



TEXCHEM-PACK HOLDINGS (S) LTD.

(Registration No. 200308296H)
(Incorporated in the Republic of Singapore)

Directors

Brian Tan Guan Hooi (Executive Chairman)
Yap Kee Keong (President and Chief Executive Officer)
Dr. Yuma Konishi (Non-Executive Director)
Soh Chiaw Guan (Non-Executive Director)
Kim Seah Teck Kim (Independent Non-Executive Director)
Ang Cheng Gian, Eric (Independent Non-Executive Director)

Registered Office

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10 April 2015

To: The Independent Shareholders of Texchem-Pack Holdings (S) Ltd.

RENEWAL OF EXISTING IPT MANDATE AND PROPOSED NEW IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS (THE “IPT MANDATE”)

1. INTRODUCTION

We refer to the Notice of Annual General Meeting of Texchem-Pack Holdings (S) Ltd. (“**Company**”) dated 10 April 2015 (the “**Notice**”), accompanying the Annual Report of our Company for the financial year ended 31 December 2014 (the “**2014 AR**”), convening the Annual General Meeting of our Company (the “**2015 AGM**”) which is scheduled to be held on 27 April 2015 and the Ordinary Resolution 7 in relation to the IPT Mandate under the heading “Special Business” set out in the Notice.

The purpose of this Letter is to provide the shareholders of our Company other than Texchem Resources Bhd. (“**TRB**”) (who is an interested person under Chapter 9 of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in respect of the IPT Mandate) (the “**Independent Shareholders**”) with the relevant information relating to the IPT Mandate.

2. RENEWAL OF THE IPT MANDATE

2.1 The Existing IPT Mandate

Our Company had, in the previous Annual General Meeting of our Company held on 25 April 2014 (the “**2014 AGM**”), obtained the approval of the shareholders of our Company (the “**Shareholders**”) for the IPT Mandate pursuant to Chapter 9 of the Listing Manual for the various transactions (“**Interested Person Transactions**”) with such interested persons of our Company as set out in the Letter to Shareholders dated 10 April 2014. The IPT Mandate enables our Company, its subsidiaries and associated companies (“**Group**”) which are considered “entities at risk” within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of our Company’s interested persons, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms.

2.2 Proposed Renewal and New IPT Mandate

The existing IPT Mandate is in effect until the conclusion of the next Annual General Meeting of our Company, being the 2015 AGM. Accordingly, the directors of our Company as at the date of this Letter (the “**Directors**”) propose that the IPT Mandate be renewed at the 2015 AGM, to take effect until the conclusion of the following Annual General Meeting of our Company.

Details of the Interested Person Transactions for which renewal and approval of the IPT Mandate is sought is set out in Section 2 of the Annexure hereto entitled "Scope of the IPT Mandate".

2.3 Changes in Particulars of the Interested Person Transactions in respect of which the IPT Mandate is sought

(A) The changes in particulars of the existing Interested Person Transactions in respect of which the IPT Mandate is sought are as follows:

(1) The details of the corporate guarantees provided by TRB for banking facilities for our Group have changed as follows:

- a. the maximum principal amount guaranteed by TRB to RHB Bank Berhad ("**RHB Bank**") has decreased from RM15,063,000 to RM8,000,000 due to closure of banking facilities granted to Texchem-Pack (Thailand) Co. Ltd. ("**Texpack Thailand**");
- b. the principal amount guaranteed by TRB to The Hongkong and Shanghai Banking Corporation Limited ("**HSBC Bank**") has decreased from RM13,114,000 to RM3,000,000 due to the closure of banking facilities granted to Texpack Thailand. There was a change of corporate guarantor from the Company to TRB in relation to the existing banking facilities granted by HSBC Bank to Eye Graphic Sdn. Bhd. ("**Eye Graphic**") for the amount of RM1,200,000. This has resulted in the total maximum principal amount guaranteed by TRB of RM4,200,000;
- c. the maximum principal amount guaranteed by TRB to Malayan Banking Berhad ("**MBB**") to secure the banking facilities granted to Texchem-Pack (PP) Sdn. Bhd. ("**TPP**") and Texchem Life Sciences Sdn. Bhd. ("**TLS**") amounted to RM8,400,000 previously. This year, there is a change of corporate guarantor from the Company to TRB with respect to the existing banking facilities granted to TPP, Texchem-Pack (M) Bhd. ("**Texpack**"), Texchem-Pack (Johor) Sdn. Bhd. ("**Texpack Johor**"), Texchem Polymers Sdn. Bhd. ("**Texpolymers**") and Texchem-Pack (Vietnam) Co., Ltd. ("**Texpack Vietnam**") for the amount of RM27,717,000. This has resulted in an increase of the total maximum principal amount guaranteed by TRB from RM8,400,000 to RM36,117,000; and
- d. the Company had previously provided a corporate guarantee with a maximum principal amount guaranteed of RM12,200,000 to CIMB Bank Berhad ("**CIMB**") with respect to the banking facilities granted to TPP, Texpolymers, Texpack and Eye Graphic. Pursuant to the request by CIMB, the corporate guarantor has been changed from the Company to TRB. This has resulted in the maximum principal amount guaranteed of RM12,200,000 provided by TRB to CIMB to secure the banking facilities previously granted to TPP, Texpolymers, Texpack and Eye Graphic.

