser to the Offeror for the Offer
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RMB"	:	Chinese Renminbi
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
"SC"	:	Securities Commission Malaysia
"Scientex" or the "Offeror"	:	Scientex Berhad (7867-P)
"Scientex Board"	:	Board of Directors of Scientex
"Scientex Group"	:	Scientex and its subsidiaries, collectively
"Scientex Share(s)"	:	Ordinary share(s) in Scientex
"Share Exchange Option"	:	Option to the Holders for a share exchange based on the Exchange Ratio pursuant to the Offer
"Share Offer Price"	:	A consideration of RM1.59 per Offer Share, to be satisfied either via the Cash Option or the Share Exchange Option, as the case may be, subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules

"Share Offer"	:	Offer made by Offeror to acquire all Offer Shares at the Share Offer Price, to be satisfied either via the Cash Option or the Share Exchange Option
"SOPV"	:	Sum of parts valuation
"Ultimate Offerors"	:	Lim Peng Jin and Lim Peng Cheong, collectively
"UOBKH" or the "Independent Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd (194990-K)
"USD"	:	United States Dollar
"Vendors"	:	Certain shareholders of Daibochi who had entered into the HOA and the CSSA with Scientex, namely, Low Chan Tian, Low Geoff Jin Wei, Datuk Wira Wong Soon Lim, Wong Liang Terk, Chua Ah Nee, Lim Koy Peng, Chew Soon Heng, Low Pui Chee, Chew Gee Lan, Low Chan Min, Yong Noni, Low Keok Giap, Yong Jaw Teck and Yulina Binti Baharuddin, collectively
"VWAP"	:	Volume weighted average market price
"Warrant Offer"	:	Offer made by Offeror to acquire all Offer Warrants at the Warrant Offer Price
"Warrant Offer Price"	:	Cash offer price of RM0.01 per Offer Warrant
"Warrant(s)"	:	5 years warrants issued by Daibochi which are outstanding and expiring on 19 June 2022 which entitles its Holders to subscribe for 1 new Daibochi Share at the exercise price of RM2.50 for each Warrant held

All references to "**we**", "**us**" and "**our**" in this IAC, save for the letter from the Board (which forms Part A of this IAC) are to UOBKH, being the Independent Adviser for the Offer.

All references to "**you**" or "**Holder**" in this IAC are to the holders of the Offer Shares and/ or Offer Warrants, as the case may be, being the person to whom the Offer is made.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this IAC to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this IAC shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the tables included in this IAC between the amounts listed, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE OFFER. WE ADVISE THE HOLDERS TO READ PART A: LETTER FROM THE BOARD AND PART B: INDEPENDENT ADVICE LETTER FROM UOBKH FOR THEIR VIEWS AND RECOMMENDATIONS IN RELATION TO THE OFFER. THIS IAC SHOULD ALSO BE READ TOGETHER WITH THE OFFER DOCUMENT.

1. INTRODUCTION

On 14 November 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the HOA with the Vendors for the Acquisition.

On 10 December 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the CSSA with the Vendors for the Acquisition.

On 11 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Acquisition had become unconditional. Upon completion of the Acquisition, the aggregate shareholding of the Offeror in Daibochi would increase from nil to 42.48% (excluding treasury shares). Accordingly, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, Scientex is obliged to extend a mandatory take-over offer to acquire the Offer Securities not already owned by the Offeror. RHB Investment Bank had, on behalf of Scientex, served the Notice to the Board on even date. Subsequently, Daibochi announced the receipt of the Notice on 11 February 2019 and a copy of the Notice was dispatched to the Holders on 18 February 2019.

On 13 February 2019, the Board had announced the appointment of UOBKH as the Independent Adviser for the Offer to advise the Non-Interested Directors and the Holders, and provide its comments, opinions, information and recommendation on the Offer.

On 19 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Consideration Shares were allotted and issued to the Vendors and accordingly, the Acquisition was completed pursuant to the CSSA.

On 4 March 2019, RHB Investment Bank had, on behalf of the Offeror, issued the Offer Document in relation to the Offer to the Holders.

On 13 March 2019, the SC had notified UOBKH that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer and Non-Interested Directors' views and recommendation on the Offer together with the recommendation of UOBKH. You are advised to read both this IAC and the Offer Document and carefully consider the recommendations contained herein before taking action.

2. SALIENT TERMS AND CONDITIONS OF THE OFFER

2.1 Consideration for the Offer Shares

The consideration for the Offer Shares will be satisfied via one of the following options, at the election of the Holders:-

(a) a cash offer price of RM1.59 for every Offer Share (otherwise known as Cash Option); or

(b) a share exchange offer of new Scientex Shares to be issued at the Issue Price of RM8.80 based on an exchange ratio of 1 Scientex Share for every 5.535 Offer Shares (otherwise known as Share Exchange Option).

If Daibochi declares, makes or pays any Distributions on or after the date of the Notice but prior to the Closing Date and the Holders are entitled to retain such Distributions, Scientex will reduce the Share Offer Price by an amount equivalent to the net Distribution per Daibochi Share which such Holders are entitled to retain. Accordingly, this may reduce the cash amount to be received by a Holder who elects for the Cash Option and the number of new Scientex Shares to be received by a Holder who elects for the Share Exchange Option.

For information purpose, Daibochi had on 22 February 2019 declared an interim dividend of RM0.005 per Daibochi Share with the entitlement date being 11 April 2019. As disclosed in the Offer Document, the Offeror takes cognisance that the entitlement date for the dividend is after the Closing Date and the Offeror does not intend to extend the time and date for acceptance of the Offer beyond the Closing Date. Accordingly, there shall be no adjustment to the Share Offer Price for this interim dividend declared.

Similarly, if Scientex declares, makes or pays any Distributions on or after the date of Notice but prior to the Closing Date, Scientex will adjust the Issue Price after taking into account the net Distribution per Scientex Share which such Holders of Offer Shares are not entitled to receive. Accordingly, this will increase the number of new Scientex Shares to be received by a Holder who elects for the Share Exchange Option.

2.2 Consideration for the Offer Warrants

The consideration for the Offer Warrants shall be satisfied via a cash consideration at a cash offer price of RM0.01 per Offer Warrant (otherwise known as Warrant Offer Price). The Warrant Offer Price represents a nominal amount of the Offer Warrants, in compliance with Paragraph 8.01 of the Rules, whereby if the "see through" price of the convertible instrument is zero or negative, the Offeror may offer a nominal amount for such convertible instrument.

2.3 Condition of the Offer

The Offer is **conditional** upon the fulfilment of the Acceptance Condition.

The Acceptance Condition must be fulfilled on or before the Closing Date, failing which the Offer shall lapse and all acceptances thereafter shall be returned to the Accepting Holders. For the avoidance of doubt, the Acceptance Condition shall exclude the acceptances of the Offer Warrants.

2.4 Duration of the Offer

The Offer shall remain open for acceptances until 5.00 p.m. on Monday, 25 March 2019, being the Closing Date. The Offeror does not have any intention of extending the duration of the Offer beyond the Closing Date.

2.5 Method of settlement

For the Offer Shares, if the Offeror deems your acceptance to be complete and valid in all respect in accordance with the terms and conditions as set out in the Offer Document, the settlement for the Offer Shares will be effected in the following manner:-

Cash Option	Share Exchange Option
The settlement for the Offer Shares will be effected through remittance in the form of cheque, banker's draft or cashier's order which will be dispatched by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their own risk within **10 days** from:	The settlement for the Offer Shares will be effected through allotment, issuance and crediting of new Scientex Shares to the Accepting Holders' securities accounts within **14 days** from:

(i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or	(i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or
(ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.	(ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.

For the Offer Warrants, if the Offeror deems your acceptance to be complete and valid in all respect in accordance with the terms and conditions set out in the Offer Document, settlement for the Offer Warrants will be effected through remittance in the form of cheque, banker's draft or cashier's order which will be dispatched by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their own risk within **10 days** from the date of the Acceptances.

Please refer to Section 2 and Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for the details on procedures for acceptance of the Offer.

3. DETAILS OF ACCEPTANCE

As disclosed in the Offer Document, as at the Offer Document LPD, the Offeror, Ultimate Offerors and persons acting in concert with them have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

As at the LPD, there is no announcement made by RHB Investment Bank on behalf of the Offeror of any acceptance of the Offer Securities.

4. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, whereby:-

i. the term "fair and reasonable" should generally be analysed as two distinct criteria i.e. whether the offer is "fair"; and whether the offer is "reasonable", rather than as a composite term;

ii. the take-over is considered "fair" if the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities that are subject of the take-over offer. However, if the offer price is equal to or higher than the market price, but is lower than the value of the securities that are subject of the take-over offer, the take-over offer is considered "not fair". In making the assessment, the value of the offer securities is determined based on the assumption that 100% of the offeree is being acquired;

iii. in considering whether a take-over offer is "reasonable", the Independent Adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer; and

iv. Generally, a take-over offer would be considered "reasonable" if it is "fair". Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being "not fair", if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Our evaluation on the Offer is based on the following:-

		FAIRNESS	REASONABLENESS
1.	**Cash Option**	**FAIR** The Share Offer Price:- • is **within** the range of fair value of Daibochi ranging from RM1.52 to RM1.73; and • is **above** the closing price as at the LPD and 5-day VWAP of Daibochi Shares up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.	**REASONABLE** The low liquidity turnover of 0.35% of the Daibochi Shares as compared to the liquidity turnover of its comparable companies of 5.48% and the absence of a competing offer may imply that the Share Offer represents an opportunity for Holders to realise their investment in their Offer Shares on a wholesale basis. **Alternatively, as the Share Offer can also be satisfied by the Share Exchange Option, emphasis should also be given on the relative total value consideration for both Daibochi Shares and Scientex Shares as set out in Section 6.2.2 of Part B of this IAC, as well as on the liquidity of Scientex Shares relative to the liquidity of Daibochi Shares as set out in Section 7.2 of Part B of this IAC, before deliberating on the Share Offer.**
2.	**Share Exchange Option**	**FAIR** The estimated fair values of Scientex Shares which range from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90 per Daibochi Share based on the Exchange Ratio. The lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73. The said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.	**REASONABLE** Holders who opt for Share Exchange Option will be able to exchange their Daibochi Shares for the relatively more liquid Scientex Shares which has a liquidity turnover of 2.26%.

		FAIRNESS (CONT'D)	REASONABLENESS (CONT'D)
		Nonetheless, you are also advised to closely monitor the market prices of Daibochi Shares and Scientex Shares before deciding on the Share Exchange Option. In the event the Daibochi Share has traded above the Share Offer Price of RM1.59 and/ or the Scientex Share has traded below the Issue Price of RM8.80, it may be more beneficial for you to dispose your Daibochi Shares and acquire the Scientex Shares from the open market (after taking into consideration associated transaction costs involved) in this circumstance. Alternatively, you may also accept the Share Offer by electing the Cash Option and acquire Scientex Shares from the open market (after taking into consideration associated transaction costs involved).	
3.	**Warrant Offer**	**NOT FAIR** The Warrant Offer Price:- • is substantially **lower** than the closing prices of Warrants since its listing on Bursa Securities on 28 June 2017 and up to the LPD; • represents a **significant discount** ranging from 91.7% to 97.9% to the historical closing prices of Warrants for the various periods up to and including HOA LTD, LTD and LPD; and • represents a **significant discount** of 91.7% to the theoretical value of the Offer Warrants of RM0.12.	**NOT REASONABLE** Notwithstanding the low liquidity turnover of the Warrants of 0.35% as compared to the liquidity turnover of its comparable companies of 4.91% and the absence of a competing offer, the Holders can continue to hold their Offer Warrants (which expires on 19 June 2022) and sell their Offer Warrants in the open market at a higher price as compared to the Warrant Offer Price, given that it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities. Nonetheless, we wish to highlight that in view of the low liquidity turnover of the Offer Warrants, the Holders (especially those holding a large number of Offer Warrants) may have limited opportunities or may take a longer time to realise their investments in the Offer Warrants in the open market if they wish to do so at a higher price as compared to the Warrant Offer Price.

5. RECOMMENDATION

5.1 By UOBKH

With regards to the Share Offer, it is pertinent to note that Holders who wish to accept the MGO can elect either Cash Option or Share Exchange Option as mode of settlement under the Offer.

Premised on our evaluation as a whole, we are of the opinion that the:-

- Cash Option is **FAIR** and **REASONABLE**
- Share Exchange Option is **FAIR** and **REASONABLE**
- Warrant Offer is **NOT FAIR** and **NOT REASONABLE**

Between the Cash Option and Share Exchange Option, we are of the view that the Share Exchange Option is more favourable, as the estimated fair values of Scientex Shares ranging from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90, and:-

- the lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73; and

- the said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

Accordingly, we advise and recommend that Holders **ACCEPT** the Share Offer by electing the Share Exchange Option, and **REJECT** the Warrant Offer.

5.2 By Non-Interested Directors

The Non-Interested Directors, after careful assessment of the terms and conditions of the Offer as contained in the Offer Document and the evaluation and recommendation as to the fairness and reasonableness of the Offer by UOBKH as contained in Part B of this IAC, have **concurred** with the evaluation and recommendation of UOBKH that the:-

- Cash Option is **FAIR** and **REASONABLE**
- Share Exchange Option is **FAIR** and **REASONABLE**
- Warrant Offer is **NOT FAIR** and **NOT REASONABLE**

Between the Cash Option and Share Exchange Option, the Non-Interested Directors also **concurred** with UOBKH's view that the Share Exchange Option is more favourable, as the estimated fair values of Scientex Shares ranging from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90, and:-

- the lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73; and

- the said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

Accordingly, the Non-Interested Directors recommend that Holders **ACCEPT** the Share Offer by electing the Share Exchange Option, and **REJECT** the Warrant Offer.

6. IMPORTANT DATES AND EVENTS

The important relevant dates pertaining to the Offer are as follows:-

Event	**Date**
Notice of the Offer	11 February 2019
Posting Date of the Offer Document	4 March 2019
Issuance of this IAC	14 March 2019
Closing Date*	25 March 2019

Note:-

* *The Offer will remain open for acceptances until the Closing Date, or such later date as may be announced by RHB Investment Bank, on behalf of the Offeror, at least 2 days before the closing date. Notice of such revision or extension will be posted to the Holders accordingly*

You should carefully consider the terms and conditions of the Offer based on all the relevant and pertinent factors including those which are set out above, and other information as set out in this IAC, the Offer Document and any other publicly available information.

You are advised to read this IAC in its entirety, together with the Offer Document, carefully for more information and not rely solely on the Executive Summary before forming an opinion on the Offer.

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PART A:

LETTER FROM THE BOARD

DAIBOCHI BERHAD
(Formerly known as Daibochi Plastic And Packaging Industry Berhad)
(Company No. 12994-W)
(Incorporated in Malaysia)

Registered Office

Kompleks Daibochi Plastic
Lot 3 & 7, Air Keroh Industrial Estate
Phase IV, 75450 Melaka

14 March 2019

Board of Directors

Heng Fu Joe *(Chairman and Independent Non-Executive Director)*
Lim Soo Koon *(Managing Director)*
Low Geoff Jin Wei *(Executive Director)*
Caroline Ang Choo Bee *(Independent Non-Executive Director)*
Faris Salim Cassim *(Independent Non-Executive Director)*

To: The Holders

Dear Sir/ Madam,

CONDITIONAL MANDATORY TAKE-OVER OFFER BY SCIENTEX BERHAD (BEING THE OFFEROR)

---

1. INTRODUCTION

On 14 November 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the HOA with the Vendors for the Acquisition.

On 10 December 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the CSSA with the Vendors for the Acquisition.

On 11 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Acquisition had become unconditional. Upon completion of the Acquisition, the aggregate shareholding of the Offeror in Daibochi would increase from nil to 42.48% (excluding treasury shares). Accordingly, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, Scientex is obliged to extend a mandatory take-over offer to acquire the Offer Securities not already owned by the Offeror. RHB Investment Bank had, on behalf of Scientex, served the Notice to the Board on even date. Subsequently, Daibochi announced the receipt of the Notice on 11 February 2019 and a copy of the Notice was dispatched to the Holders on 18 February 2019.

On 13 February 2019, the Board had announced the appointment of UOBKH as the Independent Adviser for the Offer to advise the Non-Interested Directors and the Holders, and provide its comments, opinions, information and recommendation on the Offer.

On 19 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Consideration Shares were allotted and issued to the Vendors and accordingly, the Acquisition was completed pursuant to the CSSA.

On 4 March 2019, RHB Investment Bank had, on behalf of the Offeror, issued the Offer Document in relation to the Offer to the Holders.

As disclosed in the Offer Document, the Ultimate Offerors are Lim Peng Jin and Lim Peng Cheong, and that the persons acting in concert with the Offeror and the Ultimate Offerors pursuant to Section 216 of the CMSA in relation to the Offer as at the Offer Document LPD are Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, Lim Peng Jin, Lim Peng Cheong, Wong Chin Mun, Ang Kim Swee, Mohd Ridzal Bin Mohd Sheriff, Shareena Binti Mohd Sheriff, Lee Chung Yau, Lim Teck Meng, Lim Fei Lin, Lim Lee Lin, Lim Ban Lin, Yong Sook Lan, Lim Jian You, Lim Jian Yen, Lim Chia Wei, Ang Ying Fen, Scientex Holdings Sdn Bhd, Scientex Infinity Sdn Bhd, Loh Kim Chong, Loh Yen Wei, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Paradox Corporation Sdn Bhd, Fok Chuan Meng, Chua Lay Peng, Datuk Mohamed Zain Bin Mohamed Yusuf, Ng Ko Chee, Progress Innovations Sdn Bhd, Mplusonline Sdn Bhd, Phillip Tay Chuan Thye, Yong Siew Yung, Selina Tay Sui Ping, Tay Sui Wen Stefanie, and Tay Swee Ming Nicholas.

