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NYLEX (MALAYSIA) BERHAD

(Company No. 9378-T)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

in relation to the

PART A

**PROPOSED NEW AND PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

STATEMENT

in relation to the

PART B

PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE ON SHARE BUY-BACK

THIS CIRCULAR/STATEMENT IS ISSUED IN CONJUNCTION WITH THE RELEVANT RESOLUTIONS TO BE TABLED AT THE 46TH ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY.

The relevant resolutions will be tabled as Special Businesses at the Company’s 46th AGM, which will be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 October 2016, at 9.30 a.m..

The Notice of AGM and Proxy Form are enclosed in the Annual Report 2016 of the Company.

The Proxy Form should be completed and deposited at the Registered Office of the Company not less than 48 hours before the time stipulated for the holding of the 46th AGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the AGM, should you subsequently wish to do so.

Last date and time for lodging the Proxy Form is Monday, 17 October 2016 at 9.30 a.m.

This Circular/Statement is dated 27 September 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular/Statement:

“Act”	: The Companies Act, 1965 as amended from time to time and any re-enactment thereof
“ACTSB”	: Ancom-ChemQuest Terminals Sdn Bhd (358783-T)
“AGM”	: Annual General Meeting
“AKSB”	: Ancom Kimia Sdn Bhd (260964-M)
“ALB”	: Ancom Logistics Berhad (6614-W)
“Ancom”	: Ancom Berhad (8440-M)
“ACCSB”	: Ancom Crop Care Sdn Bhd (148170-X)
“Annual Report 2016”	: Annual Report for Nylex issued for the financial year ended 31 May 2016
“Board”	: Board of Directors of Nylex
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“CKG”	: CKG Chemicals Pte Ltd (199000843D)
“CMSA”	: Capital Markets and Services Act 2007
“Code”	: Malaysian Code on Take-Overs and Mergers 2010, as amended from time to time
“Dato’ Siew”	: Dato’ (Dr) Siew Ka Wei
“Director(s)”	: Shall have the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon (i) a director of the Company, its subsidiary or holding company; or (ii) a chief executive of the Company, its subsidiary or holding company
“EPS”	: Earnings per share
“Fermpro”	: Fermpro Sdn Bhd (83579-K)
“KES”	: Kumpulan Kesuma Sdn Bhd (47412-V)
“Listing Requirements”	: The Listing Requirements of Bursa Securities including any amendments to the Listing Requirements that may be made from time to time

DEFINITIONS (continued)

“Major Shareholder(s)”	: A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation including any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company as defined above or any other company which is its subsidiary or holding company For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act
“MMSB”	: Malay Mail Sdn Bhd (239512-V)
“NA”	: Net assets
“NSC”	: Nylex Specialty Chemicals Sdn Bhd (13073-H)
“NYL”	: NYL Logistics Sdn Bhd (1165777-D) (formerly known as Berkat Kejora Sdn Bhd)
“Nylex” or “Company”	: Nylex (Malaysia) Berhad (9378-T)
“Nylex Group” or “Group”	: Nylex and its subsidiaries and associates, collectively
“Nylex Share(s)” or “Share(s)”	: Ordinary share(s) of RM1.00 each in Nylex
“PCSB”	: Pengangkutan Cogent Sdn Bhd (408189-H)
“PKG”	: Perusahaan Kimia Gemilang Sdn Bhd (82890-D)
“Proposed RRPT Mandate”	: Proposed new and proposed renewal of shareholders’ mandate pursuant to Paragraph 10.09 of the Listing Requirements and Practice Note 12, for Nylex Group to enter into RRPT
“Proposed SBB Mandate”	: Proposed renewal of shareholders’ mandate on Share Buy-Back
“Purchased Shares”	: Share(s) purchased pursuant to the Proposed SBB Mandate
“Redberry”	: Redberry Sdn Bhd (720809-K)
“Related Party” or “Related Parties”	: Director(s), Major Shareholder(s) or person(s) connected with such Director or Major Shareholder
“Rhodemark”	: Rhodemark Development Sdn Bhd (480986-V)
“RRPT”	: Related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of Nylex or its subsidiaries
“RM” and “sen”	: Ringgit Malaysia and sen respectively

DEFINITIONS *(continued)*

“Share Buy-Back”	:	Purchase by the Company of its own shares in accordance with Section 67A of the Act and the requirements of Bursa Securities and/or any other relevant authority
“Tan Sri Al Amin”	:	Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid
“Treasury Share(s)”	:	Purchased Shares retained as treasury shares as defined under Section 67A of the Act

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Circular/Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Circular/Statement shall be a reference to Malaysian time, unless otherwise stated.