For more details, please refer to section 2.2(a) of the Annexure.

(2) The retainer fee for management services provided to our subsidiaries based outside of Malaysia, namely Texpack Thailand, Texpack Vietnam and Texchem-Pack (Wuxi) Co., Ltd. ("**Texpack Wuxi**") has decreased from RM26,000 per month to RM20,000 per month with effect from 1 January 2015.

For more details, please refer to section 2.2(b) of the Annexure.

(3) The rental fee payable by Texpolymers to TRB for the rental of office space located at Level 18, Menara Boustead Penang, 39, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia, has decreased from RM575.91 to RM532.85 per month with effect from 1 January 2015.

For more details, please refer to section 2.2(e) of the Annexure.

(B) The new Interested Person Transactions in respect of which the IPT Mandate is sought are as follows:

- (1) A corporate guarantee with a maximum principal amount guaranteed of THB77 million (approximately RM7,777,000 based on the exchange rate of THB1:RM0.1010 as at 31 December 2014) has been provided by TRB to TMB Bank Public Company Ltd ("**TMB**") for banking facilities granted to Texpack Thailand by TMB.

For more details, please refer to section 2.2(a) of the Annexure.

- (2) Purchase of raw materials from New Material Sdn Bhd ("**New Material**")

New Material is a wholly-owned subsidiary of Texchem Materials Sdn Bhd ("**Texchem Materials**") which in turn is a wholly-owned subsidiary of TRB. New Material is engaged in the trading of foreign and local electronic components and general merchandises that some of our customers have specified to be used as raw materials. Typically, our customers will have obtained indicative prices for these raw materials and we will then use these indicative prices as a guide when purchasing such raw materials from New Material.

For more details, please refer to section 2.1(a) of the Annexure.

- (3) Sale of products to Texchem Materials and Texchem Materials (Thailand) Ltd. ("**TexMat Thailand**")

TexMat Thailand is a wholly-owned subsidiary of Texchem Materials. Texpolymers sells compounded resin products to Texchem Materials and TexMat Thailand. TLS also sells life care products to TexMat Thailand.

For more details, please refer to section 2.1(d) of the Annexure.

Save as disclosed above, the particulars of the Interested Person Transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged.

2.4 Details of the IPT Mandate

Details of the IPT Mandate including the rationale for and the benefits to our Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in the Annexure to this Letter.

3. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTEREST

3.1 Directors' Interest in Shares

The interests of the Directors in the shares of our Company ("**Shares**") as at 16 March 2015 (the "**Latest Practicable Date**") are set out below:

Directors	Direct Interest	Number of Shares		
		%	Deemed Interest	%
Brian Tan Guan Hooi	—	—	—	—
Yap Kee Keong	—	—	—	—
Dr. Yuma Konishi	—	—	—	—
Soh Chiaw Guan	1,000	0.0007	—	—
Kim Seah Teck Kim	—	—	—	—
Ang Cheng Gian, Eric	—	—	—	—

3.2 Substantial Shareholders' Interests in Shares

The interests of the substantial Shareholders in the Shares as at the Latest Practicable Date are as set out below:

Substantial Shareholder	Direct Interest	Number of Shares		
		%	Deemed Interest	%
Texchem Resources Bhd.	97,764,618	70.48	—	—
Texchem Holdings Sdn. Bhd. ^{(1), (2)}	—	—	97,764,618	70.48
Texchem Corporation Sdn. Bhd. ⁽²⁾	—	—	97,764,618	70.48
Tan Sri Dato' Seri (Dr.) Fumihiko Konishi ^{(1), (2)}	—	—	97,764,618	70.48

Notes:

- (1) Texchem Holdings Sdn. Bhd. ("**Texchem Holdings**") has approximately 32.99% direct interest in the share capital of TRB and is thus deemed, for the purposes of Section 7 of the Companies Act (Cap 50) of Singapore, to be interested in TRB's shareholding in our Company. In addition, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi holds the entire share capital of Texchem Holdings save for 20 shares held by his wife and accordingly, is also deemed, for the purposes of Section 7 of the Companies Act (Cap 50) of Singapore, to be interested in TRB's shareholding in our Company.
- (2) Texchem Corporation Sdn. Bhd. ("**Texcorp**") has approximately 19.46% direct interest in the share capital of TRB and is thus deemed, for the purposes of Section 7 of the Companies Act (Cap 50) of Singapore, to be interested in TRB's shareholding in our Company. In addition, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi's associates, namely his wife and children, TRB and Texchem Holdings are collectively substantial shareholders of Texcorp and accordingly, Tan Sri Dato' Seri (Dr.) Fumihiko Konishi is also deemed, for the purposes of Section 7 of the Companies Act (Cap 50) of Singapore, to be interested in TRB's shareholding in our Company.