In addition, as at the Offer Document LPD, the shareholdings of the Offeror and the Ultimate Offerors in Daibochi are as follows:-

	<----------Direct----------->		**<----------Indirect----------->**	
	No. of Daibochi Shares	**%**[*1]	**No. of Daibochi Shares**	**%**[*1]
Offeror				
Scientex	139,062,766	42.48	-	-
Ultimate Offerors				
Lim Peng Jin	-	-	139,062,766[*2]	42.48
Lim Peng Cheong	-	-	139,062,766[*2]	42.48

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Deemed/ indirect interest by virtue of his interest in the Offeror pursuant to Section 8 of the Act*

As at the Offer Document LPD, the Offeror, Ultimate Offerors and persons acting in concert with them do not hold any Warrants, and that the persons acting in concert with the Offeror and the Ultimate Offerors do not have any direct holdings in Daibochi.

On 13 March 2019, the SC had notified UOBKH that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer and Non-Interested Directors' views and recommendation on the Offer together with the recommendation of UOBKH. You are advised to read both this IAC and the Offer Document and carefully consider the recommendations contained herein before taking action.

2. SALIENT TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are as set out in Section 2, Part B of this IAC. Please refer to Section 2 and Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for the details on procedures for acceptance of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in the Offer Document, as at the Offer Document LPD, the Offeror, Ultimate Offerors and persons acting in concert with them have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

As at the LPD, there is no announcement made by RHB Investment Bank on behalf of the Offeror of any acceptance of the Offer Securities.

4. NON-INTERESTED DIRECTORS' COMMENTS

4.1 Rationale for the Offer

The Non-Interested Directors take cognisance of the following rationale for the Offer as set out in Section 3 of the Offer Document:-

i. Upon completion of the Acquisition, Scientex's shareholdings in Daibochi increased from nil to approximately 42.48% (excluding treasury shares). As such, Scientex is obliged to undertake the Offer pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules;

ii. The Acquisition is in line with Scientex's business objective of growing its business organically and inorganically. As such, Scientex is expected to derive the following benefits pursuant to the Acquisition:-

   a. a compelling value proposition by enhancing operating capabilities and economies of scale through synergistic and complementary product portfolios with increased product differentiation to better serve its customers;

   b. to leverage on the respective strengths, brand names and track record built up over the years to capitalise on shifting consumer needs and an evolving customer landscape by collaborating with brand owners to provide responsible and sustainable packaging solutions to address growing environmental concerns; and

   c. pairing of two complementary organisations in producing high quality custom films for the global flexible plastic packaging (FPP) market which is estimated to grow to approximately USD200 billion by 2019 (*Source: Technavio Analysis : Global Flexible Plastic Packaging Market 2015 - 2019*). This combination will create a strong packaging entity from Malaysia to compete globally besides being a catalyst for the future growth and development of the Malaysian plastic converting industry;

iii. The cash consideration for the Offer Securities will provide the Holders with an opportunity to realise their investment in Daibochi in the immediate term for a cash consideration of RM1.59 per Offer Share and cash consideration of RM0.01 per Offer Warrant, subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules; and

iv. Whereas, the Share Exchange Option allows:-

   a. the existing shareholders of Daibochi to participate in Scientex Group's existing businesses and thus, an opportunity to diversify the risk profile of their investment in Daibochi to include exposures to Scientex's shares and businesses which are manufacturing of industrial stretch films, custom films and plastic related packaging products and property development;

   b. the existing shareholders of Daibochi to continue participating in the future growth of Daibochi via Scientex's equity interest in Daibochi; and

   c. Scientex to mitigate the amount of cash proceeds required to be raised via bank borrowings and/ or other means to satisfy the cash consideration.

Having considered the above, the Non-Interested Directors are of the view that the rationale in its entirety is reasonable as the Offer is a mandatory requirement as a result of the Acquisition in accordance with the Rules, and that the Offer also provides the Holders an opportunity to realise their investment in Daibochi Shares at a price which is no less than the price transacted by the Offeror pursuant to the Acquisition, via either Cash Option or Share Exchange Option.

4.2 Future plans for Daibochi Group and its employees

The Non-Interested Directors take cognisance of the following intentions of the Offeror and the Ultimate Offerors in respect of the future plans of Daibochi Group and its employees after the Offer as set out in Section 7 of the Offer Document:-

i. Continuation of Daibochi Group's business

The Offeror and the Ultimate Offerors do not have any plan and/ or intention to liquidate any companies (save for dormant or inactive companies or companies already in-progress/ intended to be liquidated within Daibochi Group) and intend to continue with the existing businesses relating to Daibochi. Nevertheless, the Offeror and the Ultimate Offerors will from time to time continuously carry out a review on the strategy and future business direction of Daibochi Group in order to remain competitive and improve Daibochi Group's prospects for future growth.

ii. Major changes to Daibochi Group's business

The Offeror and the Ultimate Offerors do not have any plan or intention to introduce or effect major changes to the existing businesses, dispose of any major assets or undertake any major re-deployment of the fixed assets of Daibochi Group upon completion of the Offer, except where necessary to integrate and/ or reorganise and/ or rationalise the business activities and/ or direction of Daibochi Group.

iii. Employees of Daibochi Group

The Offeror and the Ultimate Offerors do not have any plan to dismiss or make redundant any of the employees of Daibochi Group as a direct consequence of the Offer. However, changes in employees' employment and redeployment of employees may take place as a result of the Offeror's and the Ultimate Offerors' subsequent review to further improve efficiency of the operations of Daibochi Group. Nevertheless, such changes will be carried out in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

The Non-Interested Directors further note that as at the Offer Document LPD, the Offeror and the Ultimate Offerors have not entered into any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in Daibochi Group's businesses, assets or Daibochi's shareholding structure.

Having considered the above, the Non-Interested Directors are of the view that the business and management of Daibochi will remain intact and continue as a going concern.

4.3 Listing status of Daibochi

The Non-Interested Directors take note that the **Offeror intends to maintain the listing status** of Daibochi on the Main Market of Bursa Securities. Accordingly, in the event that Daibochi does not comply with the Public Spread Requirement as a result of the Offer, the Offeror (subject always that the Offeror either individually or jointly with its associates and the Ultimate Offerors retain a collective equity interest of more than 50.00% in Daibochi) intends to work together with Daibochi to explore various options or proposals within 3 months from the Closing Date, subject to such timeframe as allowed by the relevant authorities to enable Daibochi to comply with the Public Spread Requirement. As at the Offer Document LPD, no arrangements on the above have been made.

Please refer to Section 9.1, Part B of this IAC for further details.

4.4 Compulsory Acquisition and rights of Dissenting Holders

For the purposes of Sections 222, 223 and 224 of the CMSA and this section, "share" means a voting share, in a company, or a unit in an entity specified by SC, and includes convertible securities (which includes warrants) as if those securities were shares of a separate class of a company and any reference to a holder of shares, and to shares being allotted, is to be read accordingly.

The Non-Interested Directors take note that the **Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining shares from the Dissenting Holders even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

Notwithstanding the above, in the event that the Offeror receives valid acceptances from the Holders which result in the Offeror, Ultimate Offerors and persons acting in concert with them holding not less than 9/10 in the value of the voting shares in Daibochi (including shares already held by the Offeror, Ultimate Offerors and persons acting in concert with them but excluding treasury shares held by Daibochi) on or before the Closing Date, a Dissenting Holder may exercise his/ her/ its rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his/ her/ its shares on the same terms as set out in the Offer Document or such other terms as may be agreed, subject to Section 224 of the CMSA.

Please refer to Sections 9.2 and 9.3, Part B of this IAC for further details.

5. INDEPENDENT ADVISER'S LETTER

The Holders are advised to read and consider the comments, opinions, information and recommendation of UOBKH, being the Independent Adviser appointed to advise the Non-Interested Directors and the Holders on the fairness and reasonableness of the Offer. The letter from the Independent Adviser is included in Part B of this IAC.

6. DIRECTORS' DISCLOSURE OF INTERESTS AND INTENTION RELATING TO THE OFFER

Save as disclosed below, the Directors do not have any interest, whether direct and indirect, in Daibochi Shares and Warrants as at the LPD:-

Daibochi Shares

Name	<---------- Direct ---------->		<---------- Indirect ---------->	
	No. of Shares	%[*1]	No. of Shares	%[*1]
Heng Fu Joe	-	-	-	-
Lim Soo Koon	518,400	0.16	-	-
Low Geoff Jin Wei	-	-	-	-
Caroline Ang Choo Bee	17,280	0.01	77,760[*2]	0.02
Faris Salim Cassim	-	-	-	-

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Deemed interests through spouse*

Warrants

Name	<---------- Direct ---------->		<---------- Indirect ---------->	
	No. of Warrants	%[*1]	No. of Warrants	%[*1]
Heng Fu Joe	-	-	-	-
Lim Soo Koon	43,200	0.16	-	-
Low Geoff Jin Wei	1,140,580	4.17	-	-
Caroline Ang Choo Bee	1,440	0.01	6,480[*2]	0.02
Faris Salim Cassim	-	-	-	-

Notes:-

*[*1]* *Computed based on 27,320,788 outstanding Warrants*

*[*2]* *Deemed interests through spouse*

As at the LPD, after taking into the evaluation and recommendation by UOBKH as set out in Part B of this IAC, Lim Soo Koon, Low Geoff Jin Wei and Caroline Ang Choo Bee have indicated their following intention in respect of their Offer Shares and/ or Offer Warrants held directly by them pursuant to the Offer, as follows:-

No.	Name	Intention with regards to the Offer
1.	Lim Soo Koon	• **REJECT** the Share Offer and Warrant Offer.
2.	Low Geoff Jin Wei	• **REJECT** the Warrant Offer.
3.	Caroline Ang Choo Bee	• **ACCEPT** the Share Offer by electing the Share Exchange Option; and • **REJECT** the Warrant Offer.

Notwithstanding Lim Soo Koon's recommendation to the Holders to **ACCEPT** the Share Offer by electing the Share Exchange Option, Lim Soo Koon has expressed his intention to **REJECT** the Share Offer in respect of his Offer Shares held directly by him, in view that he wishes to retain his interests in Daibochi as well as to participate in the business and future growth of Daibochi Group as the Managing Director, key management and shareholder of Daibochi.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Directors of Daibochi collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAC and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief:-

i. no statement and/ or information relating to Daibochi Group in this IAC is false or misleading or incomplete;

ii. there are no other facts and/ or information, the omission of which would render any statement or information provided relating to Daibochi Group herein false or misleading or incomplete;

iii. all material facts and/ or information in relation to the Offer, including those required under the Rules, have been accurately and completely disclosed in this IAC; and

iv. opinions expressed by the Board (save for the Interested Director) in this IAC have been arrived at after due and careful consideration.

The responsibility of the Board in respect of:-

i. the information on the Offeror, the Ultimate Offerors, and the Offer in this IAC (as extracted from the Offer Document and other publicly available information) is limited to ensuring that such information is accurately reproduced in this IAC; and

ii. the independent advice and expression of opinion by UOBKH in relation to the Offer as set out in Part B of this IAC is to ensure that valid, complete and accurate information in relation to Daibochi Group was provided to UOBKH for its evaluation of the Offer and that there is no omission of material facts which would make any information provided to UOBKH false or misleading.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

The Non-Interested Directors, after careful assessment of the terms and conditions of the Offer as contained in the Offer Document and the evaluation and recommendation as to the fairness and reasonableness of the Offer by UOBKH as contained in Part B of this IAC, have **concurred** with the evaluation and recommendation of UOBKH that the:-

- Cash Option is **FAIR** and **REASONABLE**
- Share Exchange Option is **FAIR** and **REASONABLE**
- Warrant Offer is **NOT FAIR** and **NOT REASONABLE**

Between the Cash Option and Share Exchange Option, the Non-Interested Directors also **concurred** with UOBKH's view that the Share Exchange Option is more favourable, as the estimated fair values of Scientex Shares ranging from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90, and:-

- the lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73; and

- the said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

Accordingly, the Non-Interested Directors recommend that Holders **ACCEPT** the Share Offer by electing the Share Exchange Option, and **REJECT** the Warrant Offer.

THE HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THIS IAC AND THE OFFER DOCUMENT BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

THE NON-INTERESTED DIRECTORS HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION, RISK PROFILE AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS.

THE NON-INTERESTED DIRECTORS RECOMMEND THAT HOLDERS WHO REQUIRE ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL SITUATION, RISK PROFILE OR PARTICULAR NEEDS, SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Yours faithfully,
For and on behalf of the Board
DAIBOCHI BERHAD
(Formerly known as Daibochi Plastic And Packaging Industry Berhad)

HENG FU JOE
Chairman/ Independent Non-Executive Director

PART B:

INDEPENDENT ADVICE LETTER FROM UOBKH

Ground & 19th Floor,
Menara Keck Seng,
203 Jalan Bukit Bintang,
55100 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia.

Tel : 603 2147 1888
Fax : 603 2147 1950

www.uobkayhian.com
Co. No. 194990-K

14 March 2019

To: The Holders

Dear Sir/ Madam,

CONDITIONAL MANDATORY TAKE-OVER OFFER BY SCIENTEX BERHAD (BEING THE OFFEROR)

---

1. INTRODUCTION

On 14 November 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the HOA with the Vendors for the Acquisition.

On 10 December 2018, RHB Investment Bank had, on behalf of Scientex Board, announced that Scientex has entered into the CSSA with the Vendors for the Acquisition.

On 11 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Acquisition had become unconditional. Upon completion of the Acquisition, the aggregate shareholding of the Offeror in Daibochi would increase from nil to 42.48% (excluding treasury shares). Accordingly, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, Scientex is obliged to extend a mandatory take-over offer to acquire the Offer Securities not already owned by the Offeror. RHB Investment Bank had, on behalf of Scientex, served the Notice to the Board on even date. Subsequently, Daibochi announced the receipt of the Notice on 11 February 2019 and a copy of the Notice was dispatched to the Holders on 18 February 2019.

On 13 February 2019, the Board had announced the appointment of UOBKH as the Independent Adviser for the Offer to advise the Non-Interested Directors and the Holders, and provide its comments, opinions, information and recommendation on the Offer.

On 19 February 2019, RHB Investment Bank had, on behalf of Scientex Board, announced that the Consideration Shares were allotted and issued to the Vendors and accordingly, the Acquisition was completed pursuant to the CSSA.

On 4 March 2019, RHB Investment Bank had, on behalf of the Offeror, issued the Offer Document in relation to the Offer to the Holders.

As disclosed in the Offer Document, the Ultimate Offerors are Lim Peng Jin and Lim Peng Cheong, and that the persons acting in concert with the Offeror and the Ultimate Offerors pursuant to Section 216 of the CMSA in relation to the Offer as at the Offer Document LPD are Tan Sri Dato' Mohd Sheriff Bin Mohd Kassim, Lim Peng Jin, Lim Peng Cheong, Wong Chin Mun, Ang Kim Swee, Mohd Ridzal Bin Mohd Sheriff, Shareena Binti Mohd Sheriff, Lee Chung Yau, Lim Teck Meng, Lim Fei Lin, Lim Lee Lin, Lim Ban Lin, Yong Sook Lan, Lim Jian You, Lim Jian Yen, Lim Chia Wei, Ang Ying Fen, Scientex Holdings Sdn Bhd, Scientex Infinity Sdn Bhd, Loh Kim Chong, Loh Yen Wei, Scientex Leasing Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd, Paradox Corporation Sdn Bhd, Fok Chuan Meng, Chua Lay Peng, Datuk Mohamed Zain Bin Mohamed Yusuf, Ng Ko Chee, Progress Innovations Sdn Bhd, Mplusonline Sdn Bhd, Phillip Tay Chuan Thye, Yong Siew Yung, Selina Tay Sui Ping, Tay Sui Wen Stefanie, and Tay Swee Ming Nicholas.

In addition, as at the Offer Document LPD, the shareholdings of the Offeror and the Ultimate Offerors in Daibochi are as follows:-

	<----------Direct---------->		<----------Indirect---------->	
	No. of Daibochi Shares	**%**[*1]	**No. of Daibochi Shares**	**%**[*1]
Offeror				
Scientex	139,062,766	42.48	-	-
Ultimate Offerors				
Lim Peng Jin	-	-	139,062,766[*2]	42.48
Lim Peng Cheong	-	-	139,062,766[*2]	42.48

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Deemed/ indirect interest by virtue of his interest in the Offeror pursuant to Section 8 of the Act*

As at the Offer Document LPD, the Offeror, Ultimate Offerors and persons acting in concert with them do not hold any Warrants, and that the persons acting in concert with the Offeror and the Ultimate Offerors do not have any direct holdings in Daibochi.

On 13 March 2019, the SC had notified UOBKH that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer and Non-Interested Directors' views and recommendation on the Offer together with the recommendation of UOBKH. You are advised to read both this IAC and the Offer Document and carefully consider the recommendations contained herein before taking action.