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NYLEX (MALAYSIA) BERHAD

(Company No. 9378-T)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:
Unit C508, Block C, Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

27 September 2016

Board of Directors

Tan Sri Ir (Dr) Mohamed Al Amin Abdul Majid (*Executive Chairman*)
Dato' (Dr) Siew Ka Wei (*Group Managing Director*)
Lim Hock Chye (*Independent Non-Executive Director*)
Edmond Cheah Swee Leng (*Independent Non-Executive Director*)
Safrizal bin Mohd Said (*Independent Non-Executive Director*)
Khamis bin Awal (*Independent Non-Executive Director*)
Dato' Tengku Mahamad bin Tengku Mahamut (*Independent Non-Executive Director*)

To: The Shareholders of Nylex

Dear Sir/Madam,

NYLEX (MALAYSIA) BERHAD PROPOSED NEW AND PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the 45th AGM held on 19 November 2015, the Company had obtained its shareholders' mandate in respect of RRPT with existing transacting Related Parties. The said mandate, in accordance with the Listing Requirements, will expire on the conclusion of the forthcoming 46th AGM of the Company.

On 19 September 2016, the Company announced its intention to seek the approval of its shareholders to renew the mandate in respect of RRPT with existing transacting Related Parties and to obtain a new mandate in respect of additional RRPT with transacting Related Parties, pursuant to Paragraph 10.09 of the Listing Requirements and Practice Note 12.

The purpose of this Circular is to provide you with details of the Proposed RRPT Mandate and to set out the views of your Board and to seek your approval for the resolution relating thereto to be tabled at the 46th AGM of the Company.

YOU ARE ADVISED TO READ THE CONTENTS AND APPENDICES OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RRPT MANDATE.

2. DETAILS OF THE PROPOSED RRPT MANDATE

2.1. Introduction

In accordance with Paragraph 10.09 of the Listing Requirements and Practice Note 12, Nylex may seek a mandate from its shareholders for RRPT subject to, inter-alia, the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;

- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (iii) the Company's circular to shareholders for the RRPT mandate shall include the information as may be prescribed by Bursa Securities. The draft circular shall be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (iv) in a meeting to obtain shareholders' mandate, the interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder; and where it involves the interest of an interested person connected with a Director or Major Shareholder, such Director or Major Shareholder must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must ensure that person(s) connected with him abstain from voting on the resolution approving the transactions;
- (v) in relation to a business trust, in addition to the parties referred to in note (iv) above, the interested trustee-manager or major unit holder or interested person connected with the trustee-manager or a major unit holder, must not vote on the resolution approving the transaction; and
- (vi) the Company immediately announces to Bursa Securities when the actual value of RRPT entered into by the Group exceeds the estimated value of the RRPT disclosed in the Company's circular to shareholders by 10% or more and shall include the information as may be prescribed by Bursa Securities in its announcement.

The Company hereby seeks the approval of the shareholders for the renewal of the existing RRPT mandate as set out in Section 2.4.1 of this Circular. In addition, the Company wishes to seek a new mandate from its shareholders to enter into new RRPT, with parties not included in the earlier mandate, as set out in 2.4.2 of this Circular, provided such transactions are entered into at arm's length and on normal commercial terms that are not more favourable to the Related Parties than those generally available to the public and which will not be to the detriment of the minority shareholders.

The new and existing RRPT are subject to the review procedures set out in Section 2.6 of this Circular.

2.2. Validity period of the Proposed RRPT Mandate

The Proposed RRPT Mandate, if approved at the forthcoming 46th AGM, will continue to be in force until:

- (i) the conclusion of the next AGM of Nylex at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by resolution passed by the shareholders at a general meeting,
- whichever is earlier.

2.3. Principal Business Activities of Nylex Group

Nylex is principally involved in investment holding and the manufacture and marketing of vinyl-coated fabrics, calendered film and sheeting, rotomoulded plastic products, and other plastic products, including geotextiles, prefabricated sub-soil drainage systems, bulk chemical containers, road barriers, playground equipment and disposal bins.

The principal business activities of its subsidiaries comprise the following: -

- Trading, manufacture and sale of petrochemicals and industrial chemicals products;
- Manufacture and marketing of polyurethane ("PU") and polyvinyl chloride ("PVC") synthetic leather, films and sheets; and
- In the business of transport, cartage and haulage contractors and agencies.