Save as disclosed above, none of our Directors or substantial Shareholders or any of their associates has any interest, direct or indirect, in the IPT Mandate.

3.3 Abstention from Voting

TRB and its respective associates (being Interested Persons) will abstain from voting in respect of the Ordinary Resolution in relation to the renewal and approval of the IPT Mandate under the heading "Special Business" set out in the Notice.

TRB and its respective associates will also decline to accept appointment as proxies for Shareholders to vote in respect of the Ordinary Resolution in relation to the renewal and approval of the IPT Mandate under the heading "Special Business" set out in the Notice unless the Shareholder concerned has given specific instruction in his proxy form as to the manner in which his votes are to be cast in respect of the Ordinary Resolution.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company consists of Mr Ang Cheng Gian, Eric (Chairman of the Audit Committee), Mr Kim Seah Teck Kim and Mr Soh Chiaw Guan.

The Audit Committee (save for Mr Soh Chiaw Guan who is deemed interested and/or does not consider himself independent) has reviewed the terms of the proposed IPT Mandate and confirms that:

- notwithstanding the changes in particulars of the Interested Person Transactions as set out in sub-paragraph 2.3 of this Letter, the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2014 AGM; and
- the methods or procedures for determining the transaction prices under the IPT Mandate are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on an arm's length basis and on normal commercial terms and would be prejudicial to the interests of our Company and its minority Shareholders, our Company will seek a fresh mandate from the Shareholders based on new guidelines and procedures.

5. DIRECTORS' RECOMMENDATIONS

The Directors who are independent and/or considered independent for the purposes of the proposed IPT Mandate ("**Independent Directors**"), being Mr Ang Cheng Gian, Eric and Mr Kim Seah Teck Kim, having considered, *inter alia*, the terms, the rationale and the benefits of the IPT Mandate and the statement of the Audit Committee, are of the view that the IPT Mandate, as proposed to be renewed and approved, is in the best interests of our Company and accordingly recommend that the Independent Shareholders vote in favour of Resolution 7, being the Ordinary Resolution relating to the proposed renewal and new IPT Mandate, at the 2015 AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed IPT Mandate, our Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

7. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

8. SGX-ST DISCLAIMER

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Letter.

Yours faithfully

Ang Cheng Gian, Eric
Independent Non-Executive Director and Chairman of Audit Committee
Texchem-Pack Holdings (S) Ltd.

INTERESTED PERSON TRANSACTIONS MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1. Under Chapter 9 of the Listing Manual (“**Chapter 9**”), where an entity at risk proposes to enter into a transaction with interested persons of the issuer, Shareholders’ approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Listing Rule 905, a listed company must make an immediate announcement of any such transactions where:

- (a) the value of such transaction is equal to or exceeds 3% of the group’s latest audited net tangible assets; or
- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year equals to or exceeds 3% of the group’s latest audited net tangible assets, such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

Pursuant to Listing Rule 906, shareholders’ approval (in addition to an immediate announcement) is required where:

- (a) the value of such transaction is equal to or exceeds 5% of the group’s latest audited net tangible assets; or
- (b) the value of such transaction with interested persons when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year equals to or exceeds 5% of the group’s latest audited net tangible assets, such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

Interested person transactions below \$100,000 each are to be excluded.

- 1.2. Chapter 9 allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

1.3. Under the Listing Manual:

- (a) an “entity at risk” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;
- (b) an “interested person” means:
 - (i) a director, chief executive officer, or controlling shareholder of the listed company; or

- (ii) an associate of any such director, chief executive officer, or controlling shareholder;
- (c) an “associate” means:
 - (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - 1. his immediate family;
 - 2. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - 3. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
 - (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (d) an “interested person transaction” means a transaction between an entity at risk and an interested person; and
- (e) an “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.

2. SCOPE OF THE IPT MANDATE

We are part of the Texchem Resources Bhd. Group i.e. TRB, its subsidiaries and associated companies (“**TRB Group**”) and we operate its business relating to the manufacture and sale of plastic packaging materials. We anticipate that we will continue to have transactions of a revenue or trading nature or those necessary for our day-to-day operations with the other members of the TRB Group.