2. SALIENT TERMS AND CONDITIONS OF THE OFFER

2.1 Consideration for the Offer Shares

The consideration for the Offer Shares will be satisfied via one of the following options, at the election of the Holders:

(a) a cash offer price of RM1.59 for every Offer Share (otherwise known as Cash Option); or

(b) a share exchange offer of new Scientex Shares to be issued at the Issue Price of RM8.80 based on an exchange ratio of 1 Scientex Share for every 5.535 Offer Shares (otherwise known as Share Exchange Option)

Under the Share Exchange Option, you will receive New Scientex Shares based on the Share Offer Price and the Exchange Ratio as set out below:-

	As per the CSSA [*1]	**As per the Notice** [*2]
Share offer price	RM1.600	RM1.590
Issue Price	RM8.800	RM8.800
Exchange Ratio	5.500	5.535

Notes:-

[*1] *Based on the announcement dated 10 December 2018 made by RHB Investment Bank, on behalf of Scientex Board, the purchase consideration of the Acquisition under the CSSA was RM222,500,425.60 (equivalent to RM1.60 per Daibochi Share), subject to any adjustments pursuant to Paragraph 6.03(1) of the Rules*

[*2] *The share offer price and exchange ratio were adjusted after taking into consideration the interim dividend announced by Daibochi on 14 November 2018 of RM0.01 per Daibochi Share and paid on 21 December 2018*

If Daibochi declares, makes or pays any Distributions on or after the date of the Notice but prior to the Closing Date and the Holders are entitled to retain such Distributions, Scientex will reduce the Share Offer Price by an amount equivalent to the net Distribution per Daibochi Share which such Holders are entitled to retain. Accordingly, this may reduce the cash amount to be received by a Holder who elects for the Cash Option and the number of new Scientex Shares to be received by a Holder who elects for the Share Exchange Option.

For information purpose, Daibochi had on 22 February 2019 declared an interim dividend of RM0.005 per Daibochi Share with the entitlement date being 11 April 2019. As disclosed in the Offer Document, the Offeror takes cognisance that the entitlement date for the dividend is after the Closing Date and the Offeror does not intend to extend the time and date for acceptance of the Offer beyond the Closing Date. Accordingly, there shall be no adjustment to the Share Offer Price for this interim dividend declared.

Similarly, if Scientex declares, makes or pays any Distributions on or after the date of Notice but prior to the Closing Date, Scientex will adjust the Issue Price after taking into account the net Distribution per Scientex Share which such Holders of Offer Shares are not entitled to receive. Accordingly, this will increase the number of new Scientex Shares to be received by a Holder who elects for the Share Exchange Option.

If any adjustments are to be made to the Exchange Ratio, such adjustments shall be adjusted to the nearest 3 decimal places.

The new Scientex Shares shall, upon allotment and issuance, rank equally in all respects with the existing Scientex Shares, save and except that the holders of such new Scientex Shares shall not be entitled to any Distribution, in respect of which the entitlement date precedes the date of allotment of such new Scientex Shares.

Holders may accept the Offer in respect of all or part of their Offer Shares. In the event of any revision or adjustment to the Share Offer Price and/ or the Issue Price resulting in fractional entitlements to the Accepting Holders, the Offeror will not pay fractions of a sen (for the Cash Option) or issue fractions of a new Scientex Share (for the Share Exchange Option) to the Accepting Holders. The entitlement of the Accepting Holders in respect of their valid acceptances of the Offer will be rounded down to the nearest whole sen or whole new Scientex Share accordingly.

Pursuant to the above, the Accepting Holders who elect for the Share Exchange Option may receive odd lots of Scientex Shares. The odd lots can be traded on the odd lot market of Bursa Securities. However, there is no certainty that the trading of the odd lots will be at a price comparable to the prevailing market price of a board lot of Scientex Shares.

2.2 Consideration for the Offer Warrants

The consideration for the Offer Warrants shall be satisfied via a cash consideration at a cash offer price of RM0.01 per Offer Warrant (otherwise known as Warrant Offer Price). The Warrant Offer Price represents a nominal amount of the Offer Warrants, in compliance with Paragraph 8.01 of the Rules, whereby if the "see through" price of the convertible instrument is zero or negative, the Offeror may offer a nominal amount for such convertible instrument.

Holders may accept the Offer in respect of all or part of their Warrants. The Offeror will not pay fractions of a sen to the Accepting Holders. The entitlement of the Accepting Holders in respect of their valid acceptances of the Offer will be rounded down to the nearest whole sen.

2.3 Condition of the Offer

The Offer is **conditional** upon the fulfilment of the Acceptance Condition.

The Acceptance Condition must be fulfilled on or before the Closing Date, failing which the Offer shall lapse and all acceptances thereafter shall be returned to the Accepting Holders. For the avoidance of doubt, the Acceptance Condition shall exclude the acceptances of the Offer Warrants.

2.4 Duration of the Offer

The Offer shall remain open for acceptances until 5.00 p.m. on Monday, 25 March 2019, being the Closing Date. The Offeror does not have any intention of extending the duration of the Offer beyond the Closing Date.

2.5 Method of settlement

For the Offer Shares, if the Offeror deems your acceptance to be complete and valid in all respect in accordance with the terms and conditions as set out in the Offer Document, the settlement for the Offer Shares will be effected in the following manner:

Cash Option	Share Exchange Option
The settlement for the Offer Shares will be effected through remittance in the form of cheque, banker's draft or cashier's order which will be dispatched by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their own risk within **10 days** from:	The settlement for the Offer Shares will be effected through allotment, issuance and crediting of new Scientex Shares to the Accepting Holders' securities accounts within **14 days** from:
(i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or	(i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or
(ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.	(ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.

For the Offer Warrants, if the Offeror deems your acceptance to be complete and valid in all respect in accordance with the terms and conditions set out in the Offer Document, settlement for the Offer Warrants will be effected through remittance in the form of cheque, banker's draft or cashier's order which will be dispatched by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their own risk within **10 days** from the date of the Acceptances.

Non-Resident Holders are advised that settlement for Acceptances will be made in RM and sen or in the form of new Scientex Shares which will be denominated in RM. Non-Resident Holders who wish to convert the consideration received into foreign currency for repatriation may do so on their own after payment of the appropriate fees and/or charges as levied by the respective financial institutions.

Please refer to Section 2 and Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for the details on procedures for acceptance of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in the Offer Document, as at the Offer Document LPD, the Offeror, Ultimate Offerors and persons acting in concert with them have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

As at the LPD, there is no announcement made by RHB Investment Bank on behalf of the Offeror of any acceptance of the Offer Securities.

4. LIMITATIONS TO THE EVALUATION OF THE OFFER

UOBKH was not involved in any formulation, deliberation and/ or negotiation pertaining to the terms and conditions of the Offer. Our terms of reference as an independent adviser is limited to providing our comments, opinions, information and recommendation on the Offer, including our opinion on the fairness and reasonableness of the Offer based on the following:-

i. information contained in the Notice, Offer Document and the appendices attached thereto;

ii. audited consolidated financial statements of Daibochi for the past 3 financial years up to the 31 December 2017 as well as the unaudited consolidated financial statements of Daibochi for the 12-month FYE 31 December 2018;

iii. audited consolidated financial statements of Scientex for the past 3 financial years up to the 31 July 2018 as well as the unaudited consolidated financial statements of Scientex for the 3-month FPE 31 October 2018;

iv. circular to shareholders of Scientex dated 18 January 2019 in relation to the Acquisition and Offer;

v. information furnished by the Board and management of Daibochi;

vi. discussions with the Board and management of Daibochi; and

vii. other publicly available information as we deemed relevant.

We have made all reasonable enquiries to the Board and management of Daibochi and have relied on the Board and management of Daibochi to take due care to ensure that all information, documents and representations provided by them to us to facilitate our evaluation of the Offer are accurate, valid and complete in all material aspects.

We have obtained confirmation from the Board that all material facts and information required for the purpose of our evaluation of the Offer have been disclosed to us. After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all relevant facts and information furnished to us are sufficient and we have no reason to believe that the information is unreliable, incomplete, misleading or inaccurate.

In rendering our advice, we have taken into consideration the pertinent matters which we believe are of general importance to an assessment of the fairness and reasonableness of the Offer and therefore of concern to the Holders as a whole.

We are not in possession of information relating to, and have not taken into consideration separate specific investment objectives, risk profiles, financial and tax situations or any particular needs of any individual Holder or any specific group of Holders. We therefore recommend that any individual Holder or any specific group of Holders who may require specific advice in relation to the Offer within the context of their investment objectives, risk profiles, financial and tax situations and particular needs to consult their respective stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our views expressed in this IAL are, amongst others, based on economic, market, industry, regulatory and other conditions prevailing, and the information and/ or documents made available to us as at the LPD. Such conditions may change significantly over a short period of time.

We shall immediately notify the Holders by way of announcement(s) if, after despatching of this IAC, as guided by Paragraph 11.07(1) of the Rules, we become aware that the information and/ or document previously circulated or provided:-

i. contains a material statement which is false or misleading;

ii. contains a statement from which there is a material omission; or

iii. does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAC to the Holders as guided by Paragraph 11.07(2) of the Rules.

5. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, whereby:-

i. the term "fair and reasonable" should generally be analysed as two distinct criteria i.e. whether the offer is "fair"; and whether the offer is "reasonable", rather than as a composite term;

ii. the take-over is considered "fair" if the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities that are subject of the take-over offer. However, if the offer price is equal to or higher than the market price, but is lower than the value of the securities that are subject of the take-over offer, the take-over offer is considered "not fair". In making the assessment, the value of the offer securities is determined based on the assumption that 100% of the offeree is being acquired;

iii. in considering whether a take-over offer is "reasonable", the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer;

iv. generally, a take-over offer would be considered "reasonable" if it is "fair". Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being "not fair", if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained; and

v. in the event the independent adviser concludes that a take-over offer is "not fair but reasonable", the independent adviser must clearly explain the following:-

   (a) what is meant by "not fair but reasonable";

   (b) how has the independent adviser reached to this conclusion; and

   (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

In our evaluation of the Offer, we have taken into consideration the following factors in forming our opinion:-

FAIRNESS OF THE OFFER		SECTION
Cash Option		**6.1**
(i)	Historical market price analysis of Daibochi Shares	**6.1.1**
(ii)	Valuation of Daibochi Shares	**6.1.2**
Share Exchange Option		**6.2**
(i)	Historical market price analysis of Scientex Shares	**6.2.1**
(ii)	Relative total value consideration based on Exchange Ratio	**6.2.2**
Warrant Offer		**6.3**
(i)	Historical market price analysis of Warrants	**6.3.1**
(ii)	Valuation of Warrants	**6.3.2**

REASONABLENESS OF THE OFFER		
(i)	No competing offer	**7.1**
(ii)	Liquidity analysis	**7.2**

6. FAIRNESS OF THE OFFER

6.1 Cash Option

The consideration for the Offer Shares can be satisfied via either Cash Option or Share Exchange Option, at the election of the Holders. The Cash Option entails a cash offer price of RM1.59 for every Offer Share.

6.1.1 Historical market price analysis of Daibochi Shares

The market valuation of shares of a company (traded on a recognised exchange) provides a possible perspective on its financial value. Accordingly, we have considered the historical price performance of Daibochi Shares. For information purpose, Daibochi is principally involved in manufacturing and marketing of flexible packaging materials. Daibochi Group derived its entire revenue from the manufacturing and marketing of flexible packaging materials segment.

We wish to highlight that under ordinary circumstances, the market valuation of the shares of a public listed company may be affected by, *inter alia*, the relative liquidity, the size of free float, the extent of applicable research coverage and investor interest, and the general market sentiment at a given point in time. Accordingly, this analysis serves as an illustrative guide only.

In evaluating the Offer Shares, we have taken into consideration the movement of the market prices of Daibochi Shares as traded on Bursa Securities. Please take note that the market price information as extracted from Bloomberg which is disclosed herein throughout this section has been adjusted for the effects of any dividends and corporate exercises in the period under review. The historical daily closing market prices of Daibochi Shares for the past 3 years up to the LPD are depicted below:-

(Source: Bloomberg)

During the past 3 years up to the LPD, the main announcements by Daibochi were as follows:-

	Date	Announcements
(a)	14 November 2016	Daibochi had signed a memorandum of agreement to establish a joint venture company in Myanmar with Myanmar Smart Pack Industrial Company Limited to carry out principal activities of manufacturing, marketing, sales and distribution of flexible packaging in Myanmar and the exporting of such flexible packaging out of Myanmar
(b)	3 April 2017	Announcement of Daibochi proposing to undertake a bonus issue of shares (2 bonus shares for every 10 existing shares held) and bonus issue of warrants (1 free warrant for every 10 existing shares held)
(c)	5 February 2018	Release of 4th quarter financial results for the 12-month FPE 31 December 2017 (which reported increase in revenue and PATANCI by 16.9% and 33.7% respectively over the preceding year's corresponding quarter)
(d)	14 November 2018	• Announcement on HOA • Release of 3rd quarter financial results for the 9-month FPE 30 September 2018 (which reported increase in revenue by 7.0% and decrease in PATANCI by 21.2% over the preceding year's corresponding quarter)
(e)	10 December 2018	Announcement on CSSA
(f)	11 February 2019	Announcement on receipt of the Notice
(g)	22 February 2019	Release of 4th quarter financial results for the 12-month FPE 31 December 2018 (which reported increase in revenue by 4.5% and a loss after taxation of RM1.57 million over the preceding year's corresponding quarter)

For the past 3 years up to the LPD, the Share Offer Price of RM1.59 had generally been lower than the historical closing prices of Daibochi Shares (save for brief intervals in February 2019 and March 2019 until the LPD which traded at or slightly below the Share Offer Price).

Prior to the announcement on HOA on 14 November 2018, we noted that the Daibochi Shares have generally traded in an uptrend from May 2016 up to the highest closing price of RM2.37 on 27 February 2018, before trading in a downtrend up til the closing price of RM1.98 on HOA LTD. During these periods, save for the announcements of the quarterly financial results and dividends, and two corporate exercises, i.e. joint venture in Myanmar, and bonus issue of shares and warrants (as referred in the above table of main announcements), we noted no other particular announcement/ development which may have a possible impact on Daibochi Shares.

We noted that ever since the announcement of HOA on 14 November 2018, the Daibochi Shares have been trading in a downtrend towards the Share Offer Price level. Apart from the announcement of HOA as well as the release of 3rd quarter financial results for the 9-month FPE 30 September 2018 (which reported a decrease in PATANCI over the preceding year's corresponding quarter) and the 4th quarter financial results for the 12-month FYE 31 December 2018 (which reported a loss after taxation as compared to PATANCI reported in the preceding year's corresponding quarter), we noted that there are no other particular development/ announcement which may have a possible impact to the aforesaid downtrend.

We set out below a comparison of the Share Offer Price of RM1.59 against the historical market prices of Daibochi Shares:-

	Share price	Premium/ (discount)	
	RM	RM	%
Up to HOA LTD (being last trading date prior to announcement on HOA)			
Closing price on HOA LTD	1.98	(0.39)	(19.7)
5-day VWAP	1.95	(0.36)	(18.5)
1-month VWAP	1.97	(0.38)	(19.3)
3-month VWAP	1.98	(0.39)	(19.7)
6-month VWAP	2.03	(0.44)	(21.7)
1-year VWAP	2.18	(0.59)	(27.1)
Up to LTD (being last trading date prior to serving of Notice)			
Closing price on LTD	1.59	-	-
5-day VWAP	1.60	(0.01)	(0.6)
1-month VWAP	1.61	(0.02)	(1.2)
3-month VWAP	1.68	(0.09)	(5.4)
6-month VWAP	1.71	(0.12)	(7.0)
1-year VWAP	1.94	(0.35)	(18.0)
Up to LPD			
Closing price on LPD	1.57	0.02	1.3
5-day VWAP	1.57	0.02	1.3

(Source: Bloomberg)

Based on the above, the Share Offer Price:-

i. represents a discount ranging from 18.5% to 27.1% to the closing price of Daibochi Shares as at the HOA LTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Daibochi Shares up to and including HOA LTD;

ii. represents a discount ranging from 0.6% to 18.0% to the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Daibochi Shares up to and including LTD;

iii. represents the closing price of Daibochi Shares as at the LTD; and

iv. represents a premium of 1.3% over the closing price of Daibochi Shares as at the LPD and the 5-day VWAP of Daibochi Shares up to and including LPD.

Notwithstanding the above, after taking into consideration the 41.2% decline in PATANCI of Daibochi from RM25.93 million in the FYE 31 December 2017 to RM15.24 million in the 12-month FYE 31 December 2018, we are of the view that the closing price as at the LPD and 5-day VWAP of Daibochi Shares up to the LPD would serve as a more meaningful reference of the market price of Daibochi Shares to be used as part of our evaluation on the fairness of the Cash Option.

Nonetheless, Holders are reminded that the market prices of Daibochi Shares as shown above represent the historical market prices of Daibochi Shares, and may be influenced by amongst others, the performance and prospect of Daibochi, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company-specific factors. Accordingly, the historical market prices of Daibochi Shares may not be a reliable indicator of the future price levels, and should not in any way be relied upon as an indication of the future price levels.

6.1.2 Valuation of Daibochi Shares

Daibochi is principally involved in manufacturing and marketing of flexible packaging materials. Daibochi Group derived its entire revenue from the manufacturing and marketing of flexible packaging materials segment.

Based on its latest audited financial statements for the FYE 31 December 2017, the Group operates principally in Malaysia (asset base 75%) followed by Myanmar (asset base 25%), and divides its operations by country sales. In terms of country sales, Malaysia remains the Group's biggest revenue contributor (77%), followed by Australia (19%), Myanmar (3%) and New Zealand (1%).

Based on its latest unaudited financial statements for the 12-month FYE 31 December 2018, the Group operates principally in Malaysia (asset base 76%) followed by Myanmar (asset base 24%), and divides its operations by country sales. In terms of country sales, Malaysia remains the Group's biggest revenue contributor (75%), followed by Australia (18%), Myanmar (7%) and New Zealand (0.3%).

For the past 10 financial years up to the FYE 31 December 2017 and financial period for the 12-month FYE 31 December 2018, Daibochi has consistently generated net profit as well as positive cash flow from its operating activities. In view thereof, the stream of future cash flows to be derived from its manufacturing and marketing of flexible packaging materials segment is expected to be predictable. In addition, we noted that the Group has property assets in the form of land and buildings, and also a warehouse cum office building, and that all such property assets of Daibochi Group are currently being used to generate income and cash flows associated with Daibochi's business of manufacturing and marketing of flexible packaging materials.