2.4. Nature of Transactions and Classes of Related Parties
2.4.1. Existing Mandate

Related Party	Nylex Group Transacting Party	Nature of transactions	Preceding year Mandate ⁵ (RM)	Preceding year actual value ⁶ (RM)	Deviation of actual value against preceding year mandate		Current year estimated value ⁷ (RM)	Classes of Related Parties ⁸
					(RM)	(%)		
ACTSB ¹	PKG CKG Fermpro	Storage rentals and Charges for handling of industrial chemicals for storage	5,929,200	3,731,862	(2,197,338)	(37.1)	6,600,000	<ul style="list-style-type: none"> ♦ Rhodemark holds a 27.7% equity interest in Nylex and 19.8% equity interest in ALB. ♦ Ancom holds a 45.8% direct and indirect equity interest in Nylex, 100.0% equity interest in Rhodemark and 45.4% direct and indirect equity interest in ALB. ♦ Dato' Siew is the Group Managing Director for both Nylex and Ancom and the Executive Vice Chairman of ALB. Dato' holds in aggregate a 49.6% direct and indirect equity interest in Nylex, 20.2% direct and indirect equity interest in Ancom and 45.7% direct and indirect equity interest in ALB. ♦ Tan Sri Al Amin is the Executive Chairman of Nylex, a Non-Executive Director of Ancom and the Executive Chairman of AKSB. Tan Sri holds a 30.0% direct equity interest in AKSB.
PCSB ²	PKG CKG Fermpro NSC NYL	Charges for transportation of industrial chemicals	3,075,000	2,510,299	(564,701)	(18.4)	5,225,000	
Redberry ³	PKG Nylex Fermpro KES NSC	Provision of media services and sponsorship	2,000,000	669,742	(1,330,258)	(66.5)	2,000,000	
ACCSB ³	PKG Nylex Fermpro	Sale of industrial chemicals	245,000	212,272	(32,728)	(13.4)	400,000	
Sub-total			11,249,200	7,124,175	(4,125,025)	(36.7)	14,225,000	
AKSB ⁴	PKG	Purchase of industrial chemicals	113,000,000	40,159,553	(72,840,447)	(64.5)	90,000,000	
		Sale of industrial chemicals	18,000,000	6,426,538	(11,573,462)	(64.3)	10,000,000	
Sub-total			131,000,000	46,586,091	(84,413,909)	(64.4)	100,000,000	
Grand total			142,249,200	53,710,266	(88,538,934)	(62.2)	114,225,000	

Notes:

1. A 51.0% subsidiary of Synergy Trans-Link Sdn Bhd, a 100.0% subsidiary of ALB. ALB is a 45.4% subsidiary of Ancom.
2. A 100.0% subsidiary of Synergy Trans-Link Sdn Bhd, a 100.0% subsidiary of ALB. ALB is a 45.4% subsidiary of Ancom.
3. A 100.0% subsidiary of Ancom.
4. A 60.0% subsidiary of Nylex.
5. As extracted from previous year's Circular to Shareholders dated 28 October 2015.
6. Actual costs incurred for the period from 20 November 2015 to 19 September 2016, being the latest practicable date prior to the printing of this Circular
7. These estimated values are arrived at by the Nylex Group after taking into account the management's forecast on transaction values which have been undertaken and anticipated for the mandate period from 20 October 2016 (one day after date of 46th AGM) to 30 October 2017. Nevertheless, the above estimates may vary from the actual amount and are subject to changes.
8. All percentages of equity interest disclosed are as at 5 September 2016.

2.4.2. New Mandate

Related Party	Transacting Party	Nature of transactions	Current year estimated value ¹	Classes of Related Parties ²
			(RM)	
MMSB	PKG	Bulk sponsorship of Malay Mail	1,500,000	<p>Tan Sri Al Amin and Dato' Siew are directors of Dahlia Megah Sdn Bhd ("DMSB") in which they each hold 50% equity interest respectively. DMSB holds 46.8% equity interest directly in MMSB while Dato' Siew hold 26.2% equity interest directly in MMSB. Tan Sri Al Amin and Dato' Siew are also the directors of MMSB.</p> <p>By virtue of the above relationships, MMSB is deemed related party to Nylex.</p>
TOTAL			1,500,000	

Notes:

1. Current year estimated value is for the period from 20 October 2016 (one day after date of 46th AGM) to 30 October 2017.
2. All percentages of equity interest disclosed are as at 5 September 2016.