Texcorp is a subsidiary of TRB, our controlling Shareholder. Texcorp functions as the investment and management services arm of TRB and provides certain management services to the TRB Group. Texcorp also has certain subsidiaries which provide specialised services on commercial terms. We also share certain pooled resources with the TRB Group. We anticipate that we will continue to have transactions of a revenue or trading nature or those necessary for our day-to-day operations with the TRB Group.

Renewal and approval of the IPT Mandate is sought for our transactions with the TRB Group which can generally be classified into two (2) categories:

- (a) sale and purchase of products or services; and
- (b) provision of corporate services and/or reimbursement of costs for shared resources.

2.1. Sale and Purchase of Products or Services

(a) *Purchase of raw materials from Texchem Materials and New Material*

Texchem Materials is a wholly-owned subsidiary of TRB and is a major distributor for a wide variety of plastic resins and extruded plastic sheets in Malaysia. It is also a principal agent for certain types and grades of resins. New Material is a wholly-owned subsidiary of Texchem Materials. New Material is engaged in the trading of foreign and local electronic components and general merchandises. Some of our customers have specified for the products from Texchem Materials and New Material to be used as raw materials. Typically, our customers will have obtained indicative prices for these raw materials and we will then use these indicative prices as a guide when purchasing such raw materials from Texchem Materials and New Material.

(b) Payment of forwarding and haulage charges to Texchem Food Sdn. Bhd.

Texchem Food Sdn. Bhd. ("**Texchem Food**") is a wholly-owned subsidiary of TRB, and Texchem Food acts as a forwarding and handling agent for us. We employ Texchem Food due to its ability to obtain competitive freight and shipping rates. For the provision of such services, we pay Texchem Food a service charge that is determined based on market rates for equivalent services.

(c) Payment of security charges to Guardman Security Services Sdn. Bhd.

We engage Guardman Security Services Sdn. Bhd. ("**Guardman Security**"), a wholly-owned subsidiary of Texcorp, to provide security services for our production facilities located in Malaysia pursuant to separate agreements entered into between our Malaysian subsidiaries, namely Texpack, TPP, Texpack Johor and Guardman Security in September 2003, between Eye Graphic and Guardman Security in February 2006 and between TLS and Guardman Security in April 2009. Pursuant to these agreements, Guardman Security will provide security services to man and guard premises used by our Malaysian subsidiaries. The rates payable for security charges is RM2,185 per guard per month commencing from 1 January 2013. The rate shall be reviewed from time to time taking into consideration, *inter alia*, the prevailing market situation. The rates charged by Guardman Security are comparable to market rates, taking into account the quality of services provided by Guardman Security.

(d) Sales of products to our interested persons

In the ordinary course of our business, we sell thermoformed trays to Sushi Kin Sdn. Bhd. ("**Sushi Kin**"), a wholly-owned subsidiary of TRB. We also sell compounded resin products to Texchem Materials and TexMat Thailand and life care products to TexMat Thailand. Accordingly, transactions between us and Sushi Kin, Texchem Materials and TexMat Thailand are interested person transactions. We consider our transactions with Sushi Kin, Texchem Materials and TexMat Thailand to be commercially viable. Our transactions were conducted at arm's length and on commercial terms. The sale of our thermoformed trays to Sushi Kin, resins products to Texchem Materials and TexMat Thailand and life care products to TexMat Thailand are expected to continue because of the goodwill and relationship which has developed between us, Sushi Kin, Texchem Materials and TexMat Thailand.

2.2 Provision of corporate services and/or reimbursement of costs for shared resources

(a) Provision of corporate guarantees by TRB

As we are part of the TRB Group, TRB provides corporate guarantees for our banking facilities. The table below sets out the relevant details of the aggregate facilities for our Group that are secured by the corporate guarantees, which also extend to interest and other ancillary costs such as legal fees of the lending banks.

Bank	Maximum Principal Amount Guaranteed (RM'000)
RHB ⁽¹⁾	8,000
HSBC ⁽²⁾	4,200
MBB ⁽³⁾	36,117
CIMB ⁽⁴⁾	12,200
TMB ⁽⁵⁾	7,777
Total	68,294

Notes:

- (1) RHB Bank Berhad
- (2) The Hongkong and Shanghai Banking Corporation Limited
- (3) Malayan Banking Berhad
- (4) CIMB Bank Berhad
- (5) TMB Bank Public Company Ltd

In the event that the release of such guarantees would result in the variation of the terms of such banking facilities so as to adversely affect our operations and financial performance, TRB would continue to provide such guarantees and charge fees to be pegged at no more than the prevailing commission rates charged by Malaysian commercial banks for the provision of bank guarantees on the amount of the facilities that have been utilised by our Group.