Pursuant thereto, we view that the DCF valuation model is the most appropriate method to estimate the fair value of the Group's business as the method is able to effectively factor in both the time value of money and the future cash flows to be generated by the Group over a specified period of time. As the methodology entails the discounting of future cash flows to be generated from the Group's business at a specified discount rate to arrive at the present value of the investment in Daibochi Group, the riskiness of generating such cash flows will also be taken into consideration.

Under the DCF valuation method, the FCFE projected to be generated from the business of Daibochi Group is discounted at the cost of equity of Daibochi to derive the present value of all future cash flows from the business of Daibochi Group attributable to the shareholders of Daibochi. In arriving at the fair value of Daibochi's business, we have considered Daibochi Group's effective equity interest in its subsidiary companies.

We have reviewed the future financial information of the Group's business from FYE 31 December 2019 until FYE 31 December 2023 ("**Future Financials**"), which was prepared by the management of Daibochi based on forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials, together with the bases and assumptions adopted therein, have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:-

i. the Group's business will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;

ii. the Group will continue collaborating with and supplying packaging to its existing major customers that are operating within the food and beverage (F&B) and fast-moving consumer goods (FMCG) sectors;

iii. there will not be any significant or material changes in the principal activities of the Group;

iv. there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Group;

v. there will not be any major capital expenditure to be incurred either to expand the operations of the Group or as required as part of the replacement process;

vi. the business operations of the Group will continue to be financed using internally generated funds and/ or bank borrowings;

vii. there will not be any significant or material changes to the agreements, licences and regulations governing the Group's business operations;

viii. the current accounting policies adopted by the Group will remain relevant and there will not be any significant changes in the accounting policies of the Group which have a material adverse impact on the financial performance and financial position of the Group; and

ix. there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the industry and/ or countries in which the Group operates in.

In order to derive the fair value of the Group's business, we have discounted the FCFE projected to be generated from the said business at an appropriate cost of equity to reflect the rate of return required by Daibochi's shareholders. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No.	Key bases and assumptions		Descriptions
(i)	FCFE	Based on the Future Financials from FYE 31 December 2019 until FYE December 2023	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capitals, net investing cash flows (i.e. capital expenditure) and net financing cash flows (i.e. debt drawdown/ obligation).
(ii)	Cost of equity ("**K_e**")	6.90%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the Group given the risks associated with the cash flows. We have adopted the Capital Asset Pricing Model to derive the cost of equity of Daibochi based on the following formula:- $K_e = R_f + \beta (R_m - R_f)$
(iii)	Risk-free rate of return ("**R_f**")	4.00%	Risk-free rate of return represents the expected rate of return from a risk-free investment. In our view, the best available approximation of the risk-free rate of return is the yield of the 10-year Malaysian Government Securities ("**MGS**"). Based on information sourced from Bloomberg, we have extracted a yield of the 10-year MGS of 4.00% as at the LTD.
(iv)	Expected market rate of return ("**R_m**")	10.67%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our view, the historical rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.67% per annum for the past 10 years up to the LTD. As a cross-check, the expected market rate of return as derived from Bloomberg is 8.53% as at the LTD.
(v)	Beta ("**β**")	0.43	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and *vice versa.* In deriving the estimated beta of Daibochi's business, we have relied on the 5-year historical beta of Daibochi's comparable companies up to the LTD. As the historical beta extracted from Bloomberg is based on the capital structure of the respective comparable companies*, we have un-levered the beta of such comparable companies and derived a simple average beta, which we then re-levered it based on the expected capital structure of Daibochi of 0.35 times. Based on our computation, the re-levered beta of Daibochi's business is 0.43.

			Note:- * *The comparable companies, which are publicly listed on Bursa Securities and principally involved in plastic packaging/ manufacturing activities and have a market capitalisation between RM100 million and RM1.00 billion, are SLP Resources Berhad, Tomypak Holdings Berhad, SCGM Berhad and BP Plastics Holding Berhad*
(vi)	Perpetuity growth rate ("**g**")	1.8% - 2.5%	For the period beyond FYE 31 December 2023, we have adopted a range of perpetuity growth rate of 1.8% to 2.5% on the Group's FCFE, which we view as reasonable after taking into consideration the following factors:- • Based on the Economic Outlook 2019 as issued by the Ministry of Finance Malaysia on 2 November 2018, the inflation in Malaysia is projected to range between 2.5% and 3.5%; • Subsequently, based on press article dated 1 February 2019, the Malaysian inflation rate is projected to be at 1.6% to 2.0% in 2019 according to the Finance Minister of Malaysia in a press conference; and • In addition, we noted that the average inflation rate in Malaysia over the past 10 years from 2008 to 2018 is 2.4%.
(vii)	Tax rate	24%	The latest statutory corporate income tax rate applicable to the Group and its comparable companies is 24%.

Fair value of Diabochi's business

The fair value of Daibochi's business is derived based on the following formula:-

Fair value of Daibochi's business = Present value of projected FCFE based on the Future Financials[*1] + Present value of terminal value[*2]

Notes:-

[*1] *Computed as follows:-*

$$\text{Present value of FCFE} = \frac{FCFE}{(1 + K_e)^n}$$

whereby, n represents time, in years into the future

[*2] *Computed as follows:-*

$$\text{Present value of terminal value} = \frac{\text{FCFE for FYE 31 December 2023} \times (1 + g)}{(K_e - g)} \times \frac{1}{(1 + K_e)^n}$$

whereby, n represents time, in years into the future (i.e. n = 5 years)

Based on the above, we summarise the resultant fair value of Daibochi's business as follows:-

	Lower range of valuation	Higher range of valuation
Fair value of Daibochi (RM'000)	496,312	566,204
No. of shares in Daibochi (excluding treasury shares) ('000)	327,348	327,348
Fair value per Daibochi Share (RM)	**1.52**	**1.73**

Purely for illustrative purpose only, we have also derived the fair value of Daibochi per share on a diluted basis assuming the full exercise of the outstanding Warrants as at the LPD, as summarised below:-

	Lower range of valuation	Higher range of valuation
Fair value of Daibochi (RM'000)	496,312	566,204
Add: Cash proceeds arising from the full exercise of the Warrants (RM'000)	68,302*	68,302*
	564,614	634,506
No. of shares in Daibochi (excluding treasury shares) ('000)	327,348	327,348
Add: New Daibochi Shares issued arising from the full exercise of the Warrants ('000)	27,321	27,321
	354,669	354,669
Diluted fair value per Daibochi Share (RM)	**1.59**	**1.79**

Note:-

* *Derived from the exercise of outstanding 27,320,788 Warrants at the exercise price of RM2.50 each*

In assessing our fairness opinion, we have adopted the fair value of Daibochi ranging from RM1.52 to RM1.73 instead of using the diluted fair value of Daibochi Shares ranging from RM1.59 to RM1.79, in view that the Warrants are unlikely to be exercised by the Holders at an exercise price of RM2.50, which is significantly out-of-the-money as compared to the historical closing price and VWAPs up to the LTD and LPD as set out in Section 6.3.1 of this IAL.

The Share Offer Price of RM1.59 is within the range of fair value of Daibochi ranging from RM1.52 to RM1.73.

FAIRNESS OPINION ON CASH OPTION

Premised on our evaluations in Sections 6.1.1 and 6.1.2 of this IAL, we are of the view that the Cash Option is **FAIR** as the Share Offer Price:-

- is **within** the range of fair value of Daibochi ranging from RM1.52 to RM1.73; and
- is **above** the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

We wish to highlight that as the Share Offer can also be satisfied by the Share Exchange Option, emphasis should also be given on the relative total value consideration for both Daibochi Shares and Scientex Shares as set out in Section 6.2.2 of this IAL before deliberating on the Share Offer.

6.2 Share Exchange Option

The consideration for the Offer Shares can be satisfied via either Cash Option or Share Exchange Option, at the election of the Holders. The Share Exchange Option entails a share exchange offer of new Scientex Shares to be issued at the Issue Price of RM8.80 based on an exchange ratio of 1 Scientex Share for every 5.535 Offer Shares.

To form our fairness opinion on the Share Exchange Option, we have evaluated the historical market price analysis of Scientex Shares as well as the relative total value consideration based on the Exchange Ratio as set out in the Section 6.2.2 hereinbelow.

6.2.1 Historical market price analysis of Scientex Shares

For information purpose, Scientex is principally involved in manufacturing of industrial stretch films, custom films and plastic related packaging products and property development. Based on the latest consolidated financial statements of Scientex for the FYE 31 July 2018, we noted that in terms of revenue, the manufacturing segment contributed approximately 72.5% in revenue and the property development segment contributed approximately 27.5% to the total revenue of Scientex. In terms of segmental profit, the property development segment contributed approximately 65.2% in segmental profit and the manufacturing segment contributed approximately 34.8% to the total segmental profit of Scientex.

We wish to highlight that under ordinary circumstances, the market valuation of the shares of a public listed company may be affected by, *inter alia*, the relative liquidity, the size of free float, the extent of applicable research coverage and investor interest, and the general market sentiment at a given point in time. Accordingly, this analysis serves as an illustrative guide only.

In evaluating the Scientex Shares to be issued at the Issue Price under the Share Exchange Option, we have taken into consideration the movement of the market prices of Scientex Shares as traded on Bursa Securities. Please take note that the market price information as extracted from Bloomberg which is disclosed herein throughout this section has been adjusted for the effects of any dividends and corporate exercises in the period under review. The historical daily closing market prices of Scientex Shares for the past 3 years up to the LPD are depicted below:-

(Source: Bloomberg)

During the past 3 years up to the LPD, the main announcements by Scientex were as follows:-

	Date	Announcements
(a)	22 March 2016	Announcement of Scientex proposing to undertake a bonus issue of shares (1 bonus share for every 1 existing share held)
(b)	28 December 2016	Announcement of Scientex (through its subsidiary) entering into a sale and purchase agreement with Dahlia Utama Sdn Bhd for the proposed acquisition by Scientex's subsidiary of freehold land (121.2 acres) in Johor for a total cash consideration of approximately RM123.64 million
(c)	27 April 2017	Announcement of Scientex proposing to undertake a private placement of up to 10% of the total number of its issued shares (excluding treasury shares)
(d)	9 August 2017	Announcement of Scientex (through its subsidiary) entering into a sale and purchase agreement with Medius Development Sdn Bhd for the proposed acquisition by Scientex's subsidiary of freehold land (26.4 hectares) in Selangor for a total cash consideration of approximately RM85.38 million
(e)	3 October 2017	Announcement of Scientex proposing to establish a dividend reinvestment plan
(f)	15 December 2017	Announcement of Scientex (through its subsidiary) entering into a sale and purchase agreement with DKTMG Land Sdn Bhd for the proposed acquisition by Scientex's subsidiary of freehold land (335.6 acres) in Johor for a total cash consideration of approximately RM284.19 million
(g)	23 February 2018	Announcement of Scientex (through its subsidiary) entering into a sale and purchase agreement with Law Wan Hong @ Lew Wan Hong, Ng Boon Eu, Lew Pei See @ Law Pei See and Lew Pei Lin @ Law Pei Lin for the proposed acquisition by Scientex's subsidiary of the entire shares in Klang Hock Plastic Industries Sdn Bhd for a total cash consideration of RM190.00 million
(h)	15 August 2018	Announcement of Scientex (through its subsidiary) entering into a sale and purchase agreement with Real Golden Development Sdn Bhd for the proposed acquisition by Scientex's subsidiary of freehold land (208.9 acres) in Melaka for a total cash consideration of approximately RM68.25 million
(i)	20 September 2018	Release of 4th quarter financial results for the 12-month FPE 31 July 2018 (which reported increase in revenue and PATANCI by 13.5% and 22.4% respectively over the preceding year's corresponding quarter)
(j)	14 November 2018	Announcement on HOA
(k)	10 December 2018	Announcement on CSSA
(l)	28 December 2018	Release of 1st quarter financial results for the 3-month FPE 31 October 2018 (which reported increase in revenue by 9.0% and decrease in PATANCI by 25.9% over the preceding year's corresponding quarter)
(m)	11 February 2019	Announcement on serving of the Notice on the Board of Daibochi

For the past 3 years up to the LPD, the Issue Price of RM8.80 had generally been higher than the historical closing prices of Scientex Shares (save for brief periods in September 2017, January 2018, November-December 2018 and January-February 2019).

Prior to the announcement on HOA on 14 November 2018, we noted that the closing prices of Scientex Shares have generally traded on an uptrend from February 2016 until the highest closing price of RM9.45 on 13 September 2017, before gradually trading on a downtrend until mid June 2018. Thereafter, the Scientex Shares have rebounded to trade upwards until the closing price of RM8.67 on the HOA LTD.

During these periods, save for the announcements of the quarterly financial results and dividends, and a number of corporate exercises, particularly on landbanking exercises, acquisition of a manufacturer of custom films (i.e. Klang Hock Plastic Industries Sdn Bhd), and bonus issue of shares (as referred in the above table of main announcements), we noted no other particular announcement/ development which may have a possible impact on Scientex Shares.

Since the announcement of HOA on 14 December 2018, the Scientex Shares have traded further on an uptrend to above its Issue Price level for a brief period until end December 2018, before trading on a downtrend briefly and stabilising around its Issue Price level until the LTD, and thereafter traded below its Issue Price level from March 2019 until the LPD. During this brief downtrend period, we noted that there are no other particular development/ announcement which may have a possible impact to the share price save for the release of 1st quarter financial results for the 3-month FPE 31 October 2018 which reported an increase of 9.0% in revenue and a decrease of 25.9% in PATANCI over the preceding year's corresponding quarter. We noted that the decrease in PATANCI was in line with decrease in the revenue of Scientex's property division in the financial period under review.

We set out below a comparison of the Issue Price of RM8.80 against the historical market prices of Scientex Shares:-

	Share price	**Premium/ (discount)**	
	RM	**RM**	**%**
Up to HOA LTD (being last trading date prior to announcement on HOA)			
Closing price on HOA LTD	8.67	0.13	1.5
5-day VWAP	8.75	0.05	0.6
1-month VWAP	8.64	0.16	1.9
3-month VWAP	8.54	0.26	3.0
6-month VWAP	7.93	0.87	10.1
1-year VWAP	8.09	0.71	8.8
Up to LTD (being last trading date prior to serving of Notice)			
Closing price on LTD	8.80	-	-
5-day VWAP	8.80	-	-
1-month VWAP	8.79	0.01	0.1
3-month VWAP	8.89	(0.09)	(1.0)
6-month VWAP	8.70	0.10	1.1
1-year VWAP	8.20	0.60	7.3
Up to LPD			
Closing price on LPD	8.60	0.20	2.3
5-day VWAP	8.43	0.37	4.4

(Source: Bloomberg)

Based on the above, the Issue Price:-

i. represents a premium ranging from 0.6% to 10.1% over the closing price of Scientex Shares as at the HOA LTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Scientex Shares up to and including HOA LTD;

ii. represents a premium ranging from 0.1% to 7.3% over the 1-month, 6-month and 1-year VWAPs of Scientex Shares up to and including LTD;

iii. represents a discount of 1.0% to the 3-month VWAP of Scientex Shares up to and including LTD;

iv. represents the closing price of Scientex Shares as at the LTD and the 5-day VWAP of Scientex Shares up to and including the LTD; and

v. represents a premium ranging from 2.3% to 4.4% over the closing price of Scientex Shares as at the LPD, and the 5-day VWAP of Scientex Shares up to and including LPD.

Nonetheless, Holders are reminded that the market prices of Scientex Shares as shown above represent the historical market prices of Scientex Shares, and may be influenced by amongst others, the performance and prospect of Scientex, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company-specific factors. Accordingly, the historical market prices of Scientex Shares may not be a reliable indicator of the future price levels, and should not in any way be relied upon as an indication of the future price levels.

6.2.2 Relative total value consideration based on Exchange Ratio

Holders who opt for Share Exchange Option will become shareholders in Scientex in event the Offer becomes unconditional. In this respect, we wish to highlight to the Holders that the Share Exchange Option should not be evaluated solely based on the Offer Price of Daibochi Shares or the Issue Price of Scientex Shares individually but rather in relative terms to one another.

Hence, we have evaluated the resultant total value consideration for both Daibochi Shares and Scientex Shares based on the Exchange Ratio, in terms of the fair value ascribed for both Daibochi and Scientex.

As set out in Section 6.1.2 of this IAL, we have derived the fair value of Daibochi Shares which range from RM1.52 to RM1.73 per Offer Share, based on the DCF valuation methodology (which excludes the dilutive impact arising from the assumption that all the outstanding Warrants are exercised).

In arriving at the fair value of Scientex Shares, we have adopted the SOPV as our valuation method in view that Scientex is principally involved in two business divisions, namely (A) manufacturing of industrial stretch films, custom films and plastic related packaging products and (B) property development. The SOPV involves valuing each business division on a standalone basis and thereafter, adding all the valuations to derive the total value of the company. Based on the latest consolidated financial statements of Scientex for the FYE 31 July 2018, we noted the following:-

- in terms of revenue, the manufacturing segment is the main contributor to Scientex Group with revenue contribution of 72.5% followed by its property development segment revenue contribution of 27.5%;

- in terms of segmental profit, the property development segment is the main contributor to Scientex Group with segmental profit contribution of 65.2% followed by its manufacturing segment with segmental profit contribution of 34.8%; and

- In terms of asset base, 55.4% of Scientex Group's assets are comprised under manufacturing segment whilst the remaining 44.6% assets are comprised under property development segment.