2.5. Amount Due and Owing by Related Parties

As at 31 May 2016, the amount due and owing by Related Parties, pursuant to RRPT, was as follows:

Related Party	Within credit term	Exceed credit term Less than 1 year	Amount due and owing
ACCSB	RM37,322	RM24,716	RM62,038

There was no late payment charges imposed because it is an industrial practice that late payment charges are not imposed. Sales personnel and the credit controller will follow up regularly with ACCSB to ensure that the outstanding amounts are recovered. As at the date of this Circular/Statement, the total amount due and owing by the related party has been recovered.

2.6. Review Procedures

The Nylex Group has established the following procedures to ensure that the RRPT are undertaken at arms' length basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are generally not more favourable to the Related Parties than those generally available to the public and are not detrimental to Nylex's minority shareholders.

There are no specific thresholds for the approval of RRPT. All RRPT will be reviewed and approved by the Director(s) (with the exception of Directors interested in the RRPT) or such other senior executive(s) (not being a person connected to the Related Party) designated by the Audit Committee, from time to time for such purpose.

The Group has established the following procedures in relation to the RRPT:

- (i) the relevant employees of the Group are notified of the identities of the Related Parties and will be required, prior to entering into such transaction, to ensure that all the RRPT are consistent with the Group's normal business practices and policies, on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders;
- (ii) the transaction prices and terms are determined based on the prevailing market rates which are determined by market forces and other relevant factors. Where practical and feasible, quotations and/or tenders will be obtained from unrelated parties for the same or substantially similar products or services for at least two (2) other contemporaneous transactions with unrelated third parties for similar services will be used as a comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of services. Where it is impractical or impossible for quotes and/or tenders to be obtained from unrelated parties, or where there has not been any similar transactions between the Group and unrelated third parties, the terms of the transactions for the products or services will be in accordance with applicable industry norms, prevailing commercial rates and at rates not more favourable to the Related Parties than those generally available to the public and is not detrimental to Nylex Group;
- (iii) all RRPT will be reviewed monthly by the Company's Corporate Office to ensure that they are within the shareholders' mandate obtained;
- (iv) records will be maintained by the Company's Corporate Office to capture all RRPT which are entered into pursuant to the Proposed RRPT Mandate;
- (v) additional information pertaining to the RRPT may be requested from independent sources or advisers, if required;
- (vi) the Audit Committee will review all RRPT every quarterly, with a detailed review of RRPT exceeding RM1.0 million; and
- (vii) the Audit Committee will consider, from time to time, whether the established guidelines and procedures for RRPT have become inappropriate and/or it is unable to ensure that the transactions will be on normal commercial terms and/or will prejudice the interests of shareholders generally. Notwithstanding the above, the guidelines and procedures for RRPT will be reviewed by the Audit Committee at least once in a financial year.

2.7. Disclosure in Annual Report

Disclosure will be made in the subsequent annual report of the Company of the aggregate value of the RRPT, based on the type of transactions, the names of the Related Parties and their relationship with the Company, conducted pursuant to the Proposed RRPT Mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements.

2.8. Statement by Audit Committee

The Audit Committee has reviewed the procedures mentioned in Section 2.6 of this Circular and is of the view that procedures are sufficient to ensure that the RRPT are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner.

The Audit Committee conducts a review of the procedures at least once in every year and in the event that the Audit Committee, in its review, is of the opinion that the guidelines and procedures stated in Section 2.6 are inadequate, the Company will seek a fresh shareholders' mandate based on new guidelines and procedures, if necessary.

2.9. Rationale and Benefits of the Proposed RRPT Mandate

The RRPT are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. As these transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPT.

The RRPT are intended to meet the business needs of the Group at the best possible terms. By transacting with the Related Parties, the Group would have an advantage of familiarity with the background and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, the Group and the Related Parties have close co-operation and a good understanding of each other's business needs thus providing a platform where all parties can benefit from conducting the RRPT.

By obtaining the Proposed RRPT Mandate, and the renewal of the same on an annual basis, the need to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur, would not arise. This will substantially reduce administrative time, inconvenience and avoid expenses associated with the convening of such general meetings on an ad-hoc basis without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

2.10. Effects of the Proposed RRPT Mandate

The Proposed RRPT Mandate will not have any effect on the share capital and shareholding structure of the Company and will not have any impact on the NA and EPS of the Group.

