

Announcement to Bursa Malaysia Securities Berhad

NYLEX (MALAYSIA) BERHAD (“NYLEX”)

PROPOSED ACQUISITION OF 1,320,000 ORDINARY SHARES REPRESENTING 60% EQUITY INTEREST IN NYL LOGISTICS SDN BHD (FORMERLY KNOWN AS BERKAT KEJORA SDN BHD) (“NYL”)

1. INTRODUCTION

The Board of Directors of Nylex (“Board”) wishes to announce that Nylex had on 20 May 2016 entered into a share sale agreement (“SSA”) for the acquisition of 1,320,000 ordinary shares in NYL (“Sale Shares”) representing 60% of the issued and paid-up share capital of NYL for a cash consideration of RM6,377,000 (“Proposed NYL Acquisition”).

2. DETAILS OF THE PROPOSED NYL ACQUISITION

2.1 Terms Of The Proposed NYL Acquisition

Nylex shall acquire the Sale Shares representing 60% of the issued and paid-up share capital of NYL from Bon Pow Koon (“Vendor”) for a cash consideration of RM6,377,000. The details of the Vendor’s shareholdings in NYL are set out in Section 2.7 below.

The Sale Shares will be acquired by Nylex free from all claims and encumbrances and with all rights attaching to the Sale Shares including without limitation all bonuses, rights, dividends and distributions declared, paid or made in respect thereof as from the date of completion of the SSA.

2.2 Basis Of Arriving At The Purchase Consideration And Mode Of Satisfaction

The purchase consideration of RM6,377,000 (“Purchase Price”) was determined on a willing-buyer-willing-seller basis after taking into consideration the following: -

- (a) The unaudited net assets value of NYL as at the date of signing of the SSA shall not be less than RM2.8 million; and
- (b) The potential future earnings contribution from NYL.

The Purchase Price shall be satisfied entirely by cash and will be financed via bank borrowings and internally generated funds.

2.3 Liabilities To Be Assumed

There will be no additional liabilities to be assumed by Nylex arising from the Proposed NYL Acquisition.

2.4 Estimated Financial Commitment

Nylex does not foresee any immediate requirement for any financial commitment for its investment in NYL apart from the Purchase Price.

2.5 Salient Terms Of the SSA

The salient terms of the SSA include, amongst others, the following:

2.5.1 Sale and Purchase

Nylex agrees to purchase and the Vendor agree to sell the Sale Shares at the Purchase Price, free from all encumbrances and all rights attaching to the Sale Shares including all bonuses, rights, dividends and distributions declared, paid or made in respect thereof as from the date of completion of the SSA;

2.5.2 Conditions Precedent

The SSA is conditional upon the Conditions Precedent being fulfilled on or before the expiry of a period of one (1) month from the date of the SSA:

- (i) The completion of the Sale of Business and Assets Agreement between NYL with Yick Loong Lorry Company Sdn. Bhd. (Company No. 73271-P), Yick Loong Trading & Transport Agencies Sdn. Bhd. (Company No. 51374-W) and Segar Transport Network Agency Services Sdn. Bhd. (Company No. 356104-V) (collectively “**Transferors**”) dated 31 December 2015 for the purchase by NYL of the business of transport, cartage and haulage contractors and agencies carried on by the Transferors as a going concern (“**Business Sale Agreement**”).
- (ii) Nylex having carried out and completed a financial and operations due diligence on NYL and/or the Transferors, and the results of the financial and operations due diligence are satisfactory to Nylex, in Nylex’s absolute discretion.
- (iii) If so required, Nylex having obtained any waiver or consent necessary for the completion of the SSA, including any corporate approvals, regulatory approvals and third party consents (if any).
- (iv) Execution by Bon Kok Meng (the 40% shareholder of NYL) of the Key Person Service Contract. He has provided a guarantee that the profit after tax of NYL for the financial year ending 31 May 2017 would be RM1.5 million.

2.6 Background Information On NYL

NYL is a private company incorporated in Malaysia on 13 November 2015 as Berkat Kejora Sdn Bhd under the Companies Act 1965. It changed its name to its present form on 22 February 2016. It has an authorised share capital of RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each of which 2,200,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Its shareholders are Bon Pow Koon who holds 1,320,000 shares or 60% interest in NYL and Bon Kok Meng who holds the remaining 880,000 shares or 40% interest in NYL. Both the shareholders are also the directors of NYL.