The valuation methodologies which we have adopted for the valuation of the respective business division are as follows:-

Sub-header	Business division	Valuation methodology
(A)	Manufacturing	PER multiple
(B)	Property development	NAV

(A) Manufacturing division

Scientex's manufacturing division is one of the world's largest producers of industrial stretch film as well as leading producer of other industrial and consumer based flexible plastic packaging products with plants in Malaysia, Vietnam and United States of America. Its range of flexible plastic packaging products include but not limited to polyethylene lamination film, collation shrink film, polyethylene barrier film, bi-axially oriented polypropylene (BOPP), cast polypropylene (CPP) and metallised CPP.

We are of the view that PER multiple is the most appropriate valuation method for Scientex's manufacturing business based on the following:-

- the manufacturing division of Scientex is earnings based and its earnings is generally considered to be a key determinant of the value of a manufacturing business;

- PER is a financial ratio which compares a company's share price against its EPS, which we can derive on a best-effort basis based on the latest audited financial statements of Scientex and comparable companies;

- the PER multiple is a relative valuation approach used to provide an indication of market expectations on the valuation of companies as compared to its comparable companies. By comparing the PER of Scientex to that of the comparable companies, we are able to gauge the relative valuation of Scientex's manufacturing business vis-à-vis to that of the comparable companies on the basis of their earnings. In general terms, a higher PER implies that investors are paying more for each unit of net income, so the share is valued higher compared to one with a lower PER from an earnings perspective;

- the PER is a suitable proxy as compared to other valuation methods such as DCF and EV/EBITDA, as we are not privy to the management forecast of the manufacturing business and certain segmental balance sheet information of Scientex i.e. cash and bank balances, and borrowings.

Pursuant thereto, we derived the PATANCI of Scientex's manufacturing business on a best-effort basis based on its audited financial statements for the FYE 31 July 2018, and subsequently adjust for the recognition of 42.48% of Daibochi's unaudited PATANCI for the 12-month FYE 31 December 2018 pursuant to the Acquisition, computed as follows:-

Manufacturing division	**RM'000**
PATANCI	105,116*
Add: Contribution of 42.48% Daibochi's PATANCI	6,474
Adjusted PATANCI (RM)	**111,590**

Note:-

* *Derived based on the segmental profit of Scientex's manufacturing business (including the share of results from associate and joint venture which are principally involved in similar manufacturing activities) and less the apportioned finance cost, taxation and non-controlling interest based on the proportion of contribution from the segmental profit of manufacturing business*

We have selected companies which we believe are most suitably comparable to Scientex's manufacturing division, which is predominantly focused on manufacturing on plastic packaging based products and films such as stretch film, custom film and specialty products (i.e. automotive based polymer products, polyurethane adhesives and solar films). Our selection criteria includes identifying those with manufacturing business which primarily focuses on manufacturing of plastic based packaging films and products, with market capitalisation of more than RM1 billion and with more than 75% of their revenue derived from such manufacturing activities. For avoidance of doubt, we have not considered the comparable companies listed in Malaysia as each of them has market capitalisation of less than RM1 billion, which may not be reflective of the size and scale of Scientex's manufacturing business.

We wish to highlight that there is no one comparable company that may be identical to Scientex in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, marketability and liquidity of its shares, target customer market, operating and financial leverage, accounting and taxation policies, future prospects and other criteria. Notwithstanding this, we have selected a list of comparable companies that are involved in similar business activities to those of Scientex and are able to serve as a basis of the current market expectation with regard to valuation of companies involved in the business of a similar nature.

			Adjusted market capitalisation[*1] based on			**Adjusted PER[*2] based on**	
Companies	**Country of listing**	**Principal activities**	**6-month average closing price up to LTD RM'mil**	**12-month average closing price up to LTD RM'mil**	**Latest audited full year earnings RM'mil**	**6-month average closing price up to LTD times**	**12-month average closing price up to LTD times**
Jiangsu Shuangxing Color Plastic New Materials Co Ltd ("**Jiangsu**")	China	Research, processing, production, import, export, and sale of packaging films, composite packaging materials, functional polymers, and new materials/ products in China. It offers metallized, polyester, hot stamping, transfer, card protection, yarn grade, reflective, decorative, laser, insulation, shrinkable, PVC heat shrink, high transparent, thermal sealable, and solar films	1,622.18	1,664.87	45.02	36.03	36.98
Zhejiang Zhongcheng Packing Material Co Ltd ("**Zhejiang**")	China	Develops, manufactures and sells multi-layer co-extruded polyolefin shrink film packaging products. Its products include, amongst others, polyolefin shrink film, hot slip shrink film, cross-linked shrink film, anti-fog shrink film, printable shrink film and high performance shrink film	1,092.40	1,562.80	41.01	26.64	38.11
					Average	**31.34**	**37.55**

(Source: Bloomberg and latest annual report)

Notes:-

*[*1]* *As the comparable companies are listed in overseas stock exchange, we have adjusted the market capitalisation of the respective comparable companies to the Malaysian context based on the relevant equity risk premiums as follows:-*

	Computation	Based on 6-month average closing price up to LTD		Based on 12-month average closing price up to LTD	
		Jiangsu	Zhejiang	Jiangsu	Zhejiang
Closing price up to 1 February 2019, being the last trading price prior to the LTD	*(A)*	*RMB 5.70*	*RMB 4.90*	*RMB 5.85*	*RMB 7.01*
Equity risk premium of Shenzhen Stock Exchange Composite Index @	*(B)*	*24.92%*	*24.92%*	*24.92%*	*24.92%*
Equity risk premium of FBM KLCI Index #	*(C)*	*10.17%*	*10.17%*	*10.17%*	*10.17%*
Exchange rate against RM1.00 quoted from Bank Negara Malaysia website	*(D)*	*RMB 0.6031*	*RMB 0.6031*	*RMB 0.6031*	*RMB 0.6031*
Adjusted market price in RM	*[(A/B)xC] x (D)*	*RM 1.40*	*RM 1.21*	*RM 1.44*	*RM 1.73*

@ *Derived from the annualised standard deviation of Shenzhen Stock Exchange Composite Index for the past 1 year up to the LTD*

\# *Derived from the annualised standard deviation of FBM KLCI Index for the past 1 year up to the LTD*

*2 *Computed based on the adjusted market capitalisation divided by latest audited full year earnings of the respective comparable companies based on their respective annual reports*

Accordingly, the valuation of Scientex's manufacturing business based on the PER multiple valuation is as follows:-

Manufacturing division		Lower range of valuation RM'000	Higher range of valuation RM'000
Adjusted PATANCI	(a)	111,590	111,590
Average PER multiple of comparable companies (times)	(b)	31.34	37.55
Implied market value of manufacturing business	(a) x (b)	**3,497,231**	**4,190,205**

(B) Property development division

Scientex is primarily focused on the development of affordable properties, and has an established presence in Johor and Melaka, and followed by recent new launches in Perak and Selangor.

The NAV method determines the value of Scientex's property development business based on the NBV of Scientex's assets, which are assumed to reflect their respective fair market value.

As we are not privy to certain information relating to the latest unaudited assets and liabilities of the property development division as at 31 October 2018 such as composition of assets under property development division as well as details on property assets, and given that we deemed no material changes in the unaudited NA as at 31 October 2018 as compared to 31 July 2018, we are of the view that the audited consolidated NA as at 31 July 2018 forms a reasonable basis for the purpose of valuation of Scientex's property development business.

Based on the segmental information by business divisions as contained in the audited consolidated financial statements of Scientex for the FYE 31 July 2018, we set out below the composition of its assets under the property development business:-

	RM'000
Assets	
Segment assets	1,498,125
Tax recoverable	228
Deferred tax assets	452
	1,498,805
Liabilities	
Segment liabilities	481,037
Tax liabilities	17,429
Deferred tax assets	12,974
	511,440
NA	**987,365**

We further noted that Scientex has the following property assets in the form of land under its property division as at 31 July 2018:-

Title/ location	Description/ existing use	Tenure	Land area acres	Year of acquisition/ revaluation	NBV as at 31 July 2018 RM'000
Geran 488391 Lot 64189, Mukim of Pulai, District of Johor Bahru, State of Johor	Land for mixed development	Freehold	335.6	2018	294,035
Various sub-divided lots in Mukim of Pulai District of Johor Bahru, State of Johor	Land for mixed development	Freehold	160.7	2016	151,158
HS(D) 54426 PTD 104532, Geran 429849 Lot 48172, Mukim of Kulai, District of Johor, State of Johor	Land for mixed development	Freehold	121.2	2017	128,985
Geran 315412 Lot 12165, Mukim Rawang, District of Gombak, State of Selangor	Land for mixed development	Freehold	65.3	2017	94,987
GM 718 to 721, Lot 3269 to 3272, GRN 22729 Lot 3273 and GRN 22731 Lot 3274, Mukim of Durian Tunggal, District of Alor Gajah, Melaka	Land for mixed development	Freehold	151.5	2017	39,312
				Total NBV	**708,477**

Based on the above, we noted that approximately RM708.48 million worth of such land are newly acquired since 2016 to 2018, and constitute approximately 83.9% of the total NBV of the land held for property development of RM843.95 million as at 31 July 2018 (details on the remaining 16.1% of the land assets are not publicly available). In view thereof, we are satisfied that these property assets can reasonably be used to approximate their fair values.

In addition, we are reasonably satisfied that the remaining asset under the property development division including amongst others, property development cost, inventories and trade receivables can reasonably be used to approximate their fair values as these assets are relatively short term in nature.

Subsequent to the FYE 31 July 2018, we noted that there are subsequent events up to the LPD that have a financial impact on the audited NA of Scientex, as shown below:-

i. issuance of 307,000 Scientex Shares pursuant to the share grant plan. For information purpose, the increase in share capital pursuant to such issuance is correspondingly net-off by an equivalent amount against the payment from retained earnings account; and

ii. issuance of Consideration Shares pursuant to the Acquisition.

Based on the above, we arrived at the adjusted NAV of Scientex computed as follows:-

	RM'000
Audited NA of Scientex's property division as at 31 July 2018	987,365
Add: Adjusted for issuance of Consideration Shares	221,093
Adjusted NAV of property development business	**1,208,458**

(C) SOPV

In summary, the estimated fair value of the respective business divisions of Scientex are as follows:-

		<----- Estimated fair value ----->	
Segments	**Valuation method**	**Lower range of valuation RM'000**	**Higher range of valuation RM'000**
Manufacturing	PER multiple	3,497,231	4,190,205
Property development	NAV	1,208,458	1,208,458
	SOPV	**4,705,689**	**5,398,663**
No. of shares in Scientex (excluding treasury shares) as at the LPD ('000)		514,348	514,348
Fair value per Scientex Share (RM)		**RM9.15**	**RM10.50**

Based on the SOPV method, the estimated fair value of Scientex Shares ranges from RM9.15 to RM10.50 per Scientex Share.

FAIRNESS OPINION ON SHARE EXCHANGE OPTION

The resultant total value consideration for both Daibochi Shares and Scientex Shares derived based on their estimated fair values are as follows:-

Fair value	**Per share RM**	**Exchange Ratio**	**Total value RM**	
Daibochi Shares	1.52 - 1.73	5.535 shares	8.41 - 9.58	[A]
Scientex Shares	9.15 - 10.50	1 share	9.15 - 10.50	[B]
Difference in total value consideration			**(0.43) - 2.09**	[B - A]

The estimated fair values of Scientex Shares which range from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90 per Daibochi Share based on the Exchange Ratio.

The lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73. The said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

Premised on our evaluation, we are of the view that the Share Exchange Option is **FAIR**.

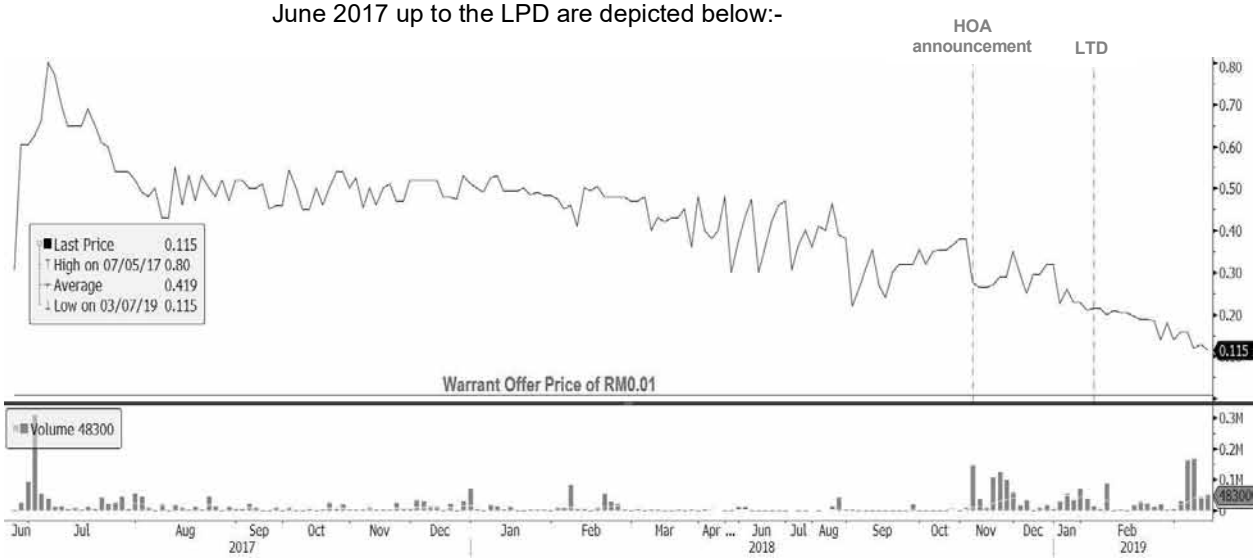
Nonetheless, you are also advised to closely monitor the market prices of Daibochi Shares and Scientex Shares before deciding on the Share Exchange Option. In the event the Daibochi Share has traded above the Share Offer Price of RM1.59 and/ or the Scientex Share has traded below the Issue Price of RM8.80, it may be more beneficial for you to dispose your Daibochi Shares and acquire the Scientex Shares from the open market (after taking into consideration associated transaction costs involved) in this circumstance. Alternatively, you may also accept the Share Offer by electing the Cash Option and acquire Scientex Shares from the open market (after taking into consideration associated transaction costs involved).

6.3 Warrant Offer

6.3.1 Historical market price analysis of Warrants

The Warrants were listed on the Main Market of Bursa Securities on 28 June 2017 pursuant to a bonus issue of warrants exercise. Each Warrant provides the Holder with the rights to subscribe for a Daibochi Share at the exercise price of RM2.50 per Warrant at any time during the exercise period. The said exercise period is 5 years up to its expiry date of 19 June 2022.

In evaluating the Warrant Offer, we have taken into consideration the movement of the market prices of Warrants as traded on Bursa Securities. The historical daily closing market prices of Warrants since its listing on Bursa Securities on 28 June 2017 up to the LPD are depicted below:-



(Source: Bloomberg)

Since its listing on Bursa Securities on 28 June 2017 and up to the LPD, the Warrant Offer Price of RM0.01 had always been substantially lower than the closing prices of Warrants.

We set out below a comparison of the Warrant Offer Price of RM0.01 against the historical market prices of Warrants:-

	Warrant price	Premium/ (discount)	
	RM	RM	%
Up to HOA LTD (being last trading date prior to announcement on HOA)*			
Closing price on HOA LTD	0.38	(0.37)	(97.4)
5-day VWAP	0.37	(0.36)	(97.3)
1-month VWAP	0.37	(0.36)	(97.3)
3-month VWAP	0.36	(0.35)	(97.2)
6-month VWAP	0.37	(0.36)	(97.3)
1-year VWAP	0.47	(0.46)	(97.9)
Up to LTD (being last trading date prior to serving of Notice)			
Closing price on LTD	0.22	(0.21)	(95.5)
5-day VWAP	0.21	(0.20)	(95.2)
1-month VWAP	0.21	(0.20)	(95.2)
3-month VWAP	0.25	(0.24)	(96.0)
6-month VWAP	0.26	(0.25)	(96.2)
1-year VWAP	0.29	(0.28)	(96.6)
Up to LPD			
Closing price on LPD	0.12	(0.11)	(91.7)
5-day VWAP	0.12	(0.11)	(91.7)

(Source: Bloomberg)

Note:-

* *The last closing price of Warrants prior to HOA LTD is 9 November 2019 as there was no trading on Market Days subsequent thereto up to the HOA LTD*

Based on the above, the Warrant Offer Price:-

i. represents a significant discount ranging from 97.2% to 97.9% to the closing price of Warrants as at the HOA LTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Warrants up to and including HOA LTD;

ii. represents a significant discount ranging from 95.2% to 96.6% to the closing price of Warrants as at the LTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of Warrants up to and including LTD; and

iii. represents a significant discount of 91.7% to the closing price of Warrants as at the LPD, and the 5-day VWAP of Warrants up to and including LPD.

6.3.2 Valuation of Warrants

In arriving at the valuation for the Warrants for the purpose of our evaluation of the Warrant Offer, we have analysed the "see-through" price of the Warrants. The "see-through" price of an option is determined based on the following formula:-

"See-through" price of an option	=	Offer price for each share	-	Exercise price for each option

Based on the Share Offer Price of RM1.59 and the exercise price of Warrants of RM2.50, the "see-through" price of Warrants is negative.

We have further analysed the "see-through" price of Warrants after taking into consideration the valuation of Daibochi Shares of between RM1.52 and RM1.73 as extracted from Section 6.1.2 of this IAL. Based on such valuations and the exercise price of Warrants of RM2.50, the "see-through" price of Warrants is also negative.

Pursuant to Paragraph 8.01 of the Rules, if the "see-through" price of the convertible instrument is zero or negative, the offeror may offer a nominal amount for such convertible instrument. Hence, we noted that the Warrant Offer Price represents a nominal amount which may be offered by the Offeror for the Offer Warrants given that the "see-through" price of Warrants is negative.