(b) *Payment of management fees to Texcorp*

Texcorp is a subsidiary of TRB and Texcorp functions as the investment and management services arm of TRB. Texcorp provides management services to our Group including:

- (i) support in the areas of accounting/financial analysis, human resources, IT services, public affairs, investor relations, legal, corporate secretarial and planning services to Texpack, TPP, Texpack Johor, Texpolymers, Eye Graphic, TLS, Texchem Advanced Products Incorporated Sdn. Bhd. ("**TAP**"), Alaya Asia Sdn. Bhd. ("**Alaya**") and our Company; and
- (ii) similar management services to our subsidiaries based outside of Malaysia, namely Texpack Thailand, Texpack Vietnam and Texpack Wuxi at a retainer fee of RM20,000 per month which has decreased from RM26,000 per month with effect from 1 January 2015 on a cost-reimbursement basis.

We believe that this arrangement is beneficial to us as there are cost savings and improved synergy to us which stem from the pooling and sharing of Texcorp's professional management resources and professional specialist services. In addition, the familiarity of Texcorp's personnel with our Group's business, history, functions and administration enables them to carry out such functions more efficiently. We also believe that the management fees that are based on a cost-reimbursement basis having regard to the sales generated and the proportionate resources required are on normal commercial terms and are not prejudicial to our minority Shareholders as there is a correlation between the sales generated and the amount of management services required by our respective subsidiaries.

We intend to continue with this arrangement with Texcorp as we will otherwise incur significant costs and expenses to set up alternative infrastructure as well as hire the necessary personnel to provide the management services currently being provided by Texcorp and this arrangement provides us with significant costs savings from being able to share pooled resources. Although such services may be obtained from third party sources or, upon the establishment of suitable administrative infrastructure, be provided in-house, we have performed our internal costing and budgeting estimates, relying (where appropriate) on independent third party quotes for the provision of equivalent services and believe that the management fee charged by Texcorp is reasonable.

Furthermore, the fees payable by our subsidiaries in respect of the management and/or retainer fees as mentioned above will be subjected to a cap calculated at 115% of the annual sales estimates for the relevant subsidiaries that are determined during our internal reviews conducted at the beginning of each financial year and any payments in excess of such a cap shall be at the discretion of our Head of Group Finance subject to the approval of our Audit Committee to ensure that the interests of our minority Shareholders are not prejudiced. In the event that the Audit Committee approves the payment in excess of the cap, the basis of such approval shall be disclosed in our Company's annual report.

The following companies entered into similar agreements with Texcorp in relation to the provision of management services on the stipulated dates:

- (i) each of Texpack and TPP on 22 October 2003;
- (ii) Eye Graphic on 1 February 1996;
- (iii) Texpolymers on 1 July 2005;
- (iv) TAP on 2 January 2010;
- (v) Alaya on 16 March 2011;

- (vi) our Company on 2 January 2013; and
- (vii) Texpack Johor on 31 May 2007.

(collectively, the “**Management Services Agreements**”).

Each Management Services Agreement is for a period of one (1) year and is automatically renewed on a yearly basis unless six (6) months’ notice is given by either party, save for the Management Services Agreements in respect of Eye Graphic, TAP, Alaya, our Company and Texpack Johor which will be in force unless terminated by either party giving two (2) months’ notice. These Management Services Agreements had served to document the arrangements for provision of such management services by Texcorp that had been in place prior to these Management Services Agreements being entered into.

Prior to the renewal of each Management Services Agreement, we will undertake an annual review to ascertain if the management fee charged by Texcorp is reasonable and at arm’s length, taking into account the cost of establishing a department to undertake these services provided by Texcorp.

(c) *Reimbursement of IT maintenance charges to Texcorp*

This refers to the sharing of maintenance costs of IT hardware and software by TLS and Eye Graphic on a cost reimbursement basis. The computer systems utilised by TLS and Eye Graphic are part of the TRB Group’s network, the maintenance costs of which are borne directly by Texcorp. Although such systems are part of the TRB Group’s network, access to such systems is limited to the relevant personnel of our Group. These costs are shared by the TRB Group based on the actual number of computer terminals and software licences utilised by the individual members of the TRB Group. We believe that this arrangement provides us with significant costs savings from being able to share pooled IT resources.

(d) *Rental of office space from Texchem Materials*

Eye Graphic rents part of the premises of Texchem Materials as its office space from Texchem Materials. The Texchem Materials premises are used as a sales office by Eye Graphic. Pursuant to the tenancy agreement dated 20 August 2002 and the renewal letters dated 31 December 2004, 29 December 2006 and 18 December 2008 and the tenancy agreement dated 1 May 2010 (the “**Tenancy Agreement**”), the term for the tenancy of the Texchem Materials premises was revised from a period of two (2) years beginning 1 January 2009 to 31 December 2010, 1 May 2010 to 30 April 2012, 1 May 2012 to 30 April 2014 and the Tenancy Agreement was revised to incorporate the increase in the rented floor area and monthly rental from 168 sq ft at a rental rate of RM638.40 per month to 181 sq ft at a rental rate of RM687.80 per month for a period of two (2) years commencing on 1 August 2013 and ending on 31 July 2015 on the same terms and conditions as the Tenancy Agreement. The tenancy may be renewed for a further two (2) years on such further terms and conditions as may be mutually agreed between the parties. The rates charged are comparable to normal commercial rates.