3. APPROVAL REQUIRED

The Proposed RRPT Mandate is conditional upon approval being obtained from the shareholders of Nylex at the forthcoming 46th AGM to be convened.

4. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the other Directors and Major Shareholders of Nylex or person(s) connected to them (as defined in Paragraph 1.01 of the Listing Requirements) have any interest, direct or indirect, in the Proposed RRPT Mandate:

	As at 5 September 2016			
	Direct		Indirect	
	No. of Shares	%*	No. of Shares	%*
<i>Interested Directors</i>				
Dato' Siew	1,522,049	0.79	93,671,435 ¹	48.78
Tan Sri Al Amin	-	-	-	-
<i>Major Shareholders</i>				
Dato' Siew	1,522,049	0.79	93,671,435 ¹	48.78
Ancom	34,809,700	18.13	53,125,888 ²	27.66
Rhodemark	53,125,888	27.66	-	-
<i>Person(s) connected</i>				
Siew Nim Chee & Sons Sendirian Berhad ³	5,131,492	2.67	-	-
Silver Dollars Sdn Bhd ⁴	495,667	0.26	-	-
Datin Young Ka Mun ⁵	45,612	0.02	-	-
Quek Lay Kheng ⁶	63,076	0.03	-	-

Notes:

* Based on share capital of 192,039,936 (excluding Treasury Shares of 2,297,924)

1. Held through Ancom, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng
2. Held through Rhodemark.
3. Company in which Dato' Siew, his brother Siew Ka Kheong, and his sister, Siew Foong Kuan, have equal shareholding.
4. Company in which Dato' Siew and his spouse, Datin Young Ka Mun, have 85% and 15% equity interest respectively.
5. Spouse of Dato' Siew.
6. Sister-in-law of Dato' Siew.

Accordingly, the interested Directors, namely Dato' Siew and Tan Sri Al Amin have and will continue to abstain from all Board deliberations and voting in respect of the transactions in which they have an interest as detailed in Section 2.4 of this Circular.

The interested Directors, namely Dato' Siew and Tan Sri Al Amin, and Major Shareholders, namely Dato' Siew, Ancom and Rhodemark, will abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposed RRPT Mandate at the forthcoming 46th AGM, and have also undertaken to ensure that the person(s) connected to them will abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposed RRPT Mandate at the forthcoming 46th AGM.

5. DIRECTORS' RECOMMENDATION

The Board (with the exception of the interested Directors who have abstained from giving any opinion and making any recommendation in respect of transaction in which they have an interest in), having considered all aspects of the Proposed RRPT Mandate, is of the opinion that the proposal is in the best interest of the Company and accordingly recommend that you vote in favour of the resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming 46th AGM.

Yours faithfully
for and on behalf of the Board of
NYLEX (MALAYSIA) BERHAD

Edmond Cheah Swee Leng
Chairman of the Audit Committee



NYLEX (MALAYSIA) BERHAD

(Company No. 9378-T)
(Incorporated in Malaysia under the Companies Act, 1965)

STATEMENT IN RELATION TO PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE ON SHARE BUY-BACK

1. INTRODUCTION

On 19 September 2016, the Company announced its intention to seek the approval of its shareholders to renew the mandate for Share Buy-Back provided that the Shares so purchased shall, in aggregate with the Treasury Shares, not exceed ten per centum (10%) of its total issued and paid-up capital on Bursa Securities in accordance with the provisions of Section 67A of the Act, the Company's Articles of Association and the Listing Requirements.

At the 45th AGM held on 19 November 2015, the shareholders of the Company approved the mandate for the Company to repurchase its own shares. The said mandate, in accordance with the Listing Requirements, will expire on the conclusion of the forthcoming 46th AGM of the Company.

The Proposed SBB Mandate will continue to be in force until the conclusion of the next AGM of Nylex at which time it will lapse, unless earlier revoked or varied by ordinary resolution passed by the shareholders in general meeting, or upon the expiration of the period within which the next AGM after the date is required by law to be held, whichever occurs first.

The purpose of this Statement is to provide you with details of the Proposed SBB Mandate and to set out the views of your Board and to seek your approval for the resolution relating thereto to be tabled at the 46th AGM of the Company.

2. DETAILS OF THE PROPOSED SBB MANDATE

2.1. Rationale for the Share Buy-Back

The Share Buy-Back is expected to stabilise the supply and demand of Nylex's Shares, which in turn may have a positive impact on the prices of the Shares.