In addition, we have derived the valuation for Warrants based on trinomial option pricing model using Bloomberg. In our model, we have also input the following key parameters:-

i. exercise price of RM2.50 per Warrant;
ii. 5-day VWAP of Daibochi Shares up to and including the LTD of RM1.60;
iii. expiry date of Warrants on 19 June 2022;
iv. historical volatility of underlying Daibochi Shares for the past 1 year up to and including the LTD of 28.6%;
v. indicated dividend yield of the underlying Daibochi Shares of 2.1%; and
vi. expected risk-free rate of 3.60% based on yield of the 3-year MGS as at the LTD.

Based on the above, we have arrived at a theoretical value of approximately RM0.12 for each Offer Warrant. The Warrant Offer Price represents a significant discount of 91.7% to the theoretical value of the Offer Warrants.

Holders should note that the theoretical value of the Warrants shown above is merely for illustrative purpose, and there is no assurance that Holders may realise their investments in the Offer Warrants at the aforesaid theoretical value. The market price of the Warrants is affected by various factors, including amongst others, movement in prices of underlying Daibochi Shares, liquidity of the Warrants, and market trading sentiments, and which may not be reflective of the theoretical value of the Warrants.

FAIRNESS OPINION ON WARRANT OFFER

Premised on our evaluations in Sections 6.3.1 and 6.3.2 of this IAL, we are of the view that the Warrant Offer is **NOT FAIR** as the Warrant Offer Price:-

i. is substantially **lower** than the closing prices of Warrants since its listing on Bursa Securities on 28 June 2017 and up to the LPD;

ii. represents a **significant discount** ranging from 91.7% to 97.9% to the historical closing prices of Warrants for the various periods up to and including HOA LTD, LTD and LPD; and

iii. represents a **significant discount** of 91.7% to the theoretical value of the Offer Warrants of RM0.12.

If you so wish, you may also consider disposing of your Warrants in the open market to realise your investment in the Warrants in the event the market price is higher than the Warrant Offer Price, and after taking into consideration the associated transaction costs involved and assuming that there will not be any revision to the Warrant Offer Price.

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7. REASONABLENESS OF THE OFFER

7.1 No competing offer

As at the LPD, the Board has not received any competing take-over offer for the Offer Securities or any other offer to acquire the assets and liabilities of Daibochi Group.

Our comments:

With regards to the Share Offer, the absence of a competing offer may imply an opportunity for Holders to realise their investment in their Offer Shares on a wholesale basis.

However, with regards to the Warrant Offer, notwithstanding that the absence of a competing offer may imply an opportunity for Holders to realise their investment in their Offer Warrants on a wholesale basis, we wish to highlight that if you wish to do so, you may be realising your investment in the Offer Warrants at a substantially lower price as compared to the prevailing closing prices of Warrants as set out in Section 6.3.1 of this IAL. In addition, as disclosed in the Offer Document, it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities. In view thereof, Holders who do not accept the Offer Warrant may continue to hold their Offer Warrants (which expires on 19 June 2022) and sell their Offer Warrants in the open market at a higher price as compared to the Warrant Offer Price.

7.2 Liquidity analysis

7.2.1 Daibochi Shares and Warrants

The historical trading volume of Daibochi Shares and Warrants for the past 12 months from February 2018 to January 2019 (being the last full trading month prior to the LTD) are as follows:-

	<----- Daibochi Shares ----->		<---------- Warrants ---------->	
	Monthly volume traded No. of shares	**% of free float %**	**Monthly volume traded No. of warrants**	**% of free float %**
2018				
February	1,060,000	0.77	220,700	1.31
March	1,640,000	1.19	18,500	0.11
April	114,700	0.08	15,600	0.09
May	407,700	0.30	13,000	0.08
June	531,400	0.39	11,900	0.07
July	314,100	0.23	5,900	0.04
August	243,300	0.18	62,800	0.37
September	13,800	0.01	29,000	0.17
October	223,800	0.16	6,700	0.04
November	1,817,000	1.32	570,500	3.39
December	1,072,900	0.78	81,300	0.48
2019				
January	289,100	0.21	183,900	1.09
Average monthly trading volume	**483,790**[*1]	**0.35**[*1]	**59,027**[*2]	**0.35**[*2]
Free float	137,744,461[*3]		16,829,166[*4]	

(Source: Bloomberg)

Notes:-

[*1] *Excluding the monthly trading volume of November 2018 and December 2018 as outliers*

[*2] *Excluding the monthly trading volume of November 2018 as outlier*

*[*3]* *Computed based on the total Daibochi Shares (excluding treasury shares) held by the public shareholders that excludes the Directors and substantial shareholders of Daibochi as well as persons acting in concert with them as at the LTD*

*[*4]* *Computed based on the total Warrants held by the public warrantholders that excludes the Directors and substantial warrantholders of Daibochi as well as persons acting in concert with them as at the LTD*

The average monthly trading volume of Daibochi Shares is approximately 0.48 million Daibochi Shares, representing a liquidity turnover of 0.35%, whilst the average monthly trading volume of Warrants is approximately 0.06 million Warrants, representing a liquidity turnover of 0.35%.

In comparison, we derived the average trading liquidity turnover of the comparable companies of Daibochi based on the monthly trading volume of their shares and warrants traded on Bursa Securities over the same period under review, as follows:-

Average liquidity turnover of **shares** of SLP Resources Berhad, Tomypak Holdings Berhad, SCGM Berhad and BP Plastics Holding Berhad	:	5.48%
Average liquidity turnover of **warrants** of Tomypak Holdings Berhad and SCGM Berhad	:	4.91%

7.2.2 Scientex Shares

The historical trading volume of Scientex Shares for the past 12 months from February 2018 to January 2019 (being the last full trading month prior to the LTD) are as follows:-

	Monthly volume traded No. of shares	**% of free float %**
2018		
February	3,740,000	1.62
March	4,100,000	1.77
April	6,100,000	2.63
May	3,130,000	1.35
June	8,560,000	3.70
July	2,510,000	1.08
August	3,150,000	1.36
September	8,880,000	3.84
October	5,300,000	2.29
November	5,200,000	2.25
December	6,960,000	3.01
2019		
January	12,400,000	5.36
Average monthly trading volume	**5,239,091**[*1]	**2.26**[*1]
Free float	231,523,955[*2]	

(Source: Bloomberg)

Notes:-

*[*1]* *Excluding the monthly trading volume of January 2019 as outlier*

*[*2]* *Computed based on the total Scientex Shares (excluding treasury shares) held by the public shareholders that excludes the Directors and substantial shareholders of Scientex as at the LTD*

The average monthly trading volume of Scientex Shares is approximately 5.24 million Scientex Shares, representing a liquidity turnover of 2.26%.

Our comments:

We noted that the Daibochi Shares have a liquidity turnover of 0.35% as compared to the liquidity turnover of its comparable companies of 5.48%, which indicates that the Daibochi Shares are thinly traded in relative thereto. As such, the Offer provides the Holders an opportunity to realise their investment in the Offer Shares at the Share Offer Price on a wholesale basis.

We wish to highlight that as the Share Offer can also be satisfied by the Share Exchange Option, emphasis should also be given to the liquidity of Scientex Shares in relative to the liquidity of Daibochi Shares as set out hereinbelow, before deliberating on the Share Offer.

When comparing the liquidity turnover of Daibochi Shares and Scientex Shares, we noted that Daibochi's liquidity turnover of 0.35% is lower than Scientex's liquidity turnover of 2.26%, which indicates that the Scientex Shares are relatively more actively traded and more liquid as compared to Daibochi Shares. As such, with regards to the Offer Shares, Holders who opt for Share Exchange Option will be able to exchange their Daibochi Shares for the relatively more liquid Scientex Shares.

With regards to the Offer Warrants, we noted that the Warrants have a liquidity turnover of 0.35% as compared to the liquidity turnover of its comparable companies of 4.91%, which indicates that the Warrants are thinly traded in relative thereto. Notwithstanding that the Offer may imply an opportunity for Holders to realise their investment in their Offer Warrants on a wholesale basis given the low liquidity, we wish to highlight that if you wish to do so, you may be realising your investment in the Offer Warrants at a substantially lower price as compared to the prevailing closing prices of Warrants as set out in Section 6.3.1 of this IAL. In addition, as disclosed in the Offer Document, it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities. In view thereof, Holders who do not accept the Offer Warrant may continue to hold their Offer Warrants (which expires on 19 June 2022) and sell their Offer Warrants in the open market at a higher price as compared to the Warrant Offer Price.

Nonetheless, we wish to highlight that in view of the low liquidity turnover of the Offer Warrants, the Holders (especially those holding a large number of Offer Warrants) may have limited opportunities or may take a longer time to realise their investments in the Offer Warrants in the open market if they wish to do so at a higher price as compared to the Warrant Offer Price.

Holders should also note that there is no assurance that Daibochi Shares, Warrants and Scientex Shares will continue to maintain their current liquidity in the future. We wish to advise the Holders that the liquidity analysis of Daibochi Shares, Warrants and Scientex Shares must be assessed in conjunction with other sections in this IAL.

REASONABLENESS OPINION

Cash Option

Premised on our evaluations in Section 7 of this IAL, we are of the view that the Cash Option is **REASONABLE** as it represents an opportunity for Holders to realise their investment in their Offer Shares on a wholesale basis after taking into consideration the low liquidity turnover of 0.35% of the Daibochi Shares as compared to the liquidity turnover of its comparable companies of 5.48% and the absence of a competing offer.

Alternatively, as the Share Offer can also be satisfied by the Share Exchange Option, emphasis should also be given on the relative total value consideration for both Daibochi Shares and Scientex Shares as set out in Section 6.2.2 of this IAL, as well as on the liquidity of Scientex Shares relative to the liquidity of Daibochi Shares as set out in Section 7.2 of this IAL, before deliberating on the Share Offer.

Share Exchange Option

Premised on our evaluations in Section 7 of this IAL, we are of the view that the Share Exchange Option is **REASONABLE** as Holders who opt for Share Exchange Option will be able to exchange their Daibochi Shares for the relatively more liquid Scientex Shares which has a liquidity turnover of 2.26%.

Warrant Offer

Premised on our evaluations in Section 7 of this IAL, notwithstanding the low liquidity turnover of the Warrants of 0.35% as compared to the liquidity turnover of its comparable companies of 4.91% and the absence of a competing offer, we are of the view that the Warrant Offer is **NOT REASONABLE** as Holders can continue to hold their Offer Warrants (which expires on 19 June 2022) and sell their Offer Warrants in the open market at a higher price as compared to the Warrant Offer Price, given that it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities.

Nonetheless, we wish to highlight that in view of the low liquidity turnover of the Offer Warrants, the Holders (especially those holding a large number of Offer Warrants) may have limited opportunities or may take a longer time to realise their investments in the Offer Warrants in the open market if they wish to do so at a higher price as compared to the Warrant Offer Price.

8. RATIONALE FOR THE OFFER

We take cognisance of the rationale as set out in Section 3 of the Offer Document and have noted the following:-

i. Upon completion of the Acquisition, Scientex's shareholdings in Daibochi increased from nil to approximately 42.48% (excluding treasury shares). As such, Scientex is obliged to undertake the Offer pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules;

ii. the Acquisition is in line with Scientex's business objective of growing its business organically and inorganically. Pursuant to the Acquisition, Scientex is expected to derive benefits including but not limited to, enhancement of operating capabilities and economies of scale through synergistic and complementary product portfolios, as well as to leverage on the respective strengths, brand names and track record;

iii. the cash consideration for the Offer Securities will provide the Holders with an opportunity to realise their investment in Daibochi in the immediate term; and

iv. the Share Exchange Option allows the Holders to amongst others, participate in Scientex Group's existing businesses and thus, an opportunity to diversify the risk profile of their investment in Daibochi to include exposures to Scientex's shares and businesses which are manufacturing of industrial stretch films, custom films and plastic related packaging products and property development, as well as to continue participating in the future growth of Daibochi via Scientex's equity interest in Daibochi.

Our comments:-

We note that the rationale in its entirety is reasonable as the Offer is a mandatory requirement as a result of the Acquisition in accordance with the Rules, and that the Offer provides the Holders an opportunity to realise their investment in Daibochi Shares via either Cash Option or Share Exchange Option.

We further note that the Share Exchange Option allows Holders the opportunity to gain immediate exposure to Scientex's shares and businesses which are manufacturing of industrial stretch films, custom films and plastic related packaging products and property development. In this respect, the Holders should also consider the prospects of the enlarged Scientex Group, industry overview and outlook of the manufacturing and property sectors, and also the risk factors associated with Scientex's businesses as set out in Section 8 of the Offer Document.

9. LISTING STATUS, COMPULSORY ACQUISITION AND RIGHTS OF DISSENTING HOLDERS

9.1 Listing status

Paragraph 8.02(1) of the Listing Requirements stipulates that a listed issuer must ensure it complies with the Public Spread Requirement. Bursa Securities may accept a percentage lower than 25% of the total number of listed shares (excluding treasury shares) if it is satisfied that such lower percentage is sufficient for a liquid market in such shares.

A listed issuer that fails to maintain the Public Spread Requirement may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. Where no extension of time is granted by Bursa Securities to rectify the Public Spread Requirement or the same is not rectified within the stipulated timeframe, Bursa Securities may take any action or impose penalty pursuant to Paragraph 16.19 of the Listing Requirements for a breach of Paragraph 8.02(1) of the Listing Requirements and may, at its discretion, suspend trading in the securities of the listed issuer pursuant to Paragraph 16.02(1) of the Listing Requirements. However, the non-compliance of the Public Spread Requirement will not automatically result in the delisting of Daibochi from the Official List of Bursa Securities.

In the event that the Offeror either individually or jointly with its associates hold 90% or more of the total listed shares of Daibochi (excluding treasury shares), an immediate announcement must be made by Daibochi. Upon such immediate announcement and where Daibochi has announced that the Offeror intends to maintain the listing status of Daibochi, Bursa Securities shall suspend the trading of the securities of Daibochi upon the expiry of 30 Market Days from the date of the immediate announcement. In this regard, the suspension will only be uplifted upon Daibochi's full compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

As disclosed in the Offer Document, it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities.

Accordingly, in the event that Daibochi does not comply with the Public Spread Requirement as a result of the Offer, the Offeror (subject always that the Offeror either individually or jointly with its associates and the Ultimate Offerors retain a collective equity interest of more than 50.00% in Daibochi) intends to work together with Daibochi to explore various options or proposals within 3 months from the Closing Date, subject to such timeframe as allowed by the relevant authorities to enable Daibochi to comply with the Public Spread Requirement. As at the Offer Document LPD, no arrangements on the above have been made.

Any action taken to address the Public Spread Requirement may require the approvals of the relevant authorities and/ or the shareholders of Daibochi. The actual course of action to be taken will depend on, amongst others, the circumstances as well as the prevailing market conditions at the relevant time.

Holders should note that while the Offeror intends to work together with Daibochi to attempt to rectify any shortfall in the Public Spread Requirement of Daibochi, there can be no assurance that the Public Spread Requirement of Daibochi can be rectified within the stipulated time frame.

9.2 Compulsory acquisition

For the purposes of Sections 222, 223 and 224 of the CMSA and this section, "share" means a voting share, in a company, or a unit in an entity specified by SC, and includes convertible securities (which includes warrants) as if those securities were shares of a separate class of a company and any reference to a holder of shares, and to shares being allotted, is to be read accordingly.

Section 222(1) of the CMSA provides that, where an offeror:-

(a) has made a take-over offer for all the shares or all the shares in any particular class in an offeree; and

(b) has received acceptances of not less than 9/10 in the nominal value of the offer shares,

the offeror may, within 4 months of the date of the take-over offer, acquire the remaining shares or remaining shares in any particular class in the offeree, by issuing a notice in the form or manner specified by the SC to such effect, to all Dissenting Holders provided that the notice:-

(i) is issued within 2 months from the date of achieving the conditions under Sections 222(1)(a) and 222(1)(b) of the CMSA; and

(ii) is accompanied by a copy of a statutory declaration by the offeror that the conditions for the giving of the notice are satisfied.

Section 222(1A) of the CMSA provides that for the purpose of Section 222(1)(b) of the CMSA, the acceptances shall not include shares already held at the date of the take-over offer by the offeror or persons acting in concert with it.

As disclosed in the Offer Document, the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA to compulsorily acquire any remaining shares from the Dissenting Holders even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled**.**

9.3 Rights of Dissenting Holders

Notwithstanding the above, in the event that the Offeror receives valid acceptances from the Holders which result in the Offeror, Ultimate Offerors and persons acting in concert with them holding not less than 9/10 in the value of the voting shares in Daibochi (including shares already held by the Offeror, Ultimate Offerors and persons acting in concert with them but excluding treasury shares held by Daibochi) on or before the Closing Date, a Dissenting Holder may exercise his/ her/ its rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his/ her/ its shares on the same terms as set out in the Offer Document or such other terms as may be agreed, subject to Section 224 of the CMSA.

In accordance with Section 224(3) of the CMSA, when a Dissenting Holder exercises his/ her/ its rights under Section 223(1) of the CMSA, the court may, on an application made by such Dissenting Holder or by the Offeror, order that the terms on which the Offeror shall acquire such shares shall be as the court deems fit.

In the event that the Offeror has acquired not less than 9/10 in the value of the voting shares in Daibochi (including shares already held by the Offeror, Ultimate Offerors and persons acting in concert with them but excluding treasury shares held by Daibochi), Section 223(2) of the CMSA requires the Offeror to give the Dissenting Holders a notice within 1 month thereafter in the manner specified by the SC of the rights that are exercisable by the Dissenting Holders under Section 223(1) of the CMSA ("**Notice to Dissenting Holders**").