(e) *Rental of office space from TRB*

Since 1 December 2013, Texpolymers has rented an office space of 168 sq ft at the premises located at Level 18, Menara Boustead Penang, 39, Jalan Sultan Ahmad Shah 10050 Penang, Malaysia from TRB. Since 1 January 2015, the rental rate has decreased from RM575.91 to RM532.85 per month.

3. CLASS OF INTERESTED PERSONS

The IPT Mandate will apply to our Group’s interested person transactions with:

- (a) Texchem Materials;
- (b) New Material;
- (c) TexMat Thailand;

- (d) Texchem Food;
- (e) Guardman Security;
- (f) Sushi Kin;
- (g) TRB; and
- (h) Texcorp

(collectively, the “**Interested Persons**” and each an “**Interested Person**”).

4. **CATEGORIES OF INTERESTED PERSON TRANSACTIONS**

The interested person transactions with the Interested Persons that will be covered by the IPT Mandate (“**Interested Person Transactions**”) are set out below.

- (a) Sale and purchase of products and services

This relates to the sale of our products to the Interested Persons and the purchase of raw materials, other supplies and services by our Group from the Interested Persons. Our Directors are of the view that it will be beneficial for us to continue selling our products to the Interested Persons, especially since such transactions are to be entered into on normal commercial terms and on an arm’s length basis. Such transactions will be an additional revenue source to our Group, on top of sales to unrelated third parties.

In relation to the purchase of raw materials, other supplies and services from the Interested Persons, our Directors are of the view that it is in the interests of our Group to continue such purchases as the Interested Persons will be additional sources of such products and services. There are also intangible benefits to be derived from continuing with such purchases. For instance, Texchem Materials is a distributor for a wide variety of plastic resins and extruded plastic sheets. It is also an agent for certain types and grades of resins that some of our customers specify to be used as raw materials. Texchem Materials has been one of our major suppliers since the commencement of our operations. Accordingly, our Directors believe that there are intangible benefits from continuing with this arrangement pursuant to the goodwill built up between the parties over the years. These intangible benefits include expertise in inventory management and shipping and timely delivery of raw materials to our Group.

- (b) Provision of corporate services and/or reimbursement of costs for shared resources

This relates to the corporate management and support services provided by the Interested Persons to our Group in various areas. From time to time, certain members of the TRB Group provide services to members of our Group. Our Directors believe that as the Interested Persons are more familiar with our Group’s business, history, functions and administration (as compared to unrelated third parties), the Interested Persons will be able to provide such services efficiently and achieve better synergy. By having access to such management and support services, our Directors believe that our Group will derive operational and financial leverage in its dealings with third parties. Through such support and services, our Group would also enjoy sharing of resources and economies of scale, and eliminate duplication of effort.

This category also relates to the reimbursement of costs for the sharing of resources with the Interested Persons. The TRB Group shares pooled resources (including management and IT resources) and allocates the costs of such resources to the users. Such allocation is made on a cost reimbursement basis based on the actual number of computer terminals and software licences utilised by the individual members of the TRB Group. We will reimburse the relevant Interested Persons for our allocated portion of such costs. Our Directors are of the view that it is in the interests of our Group to continue such transactions as we enjoy economies of scale in having access to such pooled resources.

5. RATIONALE FOR AND BENEFITS OF THE IPT MANDATE

The Interested Person Transactions are entered into or to be entered into by our Group in its ordinary course of business or are necessary for our day-to-day operations. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. Our Directors are of the view that it will be beneficial to us to transact or continue to transact with the Interested Persons for the reasons set out in the descriptions of each type of transaction above.

The IPT Mandate and the renewal of the IPT Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential interested person transactions with the Interested Persons arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

The IPT Mandate is intended to facilitate transactions in our normal course of business which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to our Company and our minority Shareholders. Disclosure will be made in our annual report of the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which an IPT Mandate is in force.

6. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

6.1 Review Procedures for Interested Person Transactions covered by the IPT Mandate

To ensure that the mandated transactions with Interested Persons are undertaken on normal commercial terms, not prejudicial to our Company and our minority Shareholders and are consistent with our Group's normal business practices and policies, the following review procedures will be implemented by us. Our Group has internal control systems to ensure that transactions with interested persons of our Company (including the Interested Persons) are undertaken at arm's length and on commercial terms, and will not be prejudicial to the interests of our Company and its minority Shareholders.