2.2. Potential advantages and disadvantages of the Share Buy-Back

The potential advantages of the Share Buy-Back include the following:

- (i) it would enhance the consolidated EPS of the Company if the Purchased Shares are cancelled resulting in a reduction in the issued and paid-up share capital of the Company;
- (ii) in the event that the Company chooses to retain the Purchased Shares as treasury shares and resell the said shares at a higher price than the purchase price, the financial resources of the Company would be increased; and
- (iii) the Treasury Shares may be distributed to shareholders as dividends, which if undertaken, will serve to reward the shareholders of the Company.

The potential disadvantages of the Share Buy-Back include the following:

- (i) it would reduce the available financial resources of the Company which could be used to distribute cash dividends to the shareholders; and

- (ii) it involves cash outflow from the Company which could otherwise have been retained in the business for future investment opportunities that may in turn result in the loss of any income that may arise from the deposit of such funds in interest bearing instruments.

2.3. Funding

The Share Buy-Back will be financed by internally generated funds or bank borrowings, the proportion of which is dependent on the quantum of the purchase consideration as well as the availability of the internally generated funds and the repayment capabilities of the Company if financed by bank borrowings. The Board will ensure that the Company has sufficient cash flow to repay the bank borrowings and that the repayment would have no material effect on the financial resources of the Company.

Pursuant to Paragraph 12.10(1) of the Listing Requirements, the maximum amount allocated for the Share Buy-Back shall not exceed the total share premium account and retained profits of the Company. Based on the latest audited accounts as at 31 May 2016, the Company has balances of RM57,183,000 and RM805,000 in the retained earnings and share premium account respectively. Based on the latest management accounts as at 31 August 2016, the Company has balances of RM56,358,000 and RM805,000 in the retained earnings and share premium account respectively.

The actual number of Nylex Shares to be purchased, the total amount of funds involved for each purchase and the timing of the purchase(s) will depend on the prevailing equity market conditions, the financial position as well as the availability of the retained profits and share premium reserves of the Company.

2.4. Material Financial Effects of the Proposed SBB Mandate

2.4.1. Share Capital

It is the intention of the Company to retain the Purchased Shares as Treasury Shares. Hence, it will not have any effect on the total issued and paid-up share capital of Nylex. However, the rights attached to the Purchased Shares will be suspended as long as they are retained as Treasury Shares.

2.4.2. NA

The effect of the Share Buy-Back on the consolidated NA of the Group will depend on the purchase price and the number of Shares purchased and the treatment of the Purchased Shares. In the event that the resale price is higher than the purchase price, there will be an increase in the consolidated NA, and vice versa.

If the Treasury Shares are distributed as share dividends, the consolidated NA would decrease by any associated costs incurred in the distribution of the Treasury Shares.

2.4.3. Working Capital

The Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which will depend on the actual number of Nylex Shares purchased and the price paid and any associated costs incurred for the purchase of the Shares.

In the event that the Treasury Shares are subsequently resold on Bursa Securities, the working capital of the Group will increase on any gain realised from the sale, and vice versa.

2.4.4. EPS

The effect of the Share Buy-Back on the EPS of the Group will depend on the actual purchase price of Nylex Shares, the number of Shares purchased and any effective funding cost of the purchase, if applicable, or any loss of interest income to the Company resulting from funds used for the Share Buy-Back.

Generally, all else being equal, the Share Buy-Back will have a positive impact on the EPS of the Group as the Purchased Shares, whether cancelled or retained as treasury shares, will effectively reduce the total share capital used for the computation of EPS.

In the event that the Treasury Shares are subsequently resold on Bursa Securities, the EPS will increase if the purchase price and associated costs incurred are less than the actual selling price of the Treasury Shares, and vice versa.

2.4.5. Dividends

The Share Buy-Back may have an impact on the Company's dividend pay-out as it may reduce the cash available, which could otherwise be used for the dividend payment. Nonetheless, if the Purchased Shares are retained as treasury shares, the dividend rate will also be increased with the suspension of the rights attaching to the Treasury Shares as to dividend entitlement. Moreover, the Treasury Shares so purchased may be distributed as share dividends to shareholders of the Company if the Board so decides.