A Notice to Dissenting Holders under Section 223(2) of the CMSA may specify the period for the exercise of the rights of Dissenting Holders and in any event, such period shall not be less than 3 months after the Closing Date.

10. FUTURE PLANS FOR DAIBOCHI GROUP AND ITS EMPLOYEES

We note the intention of the Offeror with respect to the future plans for Daibochi Group and its employees after the Offer, as follows:-

i. The Offeror and the Ultimate Offerors do not have any plan and/or intention to liquidate any companies (save for dormant or inactive companies or companies already in-progress/ intended to be liquidated within Daibochi Group) and intend to continue with the existing businesses relating to Daibochi. Nevertheless, the Offeror and the Ultimate Offerors will from time to time continuously carry out a review on the strategy and future business direction of Daibochi Group in order to remain competitive and improve Daibochi Group's prospects for future growth;

ii. The Offeror and the Ultimate Offerors do not have any plan or intention to introduce or effect major changes to the existing businesses, dispose of any major assets or undertake any major re-deployment of the fixed assets of Daibochi Group upon completion of the Offer, except where necessary to integrate and/ or reorganise and/or rationalise the business activities and/or direction of Daibochi Group; and

iii. The Offeror and the Ultimate Offerors do not have any plan to dismiss or make redundant any of the employees of Daibochi Group as a direct consequence of the Offer. However, changes in employees' employment and redeployment of employees may take place as a result of the Offeror's and the Ultimate Offerors' subsequent review to further improve efficiency of the operations of Daibochi Group. Nevertheless, such changes will be carried out in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

We further note that as at the Offer Document LPD, the Offeror and the Ultimate Offerors have not entered into any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in Daibochi Group's businesses, assets or Daibochi's shareholding structure.

Our comments:-

We note that the Offeror does not have any plan and/ or intention to liquidate any companies (save for dormant or inactive companies or companies already in-progress/ intended to be liquidated) within the Group, introduce or effect major changes to the existing businesses, dispose of any major assets or undertake any major re-deployment of the fixed assets of the Group (except where necessary), and dismiss or make redundant any of its existing employees. Premised on this, the business and management of Daibochi will remain intact and continue as a going concern.

11. FURTHER INFORMATION

Holders are advised to refer to the views and recommendation of the Non-Interested Directors as set out in Part A of this IAC, the appendices of this IAC and other relevant information as set out in the Offer Document for further information in relation to the Offer.

12. CONCLUSION AND RECOMMENDATION

You should consider carefully the terms and conditions of the Offer based on all relevant and pertinent factors including those which are as set out above, and other considerations as set out in this IAC, the Offer Document and any other publicly available information.

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, whereby:-

i. the term "fair and reasonable" should generally be analysed as two distinct criteria i.e. whether the offer is "fair"; and whether the offer is "reasonable", rather than as a composite term;

ii. the take-over is considered "fair" if the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities that are subject of the take-over offer. However, if the offer price is equal to or higher than the market price, but is lower than the value of the securities that are subject of the take-over offer, the take-over offer is considered "not fair". In making the assessment, the value of the offer securities is determined based on the assumption that 100% of the offeree is being acquired;

iii. in considering whether a take-over offer is "reasonable", the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer; and

iv. generally, a take-over offer would be considered "reasonable" if it is "fair". Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being "not fair", if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

In view thereof, we set out hereinbelow the summary of our fairness and reasonableness opinions which you should consider carefully prior to making a decision as to whether to accept or reject the Offer.

		FAIRNESS	REASONABLENESS
1.	**Cash Option**	**FAIR** The Share Offer Price:- • is **within** the range of fair value of Daibochi ranging from RM1.52 to RM1.73; and • is **above** the closing price as at the LPD and 5-day VWAP of Daibochi Shares up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.	**REASONABLE** The low liquidity turnover of 0.35% of the Daibochi Shares as compared to the liquidity turnover of its comparable companies of 5.48% and the absence of a competing offer may imply that the Share Offer represents an opportunity for Holders to realise their investment in their Offer Shares on a wholesale basis. **Alternatively, as the Share Offer can also be satisfied by the Share Exchange Option, emphasis should also be given on the relative total value consideration for both Daibochi Shares and Scientex Shares as set out in Section 6.2.2 of IAL, as well as on the liquidity of Scientex Shares relative to the liquidity of Daibochi Shares as set out in Section 7.2 of this IAL, before deliberating on the Share Offer.**
2.	**Share Exchange Option**	**FAIR** The estimated fair values of Scientex Shares which range from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90 per Daibochi Share based on the Exchange Ratio. The lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73. The said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.	**REASONABLE** Holders who opt for Share Exchange Option will be able to exchange their Daibochi Shares for the relatively more liquid Scientex Shares which has a liquidity turnover of 2.26%.

		FAIRNESS (CONT'D)	REASONABLENESS (CONT'D)
		Nonetheless, you are also advised to closely monitor the market prices of Daibochi Shares and Scientex Shares before deciding on the Share Exchange Option. In the event the Daibochi Share has traded above the Share Offer Price of RM1.59 and/ or the Scientex Share has traded below the Issue Price of RM8.80, it may be more beneficial for you to dispose your Daibochi Shares and acquire the Scientex Shares from the open market (after taking into consideration associated transaction costs involved) in this circumstance. Alternatively, you may also accept the Share Offer by electing the Cash Option and acquire Scientex Shares from the open market (after taking into consideration associated transaction costs involved).	
3.	**Warrant Offer**	**NOT FAIR** The Warrant Offer Price:- • is substantially **lower** than the closing prices of Warrants since its listing on Bursa Securities on 28 June 2017 and up to the LPD; • represents a **significant discount** ranging from 91.7% to 97.9% to the historical closing prices of Warrants for the various periods up to and including HOA LTD, LTD and LPD; and • represents a **significant discount** of 91.7% to the theoretical value of the Offer Warrants of RM0.12.	**NOT REASONABLE** Notwithstanding the low liquidity turnover of the Warrants of 0.35% as compared to the liquidity turnover of its comparable companies of 4.91% and the absence of a competing offer, the Holders can continue to hold their Offer Warrants (which expires on 19 June 2022) and sell their Offer Warrants in the open market at a higher price as compared to the Warrant Offer Price, given that it is the intention of the Offeror to maintain the listing status of Daibochi on the Main Market of Bursa Securities. Nonetheless, we wish to highlight that in view of the low liquidity turnover of the Offer Warrants, the Holders (especially those holding a large number of Offer Warrants) may have limited opportunities or may take a longer time to realise their investments in the Offer Warrants in the open market if they wish to do so at a higher price as compared to the Warrant Offer Price.

Premised on our evaluation as a whole, we are of the opinion that the:-

- Cash Option is **FAIR** and **REASONABLE**
- Share Exchange Option is **FAIR** and **REASONABLE**
- Warrant Offer is **NOT FAIR** and **NOT REASONABLE**

Between the Cash Option and Share Exchange Option, we are of the view that the Share Exchange Option is more favourable, as the estimated fair values of Scientex Shares ranging from RM9.15 to RM10.50 would translate into an implied offer price of Daibochi Shares ranging from RM1.65 to RM1.90, and:-

- the lower end of the implied offer price of RM1.65 is **within** the range of estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73, whilst the higher end of the implied offer price of RM1.90 is **higher** than the estimated fair values of Daibochi Shares ranging from RM1.52 to RM1.73; and

- the said implied offer price of Daibochi Shares is also **higher** by RM0.08 to RM0.33 than the closing price of RM1.57 as at the LPD and 5-day VWAP of Daibochi Shares of RM1.57 up to the LPD, which are generally reflective of the prevailing market prices of Daibochi Shares.

Accordingly, we advise and recommend that Holders **ACCEPT** the Offer Share by electing the Share Exchange Option, and **REJECT** the Warrant Offer.

NEVERTHELESS, ANY DECISION TO BE MADE WOULD REST ENTIRELY ON THE INDIVIDUAL RISK APPETITE AND SPECIFIC REQUIREMENTS OF THE HOLDERS. THE HOLDERS SHOULD ALSO BE MINDFUL THAT THERE MAY BE CONTINUOUS FLUCTUATIONS IN THE MARKET PRICES OF THE OFFER SECURITIES AND/ OR SCIENTEX SHARES PRIOR TO THE CLOSING DATE. AS SUCH, THE HOLDERS ARE ADVISED TO CLOSELY MONITOR THE MARKET PRICES AND INFORMATION/ ANNOUNCEMENTS IN RELATION TO THE OFFER BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN IN RESPECT OF THE OFFER SECURITIES.

OUR ADVICE AS CONTAINED IN THIS IAC IS ADDRESSED TO THE HOLDERS AT LARGE AND NOT TO ANY PARTICULAR HOLDER. ACCORDINGLY, IN PROVIDING THIS ADVICE, WE HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION, RISK PROFILE AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS. WE RECOMMEND THAT ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS WHO MAY REQUIRE ADVICE IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL SITUATION, RISK PROFILE AND PARTICULAR NEEDS SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Yours faithfully,
For and behalf of
UOB KAY HIAN SECURITIES (M) SDN BHD

TAN MENG KIM
Managing Director
Capital Markets

NANTHA KUMAR
Director
Co-Head, Corporate Finance

1. HISTORY AND PRINCIPAL ACTIVITIES

Daibochi (formerly known as Daibochi Plastic and Packaging Industry Berhad), is a public company limited by shares and was incorporated in Malaysia under the laws of Malaysia on 17 October 1972 as a private limited company under the name of Daibochi Plastic and Packaging Industry Sdn Bhd. On 9 July 1990, it was converted to a public company and subsequently listed on the then Second Board of the Kuala Lumpur Stock Exchange ("**Second Board**") on 3 October 1990. Subsequently, on 28 March 2003, it was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities).

Daibochi is principally involved in the manufacturing and marketing of flexible packaging materials whilst its operating subsidiaries are involved in investment holding, manufacturing, importing and marketing of packaging materials.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of Daibochi is as follows:-

	No. of Shares*	RM
Share capital	327,348,383	164,175,860

Note:-

* *Excluding 550,100 treasury shares*

As at the LPD, there is only 1 class of shares in Daibochi, i.e. Daibochi Shares. All the Daibochi Shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/ or distributions (including any capital distributions) which may be declared, made or paid to shareholders of the Company.

2.2 Changes in the issued share capital

Save as disclosed below, there have been no changes in Daibochi's issued share capital since the end of FYE 31 December 2017 up to and including the LPD:-

Date announced	No. of shares allotted	Issue price RM	Consideration/ Type of issue	Cumulative no. of shares*
12.02.2018	3,589	2.50	Conversion of Warrants	327,348,383

Note:-

* *Excluding 550,100 treasury shares*

2.3 Options, warrants and conversion rights affecting the Shares

Save for the 27,320,788 outstanding Warrants, Daibochi does not have any other options, warrants, and conversion rights affecting the Shares as at the LPD.

3. SUBSTANTIAL SHAREHOLDERS

The details of the substantial shareholders of Daibochi as at the LPD are as follows:-

Name	Nationality/ Place of incorporation	<-------- Direct -------->		<------- Indirect -------->	
		No. of shares	%[*1]	No. of shares	%[*1]
Scientex	Malaysia	139,062,766	42.48	-	-
Scientex Holdings Sdn Bhd	Malaysia	-	-	139,062,766[*2]	42.48
Lim Peng Jin	Malaysian	-	-	139,062,766[*3]	42.48
Lim Peng Cheong	Malaysian	-	-	139,062,766[*4]	42.48
HSBC Nominees (Asing) Sdn Bhd - TNTC for Apollo Asia Fund Ltd	British Virgin Islands	30,708,576	9.38	-	-
HSBC Nominees (Asing) Sdn Bhd - KBL Euro PB for Samarang UCITS - Samarang Asian Prosperity	Luxembourg	19,219,140	5.87	-	-

Notes:-

*[*1] Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

*[*2] Deemed/ indirect interests through Scientex*

*[*3] Deemed/ indirect interests through Scientex Holdings Sdn Bhd, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd and/ or nominee(s), Progress Innovations Sdn Bhd and Mplusonline Sdn Bhd and/ or nominee(s)*

*[*4] Deemed/ indirect interests through Scientex Holdings Sdn Bhd, Scientex Leasing Sdn Bhd, Scientex Infinity Sdn Bhd, TM Lim Sdn Bhd, Sim Swee Tin Sdn Bhd, Malacca Securities Sdn Bhd and/ or nominee(s), Mplusonline Sdn Bhd and/ or nominee(s) and Paradox Corporation Sdn Bhd and/ or nominee(s)*

4. DIRECTORS

The details of the directors of Daibochi as at the LPD are as follows:-

Name	Nationality	Date of appointment	Address	<--- Direct --->		<- Indirect -->	
				No. of shares	%[*1]	No. of shares	%[*1]
Heng Fu Joe *(Chairman and Independent Non-Executive Director)*	Malaysian	02.08.2010	1, Lorong Desa Maju, Taman Desa 58100 Kuala Lumpur	-	-	-	-
Lim Soo Koon *(Managing Director)*	Malaysian	01.02.2005	19-F, Lorong Bachang 2 75300 Melaka	518,400	0.16	-	-
Low Geoff Jin Wei *(Executive Director)*	Australian	05.10.2010	356, Jalan Yong Pak Khian Ujong Pasir 75050 Melaka	-	-	-	-
Caroline Ang Choo Bee *(Independent Non-Executive Director)*	Malaysian	16.07.2012	113, Jalan Hujan Emas 5 Taman Bukit Indah 58200 Kuala Lumpur	17,280	0.01	77,760[*2]	0.02
Faris Salim Cassim *(Independent Non-Executive Director)*	Australian	01.09.2017	19, Cove Way #09-11 Cape Royale Singapore 98206	-	-	-	-

***Notes**:-*

*[*1] Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

*[*2] Deemed interests through spouse*

5. SUBSIDIARIES AND ASSOCIATE COMPANIES

The details of the subsidiaries and associated companies of Daibochi as at the LPD are as follows:-

Company	Country of incorporation	Effective equity interest (%)	Principal activities
Subsidiaries			
Daibochi Land Sdn Bhd	Malaysia	100.00	Investment holding
Daibochi Flexibles Sdn Bhd	Malaysia	100.00	Investment holding
Daibochi Australia Pty Ltd	Australia	100.00	Importing and marketing of packaging materials
Daibochi New Zealand Ltd*	New Zealand	100.00	Dormant
Daibochi Packaging (Myanmar) Company Limited	Myanmar	60.00	Manufacturing and marketing of flexible packaging materials
Associated company			
Skyline Resources (M) Sdn Bhd	Malaysia	36.32	Property development, contract construction works and property investments

Note:-

* *The company is in the process of being struck-off from the Companies Register in New Zealand*

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record based on Daibochi's audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2017 and latest unaudited consolidated financial statements for the 12-month FYE 31 December 2018 is as follows:-

	<---------- Audited ---------->			Unaudited
	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017	12-month FYE 31 December 2018
	RM'000	RM'000	RM'000	RM'000
Revenue	344,953	371,158	388,647	430,756
PBT	35,728	29,950	35,748	20,622
PAT attributable to:-				
Owners of the Company	26,721	24,518	25,932	15,241
Non-controlling interest	-	-	1,151	1,606
	26,721	24,518	27,083	16,847
Weighted average no. of shares ('000)*	327,260	327,167	327,549	327,586
Basic EPS (net) (sen)	8.17	7.49	7.92	4.65
Net dividend per share (sen)	4.90	4.52	4.55	3.35
NA attributable to owners of the Company	181,474	189,171	200,848	197,761
NA per share (RM)	0.55	0.58	0.61	0.60

Note:-

* *The comparative figures have been adjusted to take into account a share split and bonus issue exercises which were completed in February 2016, as well as a bonus issue exercise which was completed in June 2017*

There is no exceptional item in Daibochi's audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2017 and latest unaudited consolidated financial statements for the 12-month FYE 31 December 2018, other than as disclosed in the commentary section hereinbelow.

Commentary

FYE 31 December 2015

For the FYE 31 December 2015, Daibochi Group recorded a revenue of RM344.95 million which represents a slight increase of 0.1% as compared to RM344.51 million in the preceding financial year. Overall sales for 2015 would have been better if not for the slower domestic sales post goods and services tax implementation.

The Group's PBT increased by 15.1% to RM35.73 million for the FYE 31 December 2015 as compared to RM31.05 million in the preceding financial year, mainly due to improved margin on higher export sales as a result of weaker RM against other foreign currencies, new product innovations to Australia and New Zealand market, reduction in raw material prices as well as favourable product mix.

FYE 31 December 2016

For the FYE 31 December 2016, Daibochi Group recorded a revenue of RM371.16 million which represents an increase of 7.6% as compared to RM344.95 million in the preceding financial year, mainly due to stronger revenue from both export and local sales which increased 12.6% and 2.1% respectively.

The Group's PBT decreased by 16.2% to RM29.95 million for the FYE 31 December 2016 as compared to RM35.73 million in the preceding financial year. The lower PBT was in line with reduced operating profit mainly due to higher wage policies and increase in repair and maintenance expenses in the Group's manufacturing facilities.

FYE 31 December 2017

For the FYE 31 December 2017, Daibochi Group recorded a revenue of RM388.65 million which represents an increase of 4.7% increase as compared to RM371.16 million in the preceding financial year mainly due to new contributions from its new Myanmar plant (operated by its 60%-owned subsidiary company, namely Daibochi Myanmar), in addition to the increase in both export and local sales.

The Group's PBT increased by 19.4% to RM35.75 million for the FYE 31 December 2016 as compared to RM29.95 million in the preceding financial year, mainly due to higher operating profit derived from new contributions from Myanmar plant, better sales mix, improved operating efficiency and better wastage control.

