

NYLEX (MALAYSIA) BERHAD (9378-T)
(Incorporated in Malaysia)

Summary of Discussions at the 49th Annual General Meeting (“AGM”) Held on 17th October 2019 at 9.30 a.m. at the Selangor 1 Ballroom, Dorsett Grand Subang, Jalan SS12/1, 47500 Subang Jaya, Selangor.

Before the AGM proceeded to Agenda 1, the Chairman informed the meeting that the Company has received a letter from the Minority Shareholders Watch Group (“MSWG”) with questions. The MSWG has requested that the Company presented the questions raised by MSWG and the answers by the Company at the meeting.

Please refer to the Company’s website at <http://www.nylex.com/agm.php> for a copy of the letter from MSWG and the Company’s reply thereon.

AGENDA 1:
AUDITED FINANCIAL STATEMENTS AND REPORTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

The questions and answers are arranged in chronological order.

1. Question: Encik Rien Hashim – Shareholder

- a) There was a drop in cash and bank balances between 2019 and 2018. What was the reason? Do you require fund raising activity to raise cash?
- b) Why the Company continue with share buy-back activities when it affects the Group’s cash flow?

Answer: Ms Michelle Chen – Chief Financial Officer (“CFO”)

- a) The Group’s current financial position is healthy and there is no requirement for fund raising activity. Page 65 of the Annual Report shows a snapshot of the cash and bank balances as at 31 May 2019 and 31 May 2018. The cash and bank balances as at 31 May 2019 of approximately RM68 million for the Group is adequate for funding the business activities of the Group.
- b) The share buy-back is expected to stabilise the supply and demand of the Company shares, which in turn may have a positive impact on the prices of the Company shares.

2. Question: Mr Muniandy Karishnan - Shareholder

- a) It was noted that other expenses and finance cost had gone up compared to the previous year and would like to know in what way is the Board of Directors trying to improve profitability of the Group operations?
- b) He questioned the need for share buy-back which in his opinion should only be carried out when the Company’s share price was volatile. He noted that the volume of shares traded daily was small.

Answer: Dato’ Siew Ka Wei – Group Managing Director (“Group MD”)

- a) Due to the trade war between the US and China, the business climate in our sector is very challenging and many companies in this industry are facing weak demand and suffering losses. We are trying our best in these difficult times to improve our profitability by looking at other regional markets.
- b) In respect of your question on share buy-back, the net assets per share of the Company as at 31 May 2019 was RM1.83 and the share buy-back is to defend the current market price (stood at RM0.64 per share as at 31 May 2019). The net assets per share is substantially higher than the market price per share.

3. Question: Mr Muniandy Karishnan -Shareholder

- a) At what price level would the Company conduct share buy-back?
- b) The Trade Receivables of the Group dropped compared to previous year. What is the impairment for Trade Receivables?

Answer: Dato' Siew Ka Wei – Group MD

- a) The Company follows the market prices for Company share.
- b) Trade Receivables stood at RM180 million as at 31 May 2019 after impairment of RM4.5 million, compared with RM246 million as at 31 May 2018 after impairment of RM5.7 million.

4. Question: Encik Rien Hashim – Shareholder

How is the manufacturing operation of the Group doing in terms of production capacity?

Answer: Mr Robin Ling Seng Chiong – Deputy Chief Executive Officer (“Deputy CEO”)

The Group's manufacturing operations involving ethanol, adhesives and sealants, and also the Polymer's casting line in Indonesia plant are working at average of about 80% capacity.

5. Question: Mr Kee Teik Weng – Shareholder

Why was there a RM40 million increase in Group Inventory as at 31 May 2019?

Answer: Mr Robin Ling Seng Chiong – Deputy CEO

The higher inventory level was mainly attributed to higher volume and also higher average prices of the inventory from companies in industrial chemical distribution segment.

6. Question: Encik Rien Hashim – Shareholder

- a) Why is the Group showing no profit despite manufacturing subsidiaries working at nearly full capacity?
- b) Why is the tax liability disproportionate to the profit before tax?
- c) Can the Group take advantage of the trade war between US and China?

Answer: Dato' Siew Ka Wei – Group MD

- a) Our manufacturing subsidiaries are generating profit. The Group's results were affected by the industrial chemical distribution segment which reported losses this financial year.
- b) The effective tax rate of the Group is higher than the statutory tax rate mainly due to the losses recorded in certain subsidiaries in the current financial year were not allowed for any tax benefit in the Group and also certain expenses which are not deductible for tax purposes.
- c) The trade war is not to our advantage as the volatility of crude oil prices and weaker demand has affected our products margin.

7. Question: Mr Muniandy Karishnan – Shareholder

Is the Budget 2020 friendly towards the Company?

Answer: Ms Michelle Chen – CFO

The Budget 2020 has no material impact on the Group's business.

8. Question: Mr Quah Ban Aik of MSWG

Mr Quah requested that the Notice of AGM be sent to shareholders at least 28 days before the date of AGM instead of 21 days as some shareholders received the Notice late.

Answer : Dato' Siew Ka Wei – Group MD

The Board takes note of MSWG's views and concerns.

9. Comments from Mr Quah Ban Aik of MSWG

Mr Quah commented the Board for conducting the proceedings of the AGM in a very open manner where shareholders are not restricted in any way to ask questions. He also commented the Board and management for the patience in providing answers to the questions from the shareholders.

Prepared by

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Joint Company Secretary