NYL has entered into the Business Sale Agreement dated 31 December 2015 for the purchase of the business of transport, cartage and haulage contractors and agencies carried on by the Transferors as a going concern.

NYL is in the business of transport, cartage and haulage contractors and agencies.

2.7 Details Of The Vendors

The vendor of NYL is Bon Pow Koon.

The Purchase Consideration is payable to Bon Pow Koon.

3. RATIONALE FOR THE PROPOSED NYL ACQUISITION

One of Nylex's core businesses is the manufacturing and distribution of industrial chemicals and related products. Providing transportation facilities such as a fleet of ISO tanks, road tankers, prime movers and trailers are complementary to the industrial chemicals player. Toward this end, the Group has recently announced that it has entered into an agreement for the purchase of a chemical tanker. The Proposed NYL Acquisition would further enhance Nylex's presence in logistics business to augment Nylex's strategy to emerge as an integrated chemical group involving manufacturing, distribution and transportation to meet its customers' needs.

The Proposed Acquisition is expected to contribute positively to the future revenue which will consequently enhance the Nylex Group's future earnings potential and strengthen the Nylex Group's cashflow.

Bon Kok Meng, who holds the remaining 40% equity interest in NYL after the Proposed NYL Acquisition, has provided Nylex a guarantee that the profit after tax of NYL for the financial year ending 31 May 2017 would be RM1.5 million.

4. PROSPECTS OF THE LOGISTICS INDUSTRY

Logistics industry is a vital component to Malaysia's economic performance as it provides the backbone to facilitate international trade. The criteria such as strategic location of the country, regional relationship networking and good transportation infrastructure as well as economic stability have given Malaysia a huge potential as a regional logistics hub. Hence, the logistics business will need to be further developed to

keep pace with the increasing demand of international trade, as well as provide a source of growth to the national economy.

In an era when rapid movement of goods and supplies has become a key factor of profitability, an efficient transportation system is a precondition for flourishing industrial developments. The transportation industry must be made effective to support the operational activities of the industrial chemical industries. Companies increasingly find that they must rely on effective supply chains to successfully compete in the global market and networked economy. There has been an increasing expectation on the ability of companies to deliver products on time to their customers.

Against this backdrop, logistics players can look forward to opportunities for growth even in a competitive business landscape.

5. RISK FACTORS

The following are the risk factors (which may not be exhaustive) of the Proposed NYL Acquisition which may have a significant impact on Nylex:

- Inherent business risks such as changes in general economic conditions and business conditions and regulatory developments;
- Dependence on key personnel;
- Shortage of skilled drivers;
- Fluctuation in fuel prices;
- Competition from existing competitors and new market entrants in the future

Upon completion of the Proposed NYL Acquisition, Nylex will undertake the necessary efforts to mitigate but not to eliminate the various risks.

6. FINANCIAL EFFECTS

The Proposed NYL Acquisition does not have any effect on the issued and paid-up share capital, net asset position and the major shareholding structure of Nylex as the Proposed NYL Acquisition will be satisfied entirely by cash.

Barring unforeseen circumstances, the Board expects the Proposed NYL Acquisition to contribute positively to the future earnings of the Nylex Group.

7. APPROVALS REQUIRED

The Proposed NYL Acquisition is not subject to the approval of shareholders of Nylex or any relevant authorities.

8. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the highest percentage ratio applicable to the Proposed NYL Acquisition is 2.12%, based on the latest audited financial statements of Nylex for the financial year ended 31 May 2015.

9. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST

None of the Directors or substantial shareholders of Nylex or persons connected to them have any interest, direct or indirect, in the Proposed NYL Acquisition.

10. STATEMENT BY THE BOARD OF DIRECTORS

The Board, having taken into consideration all aspects of the Proposed NYL Acquisition is of the opinion that the Proposed NYL Acquisition is in the best interest of Nylex and its shareholders.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed NYL Acquisition is expected to be completed within thirty (30) days from the date of this Agreement.

12. DOCUMENTS FOR INSPECTION

The SSA will be available for inspection following the date of this announcement for a period of one (1) month at Nylex’s registered office at Unit C508, Block C, Kelana Square, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor from Mondays to Fridays during the hours of 9.00 a.m. to 5.00 p.m., except for public holidays.

This announcement is dated 20 May 2016.