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2.4.6. Shareholdings of Directors, Major Shareholders and persons connected to them

The effect of the Share Buy-Back on the shareholdings of the Directors, Major Shareholders and person(s) connected to them as at 5 September 2016, are set out as follows:

	as at 5 September 2016			After share buy-back of maximum 10%	
	Direct	Indirect	Total	Shares are cancelled/retained % #	Shares are resold % +
	No. of shares	No. of shares	No. of shares	% *	
Directors					
Dato' Siew	1,522,049	93,671,435 ¹	95,193,484	49.57	48.98
Major shareholders					
Dato' Siew	1,522,049	93,671,435 ¹	95,193,484	49.57	48.98
Ancom	34,809,700	53,125,888 ²	87,935,588	45.79	45.25
Rhodemark	53,125,888	-	53,125,888	27.66	27.34
Chan Thye Seng	-	87,935,588 ³	87,935,588	45.79	45.25
Pacific & Orient Berhad	-	87,935,588 ⁴	87,935,588	45.79	45.25
Mah Wing Holdings Sdn Bhd	-	87,935,588 ³	87,935,588	45.79	45.25
Mah Wing Investments Limited	-	87,935,588 ³	87,935,588	45.79	45.25
Person(s) connected					
Siew Nim Chee & Sons Sendirian Berhad ⁵	5,131,492	-	5,131,492	2.67	2.64
Silver Dollars Sdn Bhd ⁶	495,667	-	495,667	0.26	0.26
Datin Young Ka Mun ⁷	45,612	-	45,612	0.02	0.02
Quek Lay Kheng ⁸	63,076	-	63,076	0.03	0.03

Notes:

* Based on share capital of 192,039,936 (excluding Treasury Shares of 2,297,924)

Based on share capital of 174,904,074

+ Based on share capital of 194,337,860

1. Held through Ancom, Siew Nim Chee & Sons Sendirian Berhad, Silver Dollars Sdn Bhd, Datin Young Ka Mun and Quek Lay Kheng.
2. Held through Rhodemark.
3. Held through Pacific & Orient Berhad.
4. Held through Ancom.
5. Company in which Dato' Siew, his brother Siew Ka Kheong and his sister, Siew Foong Kuan have equal shareholding.
6. Company in which Dato' Siew and his spouse, Datin Young Ka Mun, have 85% and 15% equity interest respectively.
7. Spouse of Dato' Siew.
8. Sister-in-law of Dato' Siew.

Save as disclosed above, none of the other Directors, Major Shareholders or persons connected to them has any interest, direct or indirect, in the Share Buy-Back.

2.5. Implications of the Code

Pursuant to Part III of the Code, if as a result of the Share Buy-Back, a person or group of persons acting in concert holding a combined shareholding that is more than 33% but less than 50% has inadvertently increased his/their combined shareholdings by more than 2% or more within a six (6) month period, the said person or group of persons acting in concert will be obliged to make a mandatory offer for the remaining Nylex Shares not held by him/them. Notwithstanding the above, the Securities Commission may grant an exemption to the said person or group of persons acting in concert from implementing a mandatory offer under Section 219(1) of the CMA.

Based on the Company's issued and paid-up capital as at 5 September 2016 and the shareholdings indicated in Section 2.4.6, the Share Buy-Back is not expected to trigger the Code.

2.6. Purchases, Resale and/or Cancellation of Shares in the last financial year

Details of the Company's shares repurchased, resold, cancelled or retained as treasury shares are disclosed in the Directors' Report on page 43 and Note 24 to the financial statements on pages 108 to 109 of the Annual Report 2016.

2.7. Public Shareholding Spread

The Board will ensure that the public shareholding spread of Nylex shall not fall below twenty-five per centum (25%) of the issued and paid-up share capital of the Company at the time of purchase. As at 5 September 2016, the public shareholding spread of the Company was 50.43%.

3. APPROVAL REQUIRED

The Proposed SBB Mandate is conditional upon approval being obtained from the shareholders of Nylex at the forthcoming 46th AGM to be convened.

4. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed SBB Mandate, is of the opinion that the proposal is in the best interest of the Company and accordingly recommends that you vote in favour of the resolution pertaining to the Proposed SBB Mandate to be tabled at the forthcoming 46th AGM.

This Statement is dated 27 September 2016.

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FURTHER INFORMATION**1. AGM**

The resolutions pertaining to the Proposed RRPT Mandate and Proposed SBB Mandate, are contained in the Notice of the 46th AGM, which is enclosed in the Annual Report 2016 and an extract of which is enclosed in this Circular/Statement. The 46th AGM will be held at Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 October 2016, at 9.30 a.m. or adjournment thereof for purpose of considering and, if thought fit, passing the ordinary/special resolutions set out in the said Notice.