(a) Sale and purchase of products and services

There are procedures established by our Group to ensure that the sale and purchase of products and services to and from the Interested Persons are undertaken on an arm's length basis consistent with our normal business practices and policies and which are carried out on normal commercial terms not prejudicial to the interests of our Company and its minority Shareholders. In relation to any transaction proposed to be carried out with the Interested Persons for the sale and purchase of products and services, such transactions shall be made at our prevailing rates/prices or the prevailing rates/prices of the Interested Person (as the case may be) and carried out on normal commercial terms that are not more favourable to the relevant Interested Persons than those extended to unrelated third persons and such transactions will not be prejudicial to the interests of our Company or its minority Shareholders.

When purchasing raw materials, supplies and services (including forwarding charges to Texchem Materials) from the Interested Persons, at least two other quotations from non-interested persons will be obtained (where available) for comparison to ensure that the interests of our minority Shareholders are not disadvantaged. The purchase price shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration.

When the non-interested person's competitive quotes are unavailable due to the nature of the product to be purchased, for example, if there are no unrelated third party vendors selling a similar type of product, where relevant, the purchase price paid shall not be higher than the price that was advised by our customers in their product specification document

given when we were appointed by them as a qualified supplier. Where the above procedure is not relevant, the senior management staff within our Group (other than the Interested Persons and their associates) will determine whether the price and terms offered by the Interested Persons are fair and reasonable, on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders based on our normal business practices, policies and margins.

When selling our products and/or services to the Interested Persons, we will take into account the prices and terms of at least two other recent successful sales of the same or similar products and/or services to non-interested persons. The price of our sales to the Interested Persons shall not be lower than the lowest sale price of such sales to non-interested persons, after taking into consideration all pertinent factors, including but not limited to quality, delivery time and track record. Where prevailing sale prices are unavailable, the senior management staff within our Group (other than the Interested Persons and their associates) will determine whether the price and terms offered to the Interested Persons are fair and reasonable, on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders based on our normal business practices, policies and margins.

(b) Provision of corporate services and/or reimbursement of costs for shared resources

Our Group will satisfy itself that the actual fees paid or payable for the corporate management and support services and other services provided by the Interested Persons shall be on an arm's length basis and on normal commercial terms not prejudicial to the interests of our Company and its minority Shareholders.

For inter-company loans from an Interested Person, at least two other quotations from Malaysian commercial banks for the provision of such loans will be obtained (where available) for comparison. Our Group will ensure that the terms and conditions of the loan offered by/to the Interested Person shall not be worse off than the most competitive rate of the two other quotations from the Malaysian commercial banks if such loans were to be provided by such banks.

We will, on an annual basis, review the costs of obtaining such services provided by the Interested Persons. In particular, in respect of:

Provision of corporate guarantees by TRB

We will compare the fees (if any) charged by TRB for the provision of such guarantees against the fee quotations of at least two Malaysian commercial banks for the provision of bank guarantees on the amount of the facilities that have been utilised. Please refer to the section entitled "Provision of corporate guarantees by TRB" in sub-Paragraph 2.2 for the circumstances in which such fees may be charged.

Payment of management fees to Texcorp

We will compare the fees payable to Texcorp against our internal costing and budgeting estimates prepared by non-interested persons for establishing equivalent administrative infrastructure or securing equivalent services provided by other non-interested persons or a combination of both. Where the actual sales of our subsidiaries exceed the budgeted sales determined at our internal reviews conducted at the beginning of each financial year (the "**Budgeted Sales**"), our Head of Group Finance may, at his discretion, make a recommendation to the Audit Committee, giving reasons to justify payments in excess of the cap on management fees (115% of Budgeted Sales), taking into account any extra management services provided by Texcorp in connection with the higher than budgeted sales of the relevant subsidiary.

Reimbursement of IT maintenance charges to Texcorp

We will compare the costs allocated by Texcorp to our Group based on our Group's actual number of computer terminals and software licences against the costs of obtaining similar IT hardware and software maintenance services from at least two other non-interested persons.

We will undertake such review using quotes obtained from non-interested persons and other relevant data (including expected salaries and associated costs of hiring personnel) where applicable. All relevant documentation will be tabled to the Audit Committee for its review on a bi-annual basis. If, upon such review, we are of the view that the fees paid or payable for such services are not commercially viable or otherwise reasonable, we will attempt to renegotiate such fees or, failing the satisfactory resolution of such negotiation, cease such transactions, including terminating the relevant agreements in accordance with their terms.