12-month FYE 31 December 2018

For the 12-month FYE 31 December 2018, Daibochi Group recorded a revenue of RM430.76 million which represents an increase of 10.8% as compared to RM388.65 million in the preceding financial year, mainly due to higher sales in the domestic and export markets, and contributions from its Myanmar plant which had commenced operations since mid 2017.

The Group's PBT decreased by 42.3% to RM20.62 million for the 12-month FYE 31 December 2018 as compared to RM35.75 million in the preceding financial year, mainly due to one-off merger and acquisition related transaction costs of RM4.86 million. Excluding the said one-off cost, the Group's PBT would have decreased by 28.7% to RM25.48 million for the 12-month FYE 31 December 2018 as compared to RM35.75 million in the preceding financial year, mainly due to foreign exchange loss as well as higher raw material costs and higher operating costs particularly labour and electricity.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Daibochi Group based on its audited consolidated financial statements as at 31 December 2016 and 31 December 2017 as well as the latest unaudited consolidated financial statements as at 31 December 2018 are as follows:-

	<-- Audited as at 31 December ->		Unaudited as at 31 December
	2016	2017	2018
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	141,218	138,088	135,453
Investment in an associate	20,245	19,363	18,269
Goodwill	-	35,137	31,753
Deferred tax assets	119	117	113
	161,582	192,705	185,588
Current assets			
Inventories	72,554	86,537	90,344
Trade and other receivables	57,783	67,766	74,945
Tax recoverable	627	805	351
Derivative financial assets	21	6	52
Cash and bank balances	15,829	18,306	10,481
Asset classified as held for sale	-	-	972
	146,814	173,420	177,145
TOTAL ASSETS	308,396	366,125	362,733
EQUITY			
Equity attributable to owners of the Company:			
Share capital	136,623	164,163	164,176
Treasury shares	(2,354)	(508)	(1,145)
Reserves	54,902	37,193	34,730
	189,171	200,848	197,761
Non-controlling interest	-	21,054	22,345
Total equity	189,171	221,902	220,106
LIABILITIES			
Non-current liabilities			
Trade and other payables	508	664	-
Loans and borrowings	13,417	20,128	12,219
Deferred tax liabilities	12,860	13,016	13,612
	26,785	33,808	25,831
Current liabilities			
Trade and other payables	51,297	57,912	59,124
Loans and borrowings	40,573	49,747	57,543
Derivative financial liabilities	570	-	25
Tax payable	-	2,756	104
	92,440	110,415	116,796
TOTAL LIABILITIES	119,225	144,223	142,627
TOTAL EQUITY AND LIABILITIES	308,396	366,125	362,733

There is no known material change in the financial position of Daibochi subsequent to its last audited consolidated financial statements for the FYE 31 December 2017 up to the LPD, other than as disclosed in announcements made by Daibochi on Bursa Securities, which include quarterly financial results and dividends.

8. ACCOUNTING POLICIES

Based on the audited consolidated financial statements of Daibochi for the past 3 financial years up to the FYE 31 December 2017, the financial statements have been prepared in accordance with Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act and there was no audit qualification for Daibochi's financial statements for the respective financial years under review.

There is no change in the aforementioned adopted accounting standards which would result in a material variation to the comparable figures for the audited consolidated financial statements of Daibochi for the past 3 financial years up to the FYE 31 December 2017.

9. BORROWINGS

As at 31 December 2018, which is not more than 3 months preceding the LPD, the Group has a total outstanding borrowings of approximately RM69.76 million, all of which are interest bearing, as follows:-

	Amount RM'000
Short term borrowings	
Secured:	
Finance lease liabilities	919
Non-secured:	
Term loan	13,401
Banker's acceptance	40,409
Bank overdrafts	2,814
	57,543
Long term borrowings	
Secured:	
Finance lease liabilities	895
Non-secured:	
Term loan	11,324
	12,219
Total	**69,762**

10. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Group:-

	Amount RM'000
Property, plant and equipment	
- Authorised and contracted for	5,898
- Authorised but not contracted for	16,661
Total	**22,559**

11. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities which upon becoming due or enforceable may have a material impact on the financial position or business of the Group.

12. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claim and/ or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board is not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

13. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years prior to the commencement of the Offer Period:-

i. Deed Poll dated 29 May 2017 by Daibochi ("**Deed Poll**") for the issuance of 27,324,585 new warrants on the basis of 1 free warrant for every 10 existing Daibochi Shares held as at the entitlement date. Every warrant carries the entitlement to subscribe for 1 new Daibochi Share at the exercise price of RM2.50 and at any time during the exercise period of 5 years commencing from and including the issue date of 20 June 2017 and ending at 5.00 p.m. on 19 June 2022. The warrants are subject to the adjustments in accordance with the provisions of the Deed Poll. Any Warrants not exercised during the said exercise period will thereafter lapse and cease to be valid for any purpose;

ii. Joint Venture Agreement dated 16 June 2017 (**"JVA**") between Daibochi Flexibles Sdn Bhd (**"D-Flex**") and Myanmar Smart Pack Industrial Company Limited (**"MSP**") to establish a joint venture company in Myanmar, namely Daibochi Myanmar. Pursuant to the said joint venture arrangement, D-Flex currently holds 60% equity interest in Daibochi Myanmar while MSP holds the remaining 40% equity interest. In connection with the JVA, Daibochi and D-Flex and Europe & Asia Commercial Company Limited and MSP had on the same date entered into a deed of guarantee ("**Guarantee**"), pursuant to which Daibochi guaranteed the performance by D-Flex of its obligations under the JVA and Europe & Asia Commercial Company Limited guaranteed the performance by MSP of its obligations under the JVA;

iii. Lease Agreement dated 1 July 2017 and letters dated 1 July 2017 and 17 October 2017, respectively, between Daibochi Myanmar and U Sein Myint for Daibochi Myanmar to lease land and factory in Yangon for 5 years ("**Initial Term**") with two further extensions of 5 years each ("**Extended Term(s)**") for a total standard lease payment of USD627,120.00 for the Initial Term and each of the Extended Term(s);

iv. Asset Purchase Agreement dated 1 July 2017 between Daibochi Myanmar and MSP for the purchase of certain assets from MSP ("**MSP Assets**") for a total cash consideration of US$11,288,899.00, which was completed on 20 July 2017. The MSP Assets were purchased by Daibochi Myanmar pursuant to the terms of the JVA; and

v. Daibochi had appointed Nomura Securities Malaysia Sdn Bhd ("**Nomura**") pursuant to terms set out in an engagement letter dated 22 December 2017 for the provision of advisory services to Daibochi and has paid a total retainer fee of USD60,000.00 to Nomura. Daibochi's engagement with Nomura has ended on 14 November 2018.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Directors of Daibochi collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAC and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief:-

i. no statement and/ or information relating to Daibochi Group in this IAC is false or misleading or incomplete;

ii. there are no other facts and/ or information, the omission of which would render any statement or information provided relating to Daibochi Group herein false or misleading or incomplete;

iii. all material facts and/ or information in relation to the Offer, including those required under the Rules, have been accurately and completely disclosed in this IAC; and

iv. opinions expressed by the Board (save for the Interested Director) in this IAC have been arrived at after due and careful consideration.

Further, the responsibility of the Board in respect of:-

i. the information on the Offeror, the Ultimate Offerors, and the Offer in this IAC (as extracted from the Offer Document and other publicly available information) is limited to ensuring that such information is accurately reproduced in this IAC; and

ii. the independent advice and expression of opinion by UOBKH in relation to the Offer as set out in Part B of this IAC is to ensure that accurate information in relation to Daibochi Group was provided to UOBKH for its evaluation of the Offer and that all information in relation to Daibochi Group that is relevant to UOBKH's evaluation of the Offer has been accurately and completely disclosed to UOBKH and that there is no material fact, the omission of which would make any information provided to UOBKH false or misleading.

2. CONSENTS

UOBKH and RHB Investment Bank have given and have not subsequently withdrawn their written consents to the inclusion in this IAC of their names and all references thereto in the form and context in which they appear in this IAC.

3. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

3.1 By Daibochi

3.1.1 Dealings in the securities of Daibochi

Save as disclosed below, Daibochi has not dealt, directly or indirectly, in any of its voting shares or convertible securities during the period beginning 6 months prior to the Offer Period and ending on the LPD:-

Date of transaction	Nature of transaction	No. of shares	%[*1]	<-- Transacted price --> Minimum RM	Maximum RM
16.05.2018	Acquisition	4,000	[*2]	2.180	2.180
18.05.2018	Acquisition	42,700	0.01	2.160	2.240
21.05.2018	Acquisition	50,000	0.02	2.130	2.150
22.05.2018	Acquisition	1,200	[*2]	2.150	2.150
25.05.2018	Acquisition	14,900	[*2]	2.110	2.150
28.05.2018	Acquisition	6,000	[*2]	2.11	2.12
30.05.2018	Acquisition	7,800	[*2]	2.12	2.15
31.05.2018	Acquisition	12,000	[*2]	2.11	2.12
01.06.2018	Acquisition	10,200	[*2]	2.11	2.12
04.06.2018	Acquisition	14,000	[*2]	2.10	2.11
06.06.2018	Acquisition	122,000	0.04	2.03	2.05
07.06.2018	Acquisition	78,500	0.02	2.04	2.06
08.06.2018	Acquisition	36,000	0.01	2.02	2.05
11.06.2018	Acquisition	17,000	0.01	2.02	2.07
12.06.2018	Acquisition	8,000	[*2]	2.02	2.06
13.06.2018	Acquisition	3,000	[*2]	2.03	2.08
21.06.2018	Acquisition	5,000	[*2]	2.08	2.08
22.06.2018	Acquisition	2,000	[*2]	2.05	2.05
26.06.2018	Acquisition	2,800	[*2]	2.05	2.05
27.06.2018	Acquisition	5,000	[*2]	2.05	2.05
02.07.2018	Acquisition	2,000	[*2]	2.03	2.03
03.07.2018	Acquisition	7,100	[*2]	2.03	2.05
06.07.2018	Acquisition	7,000	[*2]	2.05	2.05
09.07.2018	Acquisition	2,000	[*2]	2.05	2.05
10.07.2018	Acquisition	14,000	[*2]	2.02	2.05
12.07.2018	Acquisition	6,000	[*2]	2.00	2.05
25.07.2018	Acquisition	22,000	0.01	2.00	2.01
26.07.2018	Acquisition	14,500	[*2]	2.00	2.01
27.07.2018	Acquisition	6,000	[*2]	2.01	2.01
30.07.2018	Acquisition	18,000	0.01	2.00	2.01
01.08.2018	Acquisition	1,600	[*2]	2.02	2.02
07.08.2018	Acquisition	3,800	[*2]	2.02	2.03
08.08.2018	Acquisition	2,000	[*2]	2.03	2.03
09.08.2018	Acquisition	2,000	[*2]	2.03	2.03

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Negligible*

3.1.2 Disclosure of interest in the securities of the Offeror

Daibochi does not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Offeror as at the LPD.

3.1.3 Dealings in the securities of the Offeror

Daibochi has not dealt, directly or indirectly, in any voting shares or convertible securities of the Offeror during the period beginning 6 months prior to the Offer Period and ending on the LPD.

3.2 By the Directors of Daibochi

3.2.1 Disclosure of interests in Daibochi

Save as disclosed below, the Directors of Daibochi do not have any interest, whether direct or indirect, in Daibochi Shares and Warrants as at the LPD:-

Daibochi Shares

Name	<---------- Direct ---------->		<--------- Indirect --------->	
	No. of shares	%[*1]	No. of shares	%[*1]
Lim Soo Koon	518,400	0.16	-	-
Caroline Ang Choo Bee	17,280	0.01	77,760[*2]	0.02

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Deemed interests through spouse*

Warrants

Name	<---------- Direct ---------->		<--------- Indirect --------->	
	No. of warrants	%[*1]	No. of warrants	%[*1]
Lim Soo Koon	43,200	0.16	-	-
Low Geoff Jin Wei	1,140,580	4.17	-	-
Caroline Ang Choo Bee	1,440	0.01	6,480[*2]	0.02

Notes:-

[*1] *Computed based on 27,320,788 outstanding Warrants*

[*2] *Deemed interests through spouse*

3.2.2 Dealings in the securities of Daibochi

Save as disclosed below, the Directors of Daibochi have not dealt, directly or indirectly, in Daibochi Shares and Warrants during the period beginning 6 months prior to the Offer Period and ending on the LPD:-

Daibochi Shares

Name	Date of transaction	Nature of transaction	No. of shares	%[*1]	Transacted price RM
Low Geoff Jin Wei	19.02.2019	Disposal[*2]	13,686,969	4.18	1.59[*2]

Notes:-

[*1] *Computed based on 327,348,383 Daibochi Shares (excluding treasury shares)*

[*2] *Based on the disposal of his entire shareholdings in Daibochi (at a share exchange consideration equivalent to RM1.59 per Daibochi Share after ex-dividend) to Scientex which was satisfied entirely via issuance of new Scientex Shares based on the Exchange Ratio under the Acquisition*

3.2.3 Disclosure of interests in the Offeror

Save as disclosed below, the Directors of Daibochi do not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Offeror as at the LPD:-

Scientex Shares

Name	<---------- Direct ---------->		<--------- Indirect --------->	
	No. of shares	%[*1]	No. of shares	%[*1]
Low Geoff Jin Wei	2,472,803	0.48	-	-

Note:-

[*1] *Computed based on 514,357,649 Scientex Shares (excluding treasury shares)*

3.2.4 Dealings in the securities of the Offeror

Save as disclosed below, the Directors of Daibochi have not dealt, directly or indirectly, in any voting shares or convertible securities of the Offeror during the period beginning 6 months prior to the Offer Period and ending on the LPD:-

Scientex Shares

Name	Date of transaction	Nature of transaction	No. of shares	%[*1]	Transacted price RM
Low Geoff Jin Wei	19.02.2019	Acquisition[*3]	2,472,803	0.48	8.80[*3]
Caroline Ang Choo Bee	31.05.2018	Acquisition	800	[*2]	7.159
	05.06.2018	Acquisition	200	[*2]	7.030
	12.06.2018	Acquisition	200	[*2]	6.600
	17.07.2018	Disposal	1,000	[*2]	7.800
	20.07.2018	Disposal	2,000	[*2]	8.000
	07.08.2018	Disposal	500	[*2]	8.200
	08.08.2018	Disposal	2,500	[*2]	8.200
	10.08.2018	Disposal	1,000	[*2]	8.500
	14.08.2018	Disposal	2,000	[*2]	8.300
	20.09.2018	Disposal	1,000	[*2]	8.400
	21.09.2018	Acquisition	3,000	[*2]	8.570
	11.10.2018	Disposal	3,000	[*2]	8.400
	04.02.2019	Disposal	3,800	[*2]	8.780

Notes:-

[*1] *Computed based on 514,357,649 Scientex Shares (excluding treasury shares)*

[*2] *Negligible*

[*3] *Based on the allotment of his portion of the Consideration Shares (at a share exchange consideration equivalent to RM8.80 per new Scientex Share) received based on the Exchange Ratio under the Acquisition*

3.3 By the persons with whom Daibochi or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom Daibochi or any persons acting in concert with it has entered into an arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to any voting shares or convertible securities of Daibochi and Scientex which may be an inducement to deal or to refrain from dealing.

3.4 By the persons with whom Daibochi or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom Daibochi or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of Daibochi and Scientex.

3.5 By UOBKH and funds whose investments are managed by UOB Kay Hian Holdings Limited, being the holding company of UOBKH, and its subsidiaries, on a discretionary basis ("Discretionary Funds")

i. Disclosure of interests in Daibochi and Scientex

UOBKH and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Daibochi and Scientex as at the LPD.

ii. Dealings in securities of Daibochi and Scientex

UOBKH and its Discretionary Funds have not dealt, directly or indirectly, in any voting shares or convertible securities of Daibochi and Scientex during the period beginning 6 months prior to the Offer Period and ending on the LPD.

4. ARRANGEMENT AFFECTING DIRECTORS

i. As at the LPD, no payment or other benefits will be made or given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

ii. As at the LPD, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.

iii. As at the LPD, the Offeror and Ultimate Offerors have not entered into any material contract in which any Director has a material personal interest.

5. SERVICE CONTRACTS

Save as disclosed below, as at the LPD, neither Daibochi nor its subsidiaries has any service contracts with any Directors or proposed Directors, which have been entered into or amended within 6 months before the commencement of the Offer Period or which are fixed term contracts with more than 12 months to run:-

Parties of the contract	Date of the contract	Tenure of the contract	Nature of the contract
Low Geoff Jin Wei	28 September 2010	Effective within 1 week from the receipt of Resident Pass (Talent) on 27 June 2013 for a fixed term of 5 years and has been extended until 22 August 2023, being the date of expiry of the Resident Pass (Talent)	Letter of appointment for the appointment of Low Geoff Jin Wei as Executive Director of Daibochi

For the purpose of this section, the term "service contracts" excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAC.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Daibochi at Kompleks Daibochi Plastic, Lot 3 & 7, Air Keroh Industrial Estate Phase IV, 75450 Melaka, during normal business hours from Monday to Friday (except public holidays) from the date of this IAC up to and including the Closing Date:-

i. The Constitution of Daibochi;

ii. The audited consolidated financial statements of Daibochi for the past 3 financial years up to the FYE 31 December 2017 and the unaudited consolidated financial statements of Daibochi for the 12-month period FYE 31 December 2018;

iii. A copy of the Notice dated 11 February 2019;

iv. The letters of consents referred to in Section 2 of this Appendix;

v. The material contracts of Daibochi Group referred to in Section 13 of Appendix I of the IAC; and

vi. The Director's service contract referred to in Section 5 of this Appendix.

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