If you are unable to attend and vote in person at the 46th AGM and would like to appoint a proxy to attend and vote on your behalf, you are requested to complete, sign and return the Proxy Form, available in the Annual Report 2016, in accordance with the instructions printed thereon as soon as possible and, in any event so as to arrive at the Registered Office of the Company not less than forty-eight (48) hours before the date and time fixed for the meeting or any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending and voting in person at the 46th AGM should you subsequently wish to do so. If you do, your proxy shall be precluded from attending the 46th AGM.

2. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular/Statement has been seen and approved by the Directors of Nylex who collectively and individually accept full responsibility for the accuracy and correctness of the information contained herein and confirm that, after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

3. MATERIAL CONTRACTS

Save as disclosed below, the Board has confirmed that neither Nylex nor its subsidiaries has entered into any material contract (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular/Statement:

On 12 March 2015, the business of Nycon Manufacturing Sdn Bhd ("NYC"), a wholly owned subsidiary of the Company had been transferred to the Company via sale and purchase agreement. The business operations of NYC were transferred at net book value of RM3,813,000.

On 30 April 2015, the Company announced that its wholly-owned subsidiary, ALB Marine Sdn Bhd, had entered into a Shipbuilding Contract with Grulla Oceano Inc., for the construction and purchase of a 6,800 dwt chemical tanker at the purchase consideration of JPY1.923 billion ("Acquisition"). The Acquisition is expected to be completed by January 2017.

On 20 May 2016, the Company has entered into a share sale agreement for the acquisition of 1,320,000 ordinary shares in NYL Logistics Sdn Bhd ("NYL") representing 60% of the issued and paid-up share capital of NYL for a cash consideration of RM6,376,461. NYL is in the business of transport, cartage and haulage contractors and agencies. The transaction was completed on 26 May 2016.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the date of this Circular/Statement, the Board has confirmed that neither the Company nor its subsidiaries is engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Directors of Nylex do not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings which may materially affect the financial position or business of the Company and its subsidiaries.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during office hours from Mondays to Fridays (except public holidays) from the date of this Circular/Statement up to and including the date of the 46th AGM:

- (i) Memorandum and Articles of Association of Nylex; and
- (ii) The audited consolidated financial statements of Nylex for the past two (2) financial years ended 31 May 2015 and 31 May 2016 and the latest unaudited results since the last audited financial statements (if any).

NYLEX (MALAYSIA) BERHAD
(Company No.: 9378-T)
(Incorporated in Malaysia under the Companies Act, 1965)

EXTRACT OF NOTICE OF 46TH AGM

8. Proposed New and Proposed Renewal Of The Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed RRPT Mandate") **[Resolution 8]**

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature and with those related parties as specified in Section 2.4 of Part A of the Circular to Shareholders/Statement dated 27 September 2016 subject to the following:

- (i) that the transactions are in the ordinary course of business, made on arm's length and on normal commercial terms and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) that disclosure is made in the annual report, of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' mandate during the financial year based on the type of recurrent transactions made and the related parties involved;
- (iii) that the authority conferred by such mandate shall continue to be in force from the date of this resolution, unless revoked or varied by resolution passed by shareholders of the Company at a general meeting, until the conclusion of the next annual general meeting of the Company or after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; and
- (iv) that the Directors and/or any one of them be and are hereby authorised to complete and to do all such acts and things, including executing such documents as may be required, to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. Proposed Renewal Of Shareholders' Mandate On Share Buy-Back ("Proposed Share Buy-Back Mandate") **[Resolution 9]**

"THAT subject to the Companies Act, 1965 ("Act"), the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and other applicable laws rules regulations and guidelines of the relevant authorities, the Company be and is hereby authorised to utilise an amount not exceeding the total share premium account and retained profits of the Company to purchase such number of ordinary shares of RM1.00 each in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the ordinary shares so purchased pursuant to this resolution shall in aggregate with the treasury shares as defined under Section 67A of the Act ("Treasury Shares") then still held by the Company not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company unless earlier revoked or varied by a resolution of the shareholders of the Company at a general meeting AND THAT the Directors be and are hereby authorised to either cancel the shares so purchased or retain same as Treasury Shares and may distribute the Treasury Shares as share dividend or to sell same in a manner they deem fit and expedient in the best interest of the Company and in accordance with the Act, the applicable laws rules regulations and guidelines of Bursa Securities and any other regulatory authorities for the time being in force."