6.2 Review Procedures for All Other Interested Person Transactions Not Covered by the IPT Mandate

Our Audit Committee will review all other existing and future interested person transactions not subject to the IPT Mandate to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders. They will adopt the following procedures when reviewing such interested person transactions:

- (a) When purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained (where available) for comparison to ensure that the interest of minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration;
- (b) When selling items or supplying services to an interested person, the price and terms of at least two other successful sales of a similar nature to non-interested persons will be used in comparison to ensure that the interests of our minority Shareholders are not disadvantaged. The sale price or fee for the supply of services shall not be lower than the lowest sale or fee of the two other successful transactions with non-interested persons; and
- (c) When renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar property and obtaining necessary report or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant inquiries.

Transactions falling within the above categories, if any, will be reviewed at least every six months by our Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

6.3 Additional Control and Verification Procedures to be Undertaken by the Audit Committee

In addition, the following review procedures will also be implemented by us:

- (a) transactions which are less than or equal to S\$500,000 in value will be reviewed and approved by a senior management personnel of our Company approved by the Audit Committee, except in cases where he is one of the parties to or has an interest (whether directly or indirectly) in the transaction. In such cases, the transaction will be reviewed and approved by the Audit Committee and our Board; and
- (b) transactions exceeding S\$500,000 in value will be reviewed and approved by the Audit Committee and by the Board.

Our Group has also implemented the following procedures for the identification of interested persons and the recording of all our interested person transactions:

- (a) our senior management will maintain a list of our Directors and Controlling Shareholders (which is to be updated immediately if there are any changes), and disclose the list to relevant personnel (such as those in charge of procurement functions and other key executives) to enable identification of interested persons. The master list of interested persons which is maintained shall be reviewed at least annually;
- (b) our senior management will also obtain signed letters of confirmation from key management personnel, substantial Shareholders and our Directors on an annual basis as to their interests in any transaction with our Group;
- (c) our senior management will compile and review all our interested person transactions prior to submission to the Audit Committee. Subsidiaries would be required to inform our senior management of any significant upcoming transactions with interested persons to facilitate timely announcements and/or the obtaining of Shareholders' approval, where necessary;
- (d) personnel in charge of procurement are required to prepare information relating to sales and purchases which constitute interested person transactions, which must then be submitted to our senior management for review prior to submission to the Audit Committee. Such information must comprise:
 - (i) forecast value of the transactions; and
 - (ii) analysis of cost, benefit and risks involved in the transactions;
- (e) the review of interested person transactions is to be conducted by our senior management, and shall comprise the comparison of the interested person transactions arrangement with industry practice and other customers;
- (f) the rationale for and analysis of interested person transactions shall be documented and filed in a register of interested person transactions (the "**Interested Person Transactions Register**"); and
- (g) our Audit Committee would be responsible for reviewing our interested person transactions on an annual basis and examining the adequacy of its internal controls. The outcome of such review shall be documented and filed in the Interested Person Transactions Register.

In addition, our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into pursuant to the IPT Mandate. In the event that a member of the Board or a member of the Audit Committee (where applicable) is interested in any interested person transaction, he will abstain from reviewing that particular transaction. Our Audit Committee and our Board shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between us and our interested persons are conducted on normal commercial terms.

Further, if during these periodic reviews by our Audit Committee, it is of the view that the guidelines and procedures as stated above are inappropriate or not sufficient to ensure that the mandated Interested Person Transactions will be on normal commercial terms and will not be prejudicial to our Company and our minority Shareholders, we will (pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual) revert to our Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons.

Our Audit Committee and our Board shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within our Company as they deem appropriate. Our Audit Committee is of the view that the methods and procedures for determining transaction prices, as set out above, are sufficient to ensure that our Group's transactions with the Interested Persons are on normal commercial terms which will not be prejudicial to the interests of our Company and its minority Shareholders. In arriving at their opinion as to whether the methods and procedures for determining transaction prices under the proposed IPT Mandate are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and its minority Shareholders, the Audit Committee has considered the rationale for and benefits of the IPT Mandate, the review procedures adopted for the Interested Person Transactions and the role of the Audit Committee, and is of the opinion that such methods and procedures under the IPT Mandate, as set out above, if adhered to, are sufficient to ensure that such transactions are carried out on normal commercial terms and will not be prejudicial to the interests of our Company and its minority Shareholders.

7. EXPIRY AND SUBSEQUENT RENEWAL OF THE IPT MANDATE

If approved by the Shareholders at the Annual General Meeting of our Company which is scheduled to be held on 27 April 2015, the IPT Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the next Annual General Meeting of our Company, unless revoked or varied by our Company in a general meeting.

8. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT MANDATE

Our Company will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate for the quarterly financial periods which our Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure has been made in the Annual Report of our Company for the financial year ended 31 December 2014 of the aggregate value of the transactions conducted with Interested Persons pursuant to the IPT Mandate during the financial year ended 31 December 2014, and will be made in our Company's Annual Reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.