



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

20 October 2021

The Chairman and
Board of Directors
Nylex (Malaysia) Berhad
Unit C508, Block C,
Kelana Square
Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

(FAX: 03-7804 1316)

Attention: Choo Se Eng
Stephen Geh Sim Whye
Company Secretaries

**Re: 51st Annual General Meeting (AGM) of Nylex (Malaysia) Berhad (Nylex) on
Tuesday, 26 October 2021†**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues: -

Operational & Financial Matters

- 1) Upon the disposal of Nylex's entire business and undertaking to Ancom Berhad, Nylex plans to spend RM11.25 million of the proceeds to acquire new business and assets within the next 12 months.

Is the Board currently in talk with any party to acquire new business/asset upon completion of this proposal? If yes, what are the industries that these parties are involved in?

Will the controlling shareholder Datuk Siew Ka Wei consider injecting his assets into Nylex?

- 2) Despite recorded higher revenue, profit before tax (PBT) of the Polymer Division has declined by RM0.8 million to RM5.4 million in FY2021 from RM6.2 million a year ago, due to a sharp increase in major raw material prices and high sea freight charges (page 14 of AR2021).

What measures have the Group taken to cushion the earnings impact due to the increase in major raw material prices and high sea freight charges? To what extent

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Company No:524989-M)

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have the increase in raw material costs and sea freight charges passed on to Nylex's customers?

- 3) Moving forwards, Nylex's wholly-owned subsidiary - PT Nylex Indonesia (PTNI) will focus more on automotive OEM market in contrast to the current focus on the automotive after-market.

Furthermore, apart from expanding the domestic market, PTNI will also explore the export market with the available capacity of calender machine (page 14 of AR2021).

- a) What is the potential offered by the automotive OEM market as compared to the current after-market? Does the OEM market offer better profit margin?
- b) Will the foray into the export market entail further expansion of polymer production capacity?

Corporate Governance Matters

- 1) Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:

- a) **Practice 4.2:** The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Nylex's response: Applied - Annual shareholders' approval for independent directors serving beyond nine (9) years.

Departure – The Board has decided not to adopt the two-tier voting process.

The Board will seek shareholders' approval to retain the Independent Directors who have served for a cumulative period of nine (9) years with justifications.

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MSWG's comment: Nylex's independent non-executive director (INED), Encik Khamis Bin Awal joined the Board on 9 April 2012 and by the AGM date on 26 October 2021, he would have served as INED for a tenure of 9 years 6 months.

If the board intends to retain him as INED beyond 9 years, why was there no resolution proposed to justify and seek annual shareholders' approval?

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Devanesan', is positioned above the printed name.

DEVANESAN EVANSON
Chief Executive Officer
DE/LCY/NYLEX/AGM2021

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26 October 2021

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Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

By Fax/Original by hand

Attention: Mr Devanesan Evanson

Dear Sirs,

Re: 51st ANNUAL GENERAL MEETING OF NYLEX (MALAYSIA) BERHAD

We refer to your letter dated 20 October 2021.

On behalf of the Board of Directors ("Board") of Nylex, we would like to provide the following information in response to the issues raised in your said letter: -

Operational & Financial Matters

1. We are currently in the process of fulfilling the conditions precedent in regard to the Proposals.

As of today:

- the Board is not in talk with any party to acquire new business/asset upon completion of these Proposals; and

- there is no plan for the controlling shareholder, Dato' Siew Ka Wei to inject his assets into Nylex.

The Board will take the necessary steps to identify new businesses and/or assets to be acquired by the Company, after the completion of the Proposals.

2. To mitigate the earnings impact due to the increase in major raw materials prices, the Polymer Division has revised the selling prices of its products and managed to pass on about 60% to 80% of the cost increase, to its customers.

As for the high sea freight charges, Nylex has since 2nd half of FY 2021, quoted most of its export orders in Free On Board ("FOB") term, thus lower its exposure to the high sea freight charges.

3. a) The automotive OEM Market does not offer better profit margin compared with current after-market, but it provides long term and regular monthly order.
- b) We believe the existing production capacity of PTNI is sufficient to support its potential sales to the export market. PTNI will consider further expansion on its production capacity when needs arise.

Corporate Governance Matters

1. Due to an oversight by the Company Secretary, we have not included in the resolution to re-elect Encik Khamis Bin Awal to continue to serve as an independent director. The Board will re-designate Encik Khamis Bin Awal as a Non-Independent Director as soon as possible.

We value your comments and trust that the above has clarified the issues raised.

Thank you.

Yours faithfully
On behalf of the Board of Directors of
NYLEX (MALAYSIA) BERHAD

Dato' Siew Ka Wei
Group Managing Director